

ZUMTOBEL GROUP

Annual Financial Report 2015/16

1 May 2015 to 30 April 2016

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Annual Financial Report 2015/16 Zumtobel Group AG

1 May 2015 to 30 April 2016

Five-Year Overview

in EUR million	2015/16	2014/15	2013/14	2012/13	2011/12
Revenues	1,356.5	1,312.6	1,246.8	1,243.6	1,280.3
Adjusted EBIT	58.7	66.5	47.6	35.7	35.0
<i>as a % of revenues</i>	4.3	5.1	3.8	2.9	2.7
Net profit/loss for the period	11.9	11.9	(4.8)	6.1	15.2
<i>as a % of revenues</i>	0.9	0.9	(0.4)	0.5	1.2
Total assets	1,068.6	1,086.3	1,006.6	994.8	1,036.3
Equity	333.2	322.6	327.6	357.4	370.6
<i>Equity ratio in %</i>	31.2	29.7	32.5	35.9	35.8
Net debt	134.8	148.2	126.2	113.2	141.4
Cash flow from operating results	84.8	103.1	79.5	79.8	88.1
Investments	58.4	76.6	65.6	59.5	57.1
<i>as a % of revenues</i>	4.3	5.8	5.3	4.8	4.5
R&D total	87.9	79.0	71.8	69.1	58.7
<i>as a % of revenues</i>	6.5	6.0	5.8	5.6	4.6
Headcount incl. contract worker (full-time equivalent)	6,761	7,234	7,291	7,162	7,456

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

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Chief Executive's Review

Dear Shareholders,



Ulrich Schumacher

For the Zumtobel Group, the past two financial years were characterised by a fundamental strategic reorientation and the implementation of necessary restructuring measures. The first successful results from the adjustment of production capacity, the merger of the previously separate Zumtobel and Thorn sales organisations and the Group-wide bundling of purchasing activities in the previous year were followed by the insight in 2015/16 that the full implementation of the restructuring – and, consequently, the expected improvement in our cost structures – would take longer than originally planned. As a result, we were unable to fully meet our ambitious growth and earnings targets for the reporting year. We are still convinced that this course is correct, but it will take more time and efforts to meet our goals.

Highest revenues in the Group's history

The Zumtobel Group generated the highest revenues in its history at EUR 1,356.5 million in 2015/16. That represents a year-on-year increase of 3.3%. After an adjustment for positive currency translation effects of EUR 26.2 million, the growth in revenues equalled 1.3%. Our LED business again served as the main driver for this development. With an increase of 31.7% to EUR 860.3 million, the LED share of Group revenues rose to 63.4% (2014/15: 49.8%).

The Lighting Segment passed the one billion mark for the first time in 2015/16 with an increase of 3.9% in revenues to EUR 1,028.4 million (2014/15: EUR 989.9 million). Despite sound development in the Benelux and Eastern Europe regions and in Germany, the overall growth in revenues remained below our expectations. This reflected the ongoing market weakness in France, Australia and the Middle East as well as a difficult market climate towards year-end in Great Britain, the most important market for the Zumtobel Group, and in Switzerland. Developments in the Components Segment were similar with an increase of 4.2% in revenues to EUR 410.4 million (2014/15: EUR 393.8 million). The slowdown during the second half-year resulted, above all, from the sale of the signage business to the US AgiLight, Inc. in November 2015.

Group EBIT negatively affected by future-oriented investments and delays in cost savings

Group EBIT adjusted for special effects fell by 11.7% to EUR 58.7 million in 2015/16 (2014/15: EUR 66.5 million). This decline is attributable, above all, to a significant increase in research and development expenses (plus EUR 8.9 million to EUR 87.9 million, R&D as a per cent of revenues rose to 6.5%) to strengthen the innovation power of the Zumtobel Group and its brands. These investments are a requirement for our future success because we see the far-reaching transformation process in the lighting industry as an important opportunity for the expansion of innovative business models and a chance to differentiate the Zumtobel Group from the competition. Operating results for the reporting year were also negatively influenced by delays in the forecasted realisation of cost savings from the plant restructuring as well as continuing price pressure and negative currency transaction effects (US dollar, Swiss franc). In contrast, the positive effects from the extensive cost savings throughout the year are clearly noticeable in the development of selling expenses.

Net profit at the prior year level and sound development of cash flow

In spite of higher negative special effects of EUR 34.9 million from the restructuring measures, net profit recorded by the Zumtobel Group totalled EUR 11.9 million in 2015/16 and matched the prior year level. Another very positive factor was the development of free cash flow: strict working capital management and a reduction in capital expenditure led to clearly positive free cash flow of EUR 49.8 million (2014/15: minus EUR 15.2 million). Net liabilities therefore declined by EUR 13.4 million to EUR 134.8 million as of 30 April 2016 (2014/15: EUR 148.2 million). Against the backdrop of these developments, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting on 22 July 2016 to distribute a dividend of EUR 0.20 per share for the 2015/16 financial year (2014/15: EUR 0.22).

Development in 2016/17 currently characterised by substantial uncertainty

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year, but with substantial regional differences. Great Britain, the most important market for the Zumtobel Group, has recently been faced with growing uncertainty over the outcome of the BREXIT referendum. This has led to delays in the completion of existing orders and the postponement of construction projects, above all in the project-based renovation business. The market climate in Australia, the Middle East, France and Switzerland is expected to remain difficult during 2016/17. Germany, the USA and Eastern Europe should, however, generate further sound growth. The forecasts for 2016/17 are therefore connected with above-average uncertainty and, consequently, no specific statements will be issued at the present time concerning the development of revenues and earnings in financial year 2016/17. The Zumtobel Group will continue its strategic reorientation course and the implementation of all necessary restructuring measures with its full commitment and determination during the new financial year. In addition, the Group is directing its investments to the expansion of expertise and capacity in the areas of intelligent controls and data management, the service business and other innovative business models.

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

Ulrich Schumacher
Chief Executive Officer (CEO)

1. Group Management Report

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1. Group Management Report

1.1 The Zumtobel Group – An Overview

1.1.1 Milestones

Growth since 1950

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

Conversion into a stock corporation

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

Takeover of Staff and Thorn

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

New era based on LED technology

The turn of the millennium brought the start of a new era for the Zumtobel Group. LED technology became an integral part of professional lighting solutions, initially in smaller applications. Tridonic in Jennersdorf, Austria, started to develop and produce LED components and modules in 2001. Today, this location is a key LED technology centre for the entire Zumtobel Group. The transformation from conventional lighting sources to LED has, for the most part, been completed: the LED share of Group revenues reached 63.4% in 2015/16, and nearly all of the new products introduced during the reporting year are equipped with energy-efficient LEDs.

IPO

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

Synergies through new organisational structure

A new organisational structure was implemented in December 2013 by Ulrich Schumacher, who joined the Zumtobel Group as CEO in October 2013. This structure has led to the realisation of synergy effects and improved market development through a multi-brand approach. All of the Lighting Segment brands are now marketed by a joint sales organisation. In addition, the Zumtobel Group under the direction of Ulrich Schumacher is focusing on a common product development and platform strategy that will lead to the use of the same components (above all from the Group’s Tridonic components subsidiary) in various Thorn, Zumtobel, Reiss and acdc lighting products. The procurement volumes for the entire Group have also been bundled in a central purchasing department. This maximises synergies in production, sales and development, reduces costs and strengthens the Group’s innovation power. Additionally, the plants in each segment were merged into a global production network to substantially improve cost structures and capacity utilisation.

Further development of multi-brand approach

The Zumtobel Group’s acquisition strategy and multi-brand approach were reflected in the takeover of acdc during the reporting year. This company is an innovative and dynamic brand for demanding LED projects with a specialisation on architectonic facade lighting and lighting solutions for hotels, restaurants and shops. acdc is a flexible, high-quality niche supplier which perfectly complements the Lighting Segment portfolio and is now marketed by the Zumtobel Group’s joint sales organisation.

At the Light + Building trade fair in spring 2016, the Zumtobel Group and its brands presented their first product portfolio for private consumers. This launch expands the current business area in close connection with the Group's partners – electricians / electrical systems planners – to also cover the demanding area of residential lighting ("Living").

Portfolio expanded with products for private consumers

After the reorientation of the lighting industry to focus on LED, the issue of "connectivity", meaning intelligent and Internet-linked lighting, represents the next major phase in the technological transformation. The Zumtobel Group will bundle its resources, including activities related to the Internet of Things (IoT), in a separate business division "Controls & Systems" starting on 1 May 2016.

New business division for "Controls & Systems"

The 2014/15 and 2015/16 financial years were an important transition period for the Zumtobel Group, when a stable foundation was created for profitable growth. Capacity utilisation in the plants has improved significantly and the increased cooperation between the brands in the joint sales organisation has led to the realisation of additional market opportunities. In order to drive international growth, the Zumtobel Group is concentrating on the further optimisation of structural costs, the expansion of its expertise in the areas of intelligent controls, data management and software development as well as the expansion of the service business and innovative business models.

Stable foundation for dynamic growth

1.1.2 The Company

The Zumtobel Group is a leading international supplier of innovative lighting solutions and components. This listed company operates 14 production plants on four continents and has sales offices and partners in nearly 90 countries. The Group employed a workforce of 6,761 as of 30 April 2016 and recorded revenues of EUR 1.356,5 million in the 2015/16 financial year. The founding Zumtobel family continues to hold approx. 35% of share capital and therefore serves as a stable core shareholder. The Zumtobel Group is based in Dornbirn, Vorarlberg (Austria).

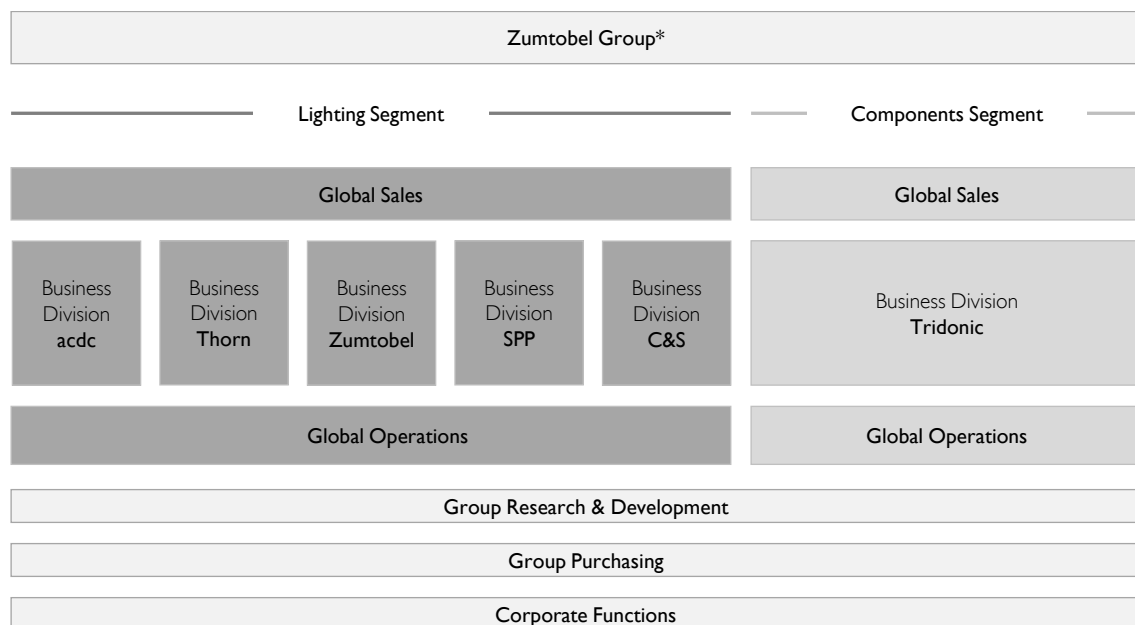
One of the few global players in the lighting industry

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

Thought leader and trendsetter for the lighting industry

Ulrich Schumacher, who was appointed CEO of the Zumtobel Group in October 2013, introduced a fundamentally new organisational structure in December 2013 structure, which led to the realisation of synergy effects and improved market development based on a multi-brand strategy.

Organisational structure of the Zumtobel Group



* Simplified illustration as of 1 May 2016

Global multi-brand sales based on customer-specific channels

The Zumtobel Group follows a multi-brand strategy and is therefore able to offer its customers – many of which represent very close and long-standing business relationships – an extensive range of products and services. The product portfolios of the various lighting brands are marketed by a single sales organisation, which is structured in three customer-specific channels: the project business (target group: marketing agents, architects, light and electrical planners), the end customer business (end customers in the retail, industry, outdoor public lighting and B2C branches) and business activities with electricians which take place through wholesalers. With Tridonic, the Zumtobel Group has a components producer with the capability to transform the latest technology trends into innovative system solutions through proven electronic and software know-how. That allows customers to benefit from a comprehensive offering that covers all areas of professional indoor and outdoor lighting, including lighting control components and systems.

Brands organised as business divisions

The four brands – acdc, Thorn, Zumtobel and Tridonic – are organised as business divisions. The responsibility for special products is centred in a fifth division “Special Purpose Products (SPP)”. It includes, above all, externally manufactured products, the Reiss portfolio with its focus on high protection products which are now also marketed through the global sales organisation as well as merchandise and OEM brands for the Group’s wholesale partners. The goals of each business division are to drive the strategic development of the product portfolio, to strengthen the brand profile and to ensure that customers’ needs are exactly met.

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, corporate integrity, Group technology and Group purchasing as well as the corporate centre which is responsible, among others, for strategy development, M&A activities and process management. These central functions support the implementation of the corporate strategy through standardised processes and instruments and ensure transparency and efficiency throughout the Group.

1.1.3 Products and production locations

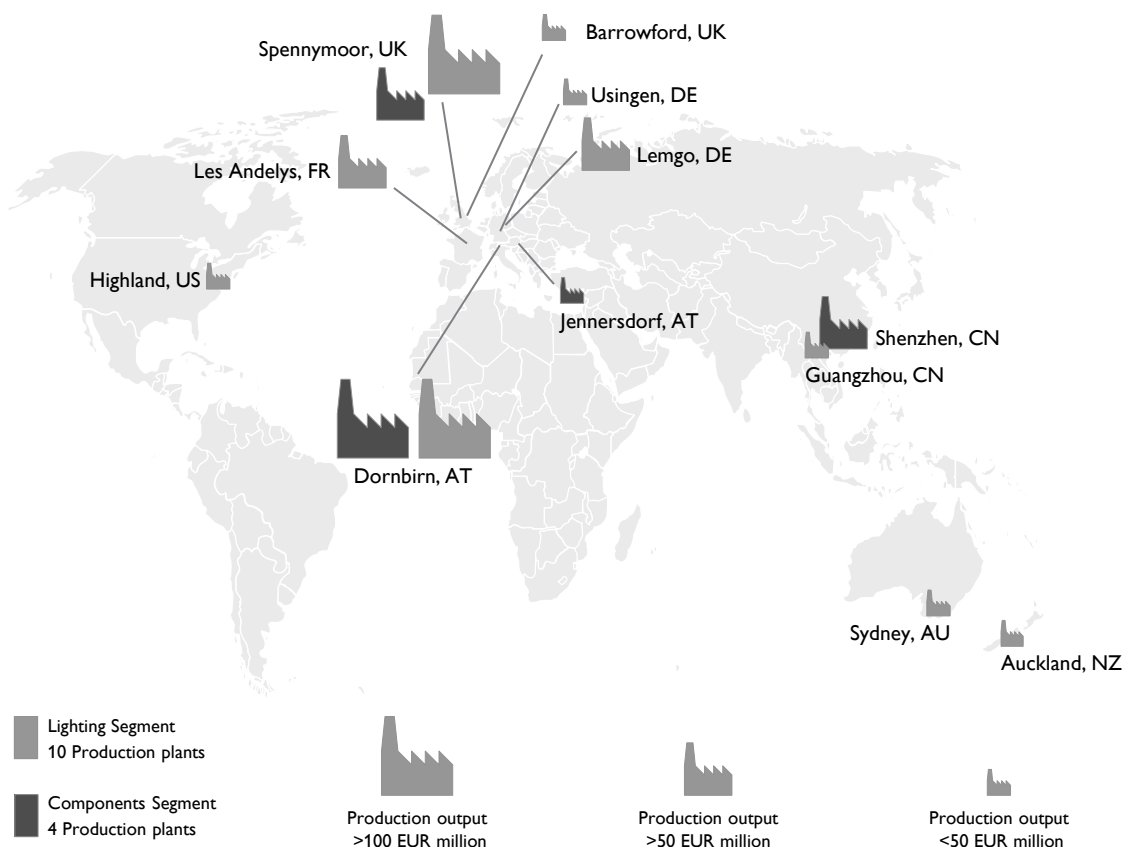
The Zumtobel Group covers the entire value chain in professional lighting. With its Thorn, Tridonic and Zumtobel brands and the two smaller brands acdc and Reiss, the Group offers its customers a complete range of products and services for all applications in professional indoor and outdoor lighting, including light management components and systems. The Lighting Segment covers the following areas of application: office and communication, education and science, presentation and retail, hotel and wellness, health and care, art and culture, industry and engineering (including high protection lighting) and facades as well as outdoor lighting for public areas, roads and tunnels, cityscapes, sports facilities and now also for residential applications ("Living"). The broad-based product offering of the Components Segment covers LED and OLED lighting, LED drivers, electronic control gear, emergency lighting and digital light management systems including sensors. The product portfolios in both segments are rounded out with purchased products.

Full coverage of the value chain

The Zumtobel Group's lighting and components plants are integrated in two global production networks. The individual plants are linked in a way that best utilises their regional and technological strengths for the benefit of the entire Group.

Global production network

Production network of Zumtobel Group as of 30 April 2016



The new organisation involved the implementation of numerous projects over the past two financial years which resulted in the reduction, sale or closing of individual locations. The lighting plants in Landskrona (Sweden) and Tianjin (China) as well as the components plant in Ennenda (Switzerland) were closed; Tridonic connection technology in Innsbruck (Austria) and the components plant in Auckland (New Zealand) were sold; and further plants were downsized. The first steps are also taken in April 2016 to terminate production in Usingen (Germany). As of 30 April 2016, the Zumtobel Group had 14 active production plants on four continents.

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

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.

Tridonic is the specialist for lighting operations, controls and management

Tridonic – with its intelligent, integrated and efficient solutions – is the global brand for the inner values of light. The brand offers a complete portfolio of hardware and software that is characterised by particularly high quality, reliability and energy efficiency. This fusion of technical expertise and customer orientation makes Tridonic a preferred partner. In addition to the intragroup production of components and system solutions for the Group's lighting brands, Tridonic also serves as an OEM supplier (Original Equipment Manufacturer) for luminaire producers throughout the world and generates over 80% of its revenues outside the Zumtobel Group. Customers value Tridonic as an innovative and competent partner that makes light more intelligent, interesting and sustainable. More than 2,500 patents document Tridonic's innovative strength. This components producer has further expanded its expertise in recent years, above all in the areas of lighting management solutions, software and the Internet of Things.

Zumtobel – the premium brand for architectural lighting

Zumtobel, as a premium brand and innovation leader, offers a wide range of high-end luminaires and lighting management systems for many different types of professional building applications. Its goal is to enrich people's lives with lighting and to make light come alive in the best possible quality. Valuable impulses for the further development of the portfolio are created not only by state-of-the-art research and technology, but also by long-standing cooperation with leading international architects, lighting planners, designers and artists in the project business. Outstanding design and innovative technology merge harmoniously in Zumtobel products and allow the brand to create lighting solutions that inspire and enrich numerous lives. Zumtobel's activities are intended to strengthen the globalisation of its market presence, to drive the future-oriented development of the product portfolio with outdoor and residential lighting and to expand the offering of intelligent lighting management systems.

acdc is an innovative and dynamic brand for demanding LED projects and high-quality architectonic lighting solutions. The company is focused exclusively on LED lighting with a specialisation on architectonic facade lighting and lighting solutions for hotels, restaurants and shops. acdc has compiled a range of prize-winning products that currently set the stage for some of the most distinctive buildings in the world.

acdc – the innovative niche supplier for demanding LED projects

Reiss is a long-standing, recognised worldwide specialist for high protection lighting with modern lighting technology. It complements the multi-brand strategy of the Zumtobel Group in the area of “X-treme Lighting”.

Reiss – the specialist for high protection lighting

1.1.5 Key success factors for the Zumtobel Group

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

The sales function plays a key role in the Zumtobel Group’s business model. The Group had 1,943 employees working in this area during the reporting year. The restructuring of sales to implement a multi-brand strategy focused on the various target groups allows the Zumtobel Group to meet and optimally cover the diverse needs of its customers. The sales approach of the Zumtobel and acdc brands is based primarily on the professional project business and the end customer business. The Thorn brand markets its products through all three sales channels. In the Components Segment, Tridonic, as an OEM supplier, sells its products worldwide to various lighting producers.

Multi-brand strategy and worldwide sales by customer target groups

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

Know-how in lighting applications

A central success factor for the Zumtobel Group is its ability to cover the entire value chain in professional lighting – from modules to complete lighting solutions. The growing digitalisation of the lighting industry and the increased use of LEDs and controls will make this expertise even more important in the future. The Group benefits from Tridonic’s know-how in intelligent components and systems and from the bundled application expertise of its lighting brands. Cooperation between the Lighting and Components Segments, above all in the area of research and development, leads to increased opportunities for differentiation from the competition.

Full coverage of the value chain

In 2015/16 research and development (R&D) expenditures rose by 17,1% to EUR 65,9 million. The further development of LED technology and the growing complexity of intelligent lighting systems represent major challenges for R&D. Luminaires and, consequently, also their components are becoming part of the Internet of Things (IoT). The Zumtobel Group is one of the largest suppliers in Europe and therefore has numerous advantages in competition with the many small and mid-sized luminaire producers. An extensive patent portfolio underscores the company’s innovative power and also protects growth, competitive advantages and access to strategic cooperation with companies in the electronics industry. Additional information on this subject is provided in section 1.11 Research and Development.

Strong technology position

1.1.6 Structural revenue drivers and the development of new services

Structural revenue drivers

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

Energy efficiency remains a central growth driver

The subject of energy efficiency is receiving greater attention in connection with the reduction of CO₂ emissions and remains a central growth driver for the Zumtobel Group. Artificial lighting is currently responsible for 19% of worldwide electricity consumption. Of this amount, nearly two-thirds are used for commercial buildings and outdoor lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group. Intelligently managed lighting solutions can reduce electricity consumption by up to 80%. 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.

Strong rise in demand for LED lighting

The potential of LED technology, above all with regard to the increasing intelligence of lighting systems, is a key issue for the lighting industry. The growing importance of this technology is a direct result of continued performance improvements and a parallel decline in the cost of LED chips as well as an increasing awareness of the need to improve energy efficiency. The transformation from conventional lighting sources to LED has, for the most part, been completed: the LED share of Group revenues reached 63.4% in 2015/16, and nearly all of the new products introduced during the reporting year are equipped with energy-efficient LEDs.

Good lighting gives people a sense of well-being

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

Development of innovative services

Light as a service

The Zumtobel Group has created the basis to offer its customers innovative services and will increasingly rely on new business models in the future. With its "NOW" programme, the company is offering its customers light as a service for a monthly rate. This innovative sales approach is based on professional project management and flexible service contracts that allow customers to delegate the issue of light to the Zumtobel Group as an experienced partner. The contracts combine various service modules in order to meet the needs of customers. Options for contractually regulated technology updates allow customers to benefit from the latest lighting industry developments during the term of the contract. The growing number of reference projects underscore the substantial market demand for these services.

Light in the Internet of Things

The Group sees a further focal point and significant opportunities in the area of "connected lighting". Light is predestined to become a key element for the infrastructure of the Internet of Things (IoT). Lighting is everywhere, integrated and digital. Together with external partners, the Zumtobel Group is investigating the

combination of lighting and the IoT. The Internet of Light will make new and better experiences possible for the retail trade, buildings and cities and therefore offers a wide range of opportunities for the development of innovative business models. The Zumtobel Group is therefore systematically working to expand its expertise in the areas of software, connectivity and IoT.

1.1.7 Corporate strategy and medium-term goals

The Zumtobel Group follows a long-term, profitable growth strategy. The central elements of this strategy include the regular adjustment of production capacity, a multi-brand approach in the lighting business, the Group-wide bundling of purchasing activities and comprehensive coverage of the value chain as well as the further development of the service business and innovative business models. These elements allow the Zumtobel Group to realise opportunities for synergy and to differentiate itself from the competition. Therefore, management's goal is to optimise and lead the Zumtobel Group as a whole.

Multi-brand approach, cost optimisation and innovative business models

In the European construction industry, the reporting year saw the further stabilisation of the signs for a trend reversal from the longer period of declines to slight growth. This positive trend has been strengthened in the professional lighting industry by the technology shift to LED and energy efficiency with a special focus on intelligently managed lighting solutions. Demand in the professional lighting industry has currently disengaged from new commercial construction to a certain extent. The Zumtobel Group intends to generate growth above the industry average by focusing on efficient cost structures, increasing cooperation between the brands within the joint sales organisation, expanding its expertise in intelligent controls, data management and software development and by further developing the service business and innovative business models. Against this backdrop, the Zumtobel Group has set a goal to generate average FX-adjusted growth of 3% to 5% annually over the coming years.

Annual growth of 3% to 5% in revenues

The 2014/15 and 2015/16 financial years were an important transition period for the Zumtobel Group, when a stable foundation was created for profitable and dynamic growth in the future. The Zumtobel Group's management has set a goal to raise profitability to roughly 8% to 10% over the medium-term. Based on the new organisational structure, the company is expecting a further increase in production capacity utilisation, further efficiency improvements in sales, synergies from the Group-wide bundling of purchasing activities and average revenue growth slightly above the branch.

Steady increase in profitability to a range of 8% to 10%

The first positive effects from the previous restructuring measures to improve capacity utilisation and reduce costs in the plants are visible. However, they were offset in part during the reporting year by temporary issues such as negative foreign exchange effects, start-up difficulties from the relocation of production and increased pressure on prices. Further adjustments to the structural costs in the plants are evaluated regularly.

Further increase in plant capacity utilisation

Significant cost savings were achieved through the cross-regional merger of back office functions, the consolidation of infrastructure (e.g. showrooms and offices) and leaner management structures. These efforts led to a reduction of rd. 200 in the number of sales employees over the past two years and a decrease in selling costs as a per cent of revenues from 25.7% in 2013/14 to 24.1% in 2015/16. Plans call for further efficiency improvements in the sales area through ongoing optimisation and fine-tuning.

Significant efficiency improvements in sales

The Zumtobel Group has increased its investments in research and development over the past years, whereby the focus was placed on LED efficiency and optics, the architecture of future lighting systems, sensors and controls. This requires, above all, the expansion of capacity and expertise in the areas of system architecture, software development and data management and also forms the basis for future services. The Group-wide standardisation of components and the development of platform concepts allows for the realisation of synergies, reduces complexity and speeds up development. R&D costs will reflect the current level, i.e. approx. 6.5% of annual revenues, over the coming years.

Strengthening of technology position

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

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

1.1.8 Continuing commitment to sustainability

Sustainability is closely related to the core business

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

The Zumtobel Group's contribution to energy efficiency is demonstrated by an estimate of the energy savings potential of its portfolio of energy-efficient products during the reporting year. Under these assumptions, the Zumtobel Group helped to realise energy savings of 3,219,486 megawatt hours in 2015/16 (2014/15: 2,364,239 MWh). That represents the annual electricity requirements of 1,073,162 two-person households (2014/15: 788,080). Based on the CO₂ emissions of a coal-fired power plant, the energy savings contribution of the Zumtobel Group amounted to approx. 2,768,758 tonnes of CO₂ in 2015/16.

Additional detailed information on sustainability can be found in the following sections: 1.7 Human Resources, 1.8 Suppliers, 1.9 Quality, 1.10 Environmental Protection and 1.11 Research and Development.

1.2 General Economic Environment

Moderate global growth during the reporting year

The development of the global economy was again characterised by substantial uncertainty in 2015/16. Geopolitical tensions, crises and terrorist attacks created a difficult macro-environment, while the sharp drop in the price of oil and other raw materials influenced global incomes. Purchasing power improved in the industrial regions, but the emerging countries were faced with revenue declines. As a result, the worldwide economic generated only moderate growth. The International Monetary Fund (IMF) estimated global growth at 3.1% in 2015, which is slightly lower than the previous year (2014: 3.4%)¹.

The euro zone economy grew by 1.6% in the 2015 calendar year, supported by the European Central Bank's increasingly expansive monetary policy, low energy prices, the weak euro and robust exports. Contrasting factors in a number of euro zone markets were the high unemployment levels, limited wage increases and the unfavourable development of sovereign debt. Economic development in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, was, in total, solid during the 2015 calendar year. The German and Austrian economies grew by 1.5% and 0.9%, respectively, but Switzerland followed stronger growth of 1.9% in the 2014 calendar year with a very weak plus of only 0.9% in 2015. In Southern Europe, Spain (plus 3.2%) and Portugal (plus 1.5%) remained on a recovery course, and Italy recorded a moderate plus of 0.8% in the 2015 calendar year after a three-year downward cycle. The economy in Great Britain slowed slightly to 2.2% after very strong growth in the 2014 calendar year.

**Positive development
in the Euro zone**

The USA remained on a sound growth course with an increase of 2.4% in the 2015 calendar year, which was again supported by robust consumer spending in the private sector. In China, growth fell below 7% for the first time since 1990: a decline in industrial production, lower manufacturing activity and subdued investments limited the increase to 6.9% in the 2015 calendar year. The other BRIC nations presented a mixed picture. India generated impressive growth of 7.3%, but Brazil and Russia, which are heavily dependent on raw materials, were faced with continued recession and declines of 3.8% and 3.7%, respectively, in the 2015 calendar year.

**Continued solid
growth in the USA**

In its April 2016 forecast, the IMF painted a reserved positive picture for the global economy with an increase of 3.2% in 2016 and 3.5% in 2017. Stronger development will be hampered by the continuation of slower growth in China and the recession in the emerging countries, above all in Brazil and Russia. Uncertainty has been further fuelled by factors that include massive exchange rate fluctuations, widespread reservation in capital expenditure, the development of oil and other raw material prices and political discussions over issues like the possible exit of Great Britain from the EU. The IMF is therefore calling for a continuation of loose monetary policies in the industrial countries as well as measures to drive demand.

**Growing optimism for
major economies,
downward risks in
emerging countries**

¹ Source: IMF forecast, World Economic Outlook, April 2016

1.3 The Zumtobel Group Share

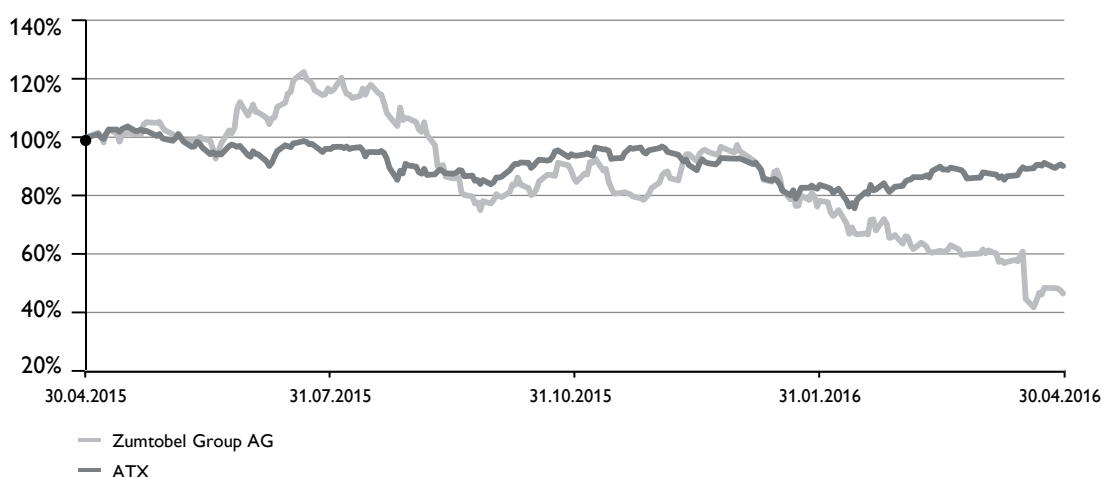
Turbulent stock market climate in 2015/16

Developments on the global stock markets during 2015/16 were influenced by the weak euro versus the US dollar, the slowdown in the Chinese economy and the continuation of low interest policies by the central banks. The leading Austrian Traded Index (ATX), which also includes the Zumtobel share, fell by 9.9% from 2,586 to 2,329 points. Other key indexes also recorded negative performance during this period, including the US Dow Jones (minus 0.4%), the German DAX (minus 12.4%) and the leading European Euro Stoxx 50 (minus 16.2%).

Substantial price decline for Zumtobel Group share

Zumtobel shareholders were able to enjoy share price increases of 63%, respectively 76%, during the past two financial years, but 2015/16 brought an entirely different trend. Against the backdrop of a weak market climate in Austria, the Zumtobel Group share fell by 53.5% from the beginning of May 2015 to the end of April 2016. The leading Austrian ATX index declined by 9.9% during these 12 months. The share's performance was very good during the first quarter of the reporting year with an increase to the annual high of EUR 29.89 on 20 July 2015. However, weak first quarter data ended this trend and led to a decline in the share price. The adjustment of earnings guidance for the 2015/16 financial year in December 2015 increased the pressure on the price of the Zumtobel Group share. The unsatisfactory development of business in March and weak order levels for the month of April led to the further adjustment of this earnings guidance at the end of the reporting year. In particular, Great Britain, the Zumtobel Group's most important market, was characterised by growing uncertainty in advance of the BREXIT referendum. This uncertain climate led to delays in the finalisation of existing contracts and the postponement of construction projects. These factors were responsible for a decline in the share price to the annual low of EUR 10.20 on 18 April 2016. The Zumtobel Group share ended the 2015/16 financial year on 30 April 2016 at a closing price of EUR 11.37.

Development of the Zumtobel Group Share



High volatility and lower prices on most international exchanges

Disappointing development of Zumtobel Group share

Market capitalisation of EUR 495 million

The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2015/16. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 495 million on 30 April 2016 (30 April 2015: EUR 1,063 million). In a ranking to determine ATX membership, the Zumtobel share was 25th among the largest listed companies in Austria as of 30 April 2016 based on market capitalisation and 15th based on trading volume. The average daily

turnover on the Vienna Stock Exchange rose from 99,111 shares in the prior year to 248,807 shares (double-count, as published by the Vienna Stock Exchange).

Key Data on the Zumtobel Group Share for the FY 2015/16

Closing price at 30.04.2015	EUR 24,445	Currency	EUR
Closing price at 30.04.2016	EUR 11,370	ISIN	AT0000837307
Performance FY 2015/16	-53,5%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.2016	EUR 495 Mio	Market segment	Prime Market
Share price - high at 20.07.2015	EUR 29,890	Reuters symbol	ZUMV.VI
Share price - low at 18.04.2016	EUR 10,200	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	248.807	Number of issued shares	43.500.000

Shareholder structure

There were no major changes in the shareholder structure of Zumtobel Group AG during the 2015/16 financial year. The Zumtobel family has remained the stable core shareholder of Zumtobel Group AG since the initial public offering with a stake of 35.4%. As of 30 April 2016 the institutional investors FMR LLC and Wellington Management Group LLP each held an investment of over 5%. Larzard Freres Gestion SAS informed Zumtobel Group AG that its investment had been increased to above 4% as of 2 June 2016. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. At the end of the 2015/16 financial year, the company held 353,343 treasury shares (2014/15: 353,863 shares).

Zumtobel family continues to hold 35.4%

Steady dividend policy

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and general economic developments. In view of the solid operating development during the reporting year and the generally stable economic environment in Europe, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 22 July 2016, calling for a dividend of EUR 0.20 per share for the 2015/16 financial year (2014/15: EUR 0.22).

Recommended dividend of EUR 0.20 per share for 2015/16

Investor relations activities focused on transparency and dialogue

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. Consequently, the Management Board and the investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows and one-on-one meetings. Discussions were held, among others, with institutional investors in Frankfurt, Copenhagen, London, Munich, Paris, Zurich and Vienna. In 2015/16 the following 10 well-known Austrian and international investment banks issued regular reports on the Zumtobel Group share with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Baader Bank (Munich), equinet Bank (Frankfurt), Erste Bank (Vienna), J.P. Morgan (London), Kepler Cheuvreux (London), Landesbank Baden-Württemberg (Stuttgart), Morgan Stanley (London), Nomura (London), Raiffeisen Centrobank (Vienna) and UBS (Frankfurt).

Zumtobel Group covered by 10 analysts

The Zumtobel Group holds a capital markets day for analysts and institutional investors every two years at the Light + Building trade fair in Frankfurt. Roughly 60 participants took advantage of this opportunity on 14 and 15 March 2016, where the Management Board and management provided information on the Group's

operating development and the current status of the transformation process as well as the strategy and medium-term goals during tours of the stands and lectures.

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 publications and additional information on the Zumtobel Group as well as the corporate governance report can be reviewed on the investor relations website under www.zumtobelgroup.com/en/investor_relations. The investor relations department is also available to answer specific questions and can be reached as follows:

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investorrelations@zumtobelgroup.com

1.4 Significant Events since 30 April 2015

AGM approves dividend for FY 2015/16

The 39th annual general meeting on 24 July 2015 authorised the payment of a EUR 0.22 dividend per share for the 2014/15 financial year. This dividend was distributed to shareholders on 31 July 2015.

Acquisition in new application areas

On 7 September 2015 the Zumtobel Group acquired a majority interest (60%) in the British LED producer AC/DC LED Holdings Ltd (acdc). The sale agreement also includes a call / put option for the purchase of the remaining non-controlling interest (40%) in acdc during 2020. acdc is a niche supplier of high-quality architectonic LED facade lighting and lighting solutions for hotels and design-oriented restaurants and bars. In 2014 the company generated annual revenues of approx. EUR 17 million.

Sale of signage business

Tridonic GmbH & Co KG sold its advertising lighting business (signage) to the US AgiLight Inc., a company with headquarters in San Antonio, Texas, as of 30 November 2015. The sale of the signage business, which generated revenues of approx. EUR 20 million in 2014/15, took the form of an asset deal.

New consortium credit agreement concluded up to 30 November 2020

In order to secure long-term liquidity at favourable conditions, the Zumtobel Group refinanced the existing consortium credit agreement, which would have ended in October 2016, prematurely at the beginning of December 2015. The new consortium credit agreement has a 5 + 1 + 1-year term and a maximum volume of EUR 300 million as well as a clause for an increase of up to EUR 200 million. This agreement was arranged with a syndicate of seven banks.

Supervisory Board targets continuity and strengthening of Executive Board

At the beginning of March 2016, the Supervisory Board of Zumtobel Group AG extended the contracts of CEO Ulrich Schumacher and CFO Karin Sonnenmoser, which would have expired on 30 April 2017, prematurely by a further three years to 30 April 2020. Alfred Felder, who previously served as the managing director of the components subsidiary Tridonic, was also appointed to the Management Board as Chief Operating Officer (COO) as of 1 April 2016; his term of office extends to 30 April 2019.

Closing of Usingen plant

The Zumtobel Group took the first steps at the end of April 2016 to terminate production at the plant in Usingen (Germany). This decision will affect 156 employees, and the closing is scheduled for 31 August 2016.

No other significant events occurred after the balance sheet date on 30 April 2016.

1.5 Related Party Transactions

Related parties include the Management Board and Supervisory Board of Zumtobel Group AG. As of the balance sheet date on 30 April 2016, there were no business relations with related parties. The Group has concluded supply and delivery agreements with associated companies that are based on normal market conditions. Additional information is provided in section 2.6.15 of the notes.

1.6 Review of Business Performance

1.6.1 Revenues

- >> Group revenues rise by 3.3%
- >> Clearly positive currency translation effects
- >> Continued dynamic growth with LED products (plus 31.7%)
- >> Substantial regional differences in business development

Revenues recorded by the Zumtobel Group rose by 3.3% year-on-year to EUR1,356.5 million (2014/15: EUR 1,312.6 million) in an increasingly volatile market environment during the 2015/16 financial year, which covered the period from 1 May 2015 to 30 April 2016. The development of revenues was supported by clearly positive foreign exchange effects of EUR 26.2 million which resulted, above all, from the revaluation of the Swiss franc (CHF), British pound (GBP) and US dollar (USD). After an adjustment for these foreign exchange effects, the increase in revenues amounted to 1.3%.

**Group revenues rise
by 3.3%**

Important growth impulses have been created, in particular, by LED technology and by the trend to intelligently managed, energy-efficient lighting. This was reflected in continued dynamic growth with LED products during the reporting year: Revenues from the sale of LED products rose by 31.7% to EUR 860.3 million (2014/15: EUR 653.3 million), and the LED share of Group revenues increased to 63.4% (2014/15: 49.8%). Both the Lighting Segment (plus 32.7%) and the Components Segment (plus 33.7%) benefited from the shift to LED with their extensive portfolio of innovative LED products. However, this momentum levelled off during the second half of 2015/16 due to the high comparative basis in the previous year.

**Continued dynamic
growth with LED
products**

Segment development in EUR million	2015/16	2014/15	Change in %
Lighting Segment	1,028.4	989.9	3.9
Components Segment	410.4	393.8	4.2
Reconciliation	(82.2)	(71.1)	15.6
Zumtobel Group	1,356.5	1,312.6	3.3

**FX-supported
 increase in the
 Lighting Segment**

The European commercial construction industry stabilised at a low level during the 2015 calendar year after a series of annual declines. Forecasts for the 2016 and 2017 calendar years point to a general trend reversal on the European markets with slight growth, but also with substantial regional differences. The late cyclical Lighting Segment passed the one-billion-mark for the first time in 2015/16 with an increase of 3.9% in revenues to EUR 1,028.4 million (2014/15: EUR 989.9 million). After an adjustment for positive foreign exchange effects, segment revenues rose by 1.8%. This lower-than-expected revenue growth resulted from the ongoing market weakness in France, Australia and the Middle East and from a more volatile and difficult year-end operating climate in Great Britain, which is the most important market for the Zumtobel Group, and in Switzerland.

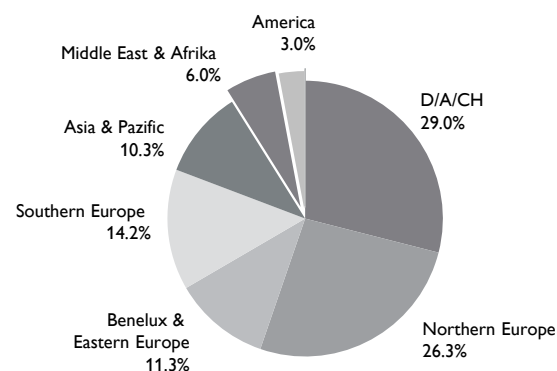
**Solid growth
 in the Components
 Segment**

The Components Segment continued its sound development during the reporting period. The sale of the signage activities in November 2015 marked a further milestone in the steady focus of the business on innovative LED components and systems for general lighting applications. Segment revenues rose by 4.2% to EUR 410.4 million in 2015/16 (2014/15: EUR 393.8 million). After an adjustment for positive foreign exchange effects, the revenue increase equalled 2.8%. The slower growth in the second half-year resulted, above all, from the sale of the signage business and the generally weaker market environment in recent months.

Distribution of revenues by region

2015/16	Revenues in EUR million	Change in %
D/A/CH	393.0	6.1
Northern Europe	356.7	3.9
Benelux & Eastern Europe	153.8	13.9
Southern Europe	192.0	(2.6)
Asia & Pacific	140.0	(6.5)
Middle East & Africa	80.7	(0.4)
Americas	40.3	11.3
Total	1,356.5	3.3

Regionale Umsatzverteilung



The sales regions were adjusted slightly to reflect the new organisational structure in this area of the Zumtobel Group. The most important changes included the reclassification of the Latin American countries to the America region and the Central Asian countries and Turkey to the Benelux & Eastern Europe region. The distribution of the countries to the individual regions is as follows:

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

These changes were also made retroactively and led to the adjustment of the regional distribution in the comparative period for the 2014/15 financial year.

There are major regional differences in the economic environment and the speed of implementation for the restructuring measures and strategic reorientation. Therefore, the development of revenues in the individual regions differed significantly during the reporting year. The D/A/CH region, the strongest market in the Zumtobel Group, recorded a 6.1% increase in revenues to EUR 393.0 million (FX-adjusted: 3.8%). Germany, in particular, benefited from the rising demand by large retail chains (key account business) which are looking to convert their shop lighting to LED because of the attractive amortisation periods. The development of business in Switzerland, in contrast, was influenced by an increasingly difficult market environment during the second half-year. Revenues in Northern Europe rose by 3.9% (FX-adjusted: 0.6%) to EUR 356.7 million. However, the economic climate in Great Britain, the most important market for the Zumtobel Group, was characterised by growing uncertainty during the fourth quarter which led to substantial fluctuations in monthly revenues. The project-based renovation business in that country was negatively affected by delays in the completion of existing contracts and the postponement of construction projects. The Benelux & Eastern Europe region, which now also includes Turkey and the countries in Central Asia, increased revenues by 13.9% to EUR 153.8 million in 2015/16. Solid development was recorded, above all, in Eastern Europe. In Southern Europe, the development of business in France remained clearly below expectations during the reporting year, but Italy returned to modest growth. Revenues in this region fell by 2.6% to EUR 192.0 million. The Asia & Pacific region is still undergoing extensive restructuring: revenues in Asia rose again for the first time in years, but Australia reported a substantial market-related decline. Revenues in the Asia & Pacific region fell by 6.5% (FX-adjusted: 7.9%) to EUR 140.0 million in 2015/16. In the Middle East & Africa region, revenues reflected the prior year level (minus 0.4%), but growth was increasingly slowed by project postponements during the second half-year. Business development in the America region, which now also includes the Latin American countries, was supported by the first successful results of the measures implemented in earlier quarters. Revenues were 11.3% higher (FX-adjusted: plus 0.7%) at EUR 40.3 million.

Adjustments in sales regions

Solid growth in European core markets with the exception of France

1.6.2 Earnings

- >> Adjusted Group EBIT declines by 11.7% to EUR 58.7 million
- >> Strong increase in expenditures for research and development (plus EUR 8.9 million)
- >> Substantial efficiency improvement in sales
- >> Negative special effects from the transformation process (EUR 34.9 million)
- >> Net profit of EUR 11.9 million for the 2015/16 financial year

Income statement in EUR million	2015/16	2014/15	Change in %
Revenues	1,356.5	1,312.6	3.3
Cost of goods sold	(925.4)	(878.0)	5.4
Gross profit	431.2	434.6	(0.8)
<i>as a % of revenues</i>	31.8	33.1	
SG&A expenses adjusted for special effects	(372.5)	(368.1)	1.2
Adjusted EBIT	58.7	66.5	(11.7)
<i>as a % of revenues</i>	4.3	5.1	
Special effects	(34.9)	(25.4)	37.3
EBIT	23.8	41.1	(42.0)
<i>as a % of revenues</i>	1.8	3.1	
Financial results	(8.2)	(25.4)	67.5
Profit/loss before tax	15.6	15.7	(0.7)
Income taxes	(3.7)	(3.7)	(1.2)
Net profit/loss for the period	11.9	11.9	(0.2)
Earnings per share (in EUR)	0.28	0.28	(0.3)

Note: EBITDA amounted to EUR 91.4 million in 2015/16 (2014/15: EUR 100.1 million).

Adjusted Group EBIT declines by 11.7%

Group EBIT adjusted for special effects fell by 11.7% to EUR 58.7 million in 2015/16 (2014/15: EUR 66.5 million). Consequently, the return on sale declined from 5.1% to 4.3%. Adjusted earnings were higher than the previous year in the Components Segment, but lower in the Lighting Segment.

Higher investments in new products and innovation

The gross profit margin for the Zumtobel Group fell to 31.8% in 2015/16 (2014/15: 33.1%). This decline resulted, above all, from a substantial increase in development expenditures to strengthen the Group's technology position (plus EUR 8.6 million). The increasing intelligence of systems is connected, above all, with the necessary expansion of capacity and expertise in the areas of system architecture, software development and data management. Gross profit for the reporting year was also influenced by continuing pressure on prices, negative currency transaction effects from the US dollar and Swiss franc and delays in the realisation of forecasted cost savings from the plant restructuring.

Substantial efficiency improvement in sales

The positive effects from the extensive restructuring and cost savings during the year are clearly noticeable in the development of selling expenses. Selling expenses as a per cent of revenues fell from 24.9% to 24.1% in spite of wage and salary increases mandated by collective negotiations. One focal point of the Zumtobel Group's new structure is the merger of the previously separate Zumtobel and Thorn sales organisations, and related measures were introduced over the past two years. This process has led to a reduction of rd. 200 employees in sales during the last two financial years. Administrative expenses rose from EUR 46.5 million to EUR 51.1 million in 2015/16, primarily due to personnel reinforcement in central functions and higher consulting costs. Other operating results, excluding special effects, amounted to EUR 5.7 million (2014/15: EUR 5.4 million) and, as in the previous year, consisted primarily of license income from the LED business and government grants.

Similar to the previous year, 2015/16 was also influenced by significant negative special effects of EUR 34.9 million (2014/15: EUR 25.4 million). These effects are related, above all, to the restructuring of the sales organisation and adjustments to the global plant network. Additional information is provided in section 2.6.4.3 of the notes.

Negative special effects from transformation process

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

Adjusted EBIT in EUR million	2015/16	2014/15	Change in %
Reported EBIT	23.8	41.1	(42.0)
thereof special effects	(34.9)	(25.4)	37.3
Adjusted EBIT	58.7	66.5	(11.7)
<i>as a % of revenues</i>	4.3	5.1	

Financial results improved by EUR 17.2 million to minus EUR 8.2 million (2014/15: minus EUR 25.4 million). Interest expense consists mainly of interest on the current credit agreement. Other financial income and expenses totalled EUR 0.5 million (2014/15: minus EUR 16.6 million) and consisted, above all, of changes in the market value of derivatives. The Zumtobel Group hedges foreign exchange transaction risk primarily with forward exchange contracts that have a maximum term of one year and also uses options in individual cases. The Group's key currencies are the EUR, USD, CHF, GBP and AUD. The positive valuation results since 30 April 2015 resulted mainly from the measurement of financial instruments whose fair value increased during the reporting period and from the realisation of foreign currency transactions with a previous negative fair value (in particular, forward exchange contracts in Swiss francs). Additional detailed information is provided in sections 2.6.4.4 and 2.6.4.5 of the notes.

EUR 17.2 million improvement in financial results

Financial result in EUR million	2015/16	2014/15	Change in %
Interest expense	(9.2)	(9.1)	1.0
Interest income	0.5	0.4	24.4
Net financing costs	(8.7)	(8.7)	0.1
Other financial income and expenses	0.5	(16.6)	>100
Result from companies accounted for at-equity	(0.1)	(0.1)	58.1
Financial results	(8.2)	(25.4)	67.5

Profit before tax remained nearly constant in year-on-year comparison at EUR 15.6 million in 2015/16 (2014/15: EUR 15.7 million). Income tax expense equalled EUR 3.7 million. Additional information is provided in section 2.6.4.6 of the notes. Net profit after tax (incl. non-controlling interests) amounted to EUR 11.9 million in 2015/16 and reached the prior year level (2014/15: EUR 11.9 million) in spite of substantially higher negative special effects due to the improvement in financial results. Earnings per share for the shareholders of Zumtobel Group AG equalled EUR 0.28 based on 43.1 million shares (2014/15: EUR 0.28 based on 43.1 million shares).

Net profit totals EUR 11.9 million

1.6.3 Cash flow, financial and asset position

- >> Working capital remains at prior year level despite higher volume of business
- >> Capital expenditure declines to EUR 58.4 million (2014/15: EUR 76.6 million)
- >> Increase in free cash flow to EUR 49.8 million (2014/15: minus EUR 15.2 million)
- >> Continued secure liquidity position and solid balance sheet structure

Seasonality of the business

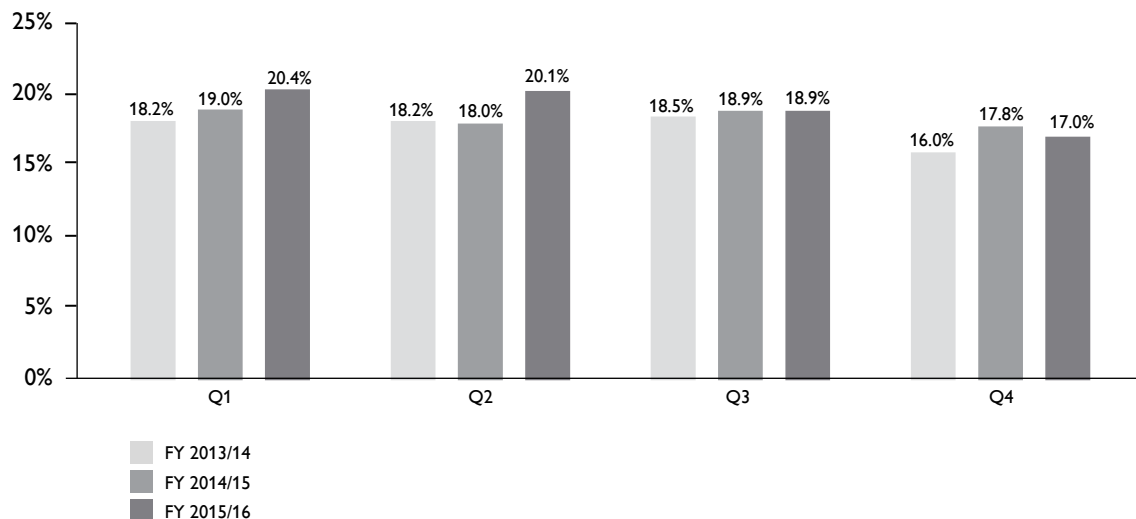
The development of business in the Zumtobel Group follows a seasonal pattern: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn and the installation of the lighting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

Cash flow is calculated on a monthly basis using the indirect method. The resulting monthly cash flows are translated at the average monthly exchange rate and then aggregated, while balance sheet positions are translated at the exchange rate in effect on the balance sheet date. This procedure leads to currency translation differences, above all in the individual components of cash flow from operating activities, and therefore also to substantially different amounts compared with the differences in the individual balance sheet positions. The amounts recorded on the statement of comprehensive income in accordance with IAS 19, IAS 21 and IAS 39 are reported on the cash flow statement under the changes in the respective balance sheet positions.

Working capital at prior year level

Working capital totalled EUR 231.2 million as of 30 April 2016. Strict inventory and receivables management held working capital at the prior year level (2014/15: EUR 233.8 million) despite the increase in the volume of business. In relation to rolling 12-month revenues, working capital fell from 17.8% in the previous year to 17.0% in 2015/16. Factoring declined from EUR 45.6 million at the end of the prior year to EUR 34.1 million as of 30 April 2016. In total, cash flow from operating activities rose by EUR 29.7 million to EUR 92.6 million in 2015/16 (2014/15: EUR 62.8 million).

Working Capital in % of rolling 12-month revenues



A total of EUR 58.4 million was invested in various plants during the reporting year (2014/15: EUR 76.6 million). These capital expenditures included tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 18.1 million.

Decline in capital expenditure

The position "proceeds from the sale of non-current assets" includes the sale of the property in Landskrona (Sweden) with a cash inflow of EUR 2.7 million as well as the sale of the plant in Fürstenfeld for EUR 2.1 million. The position "change in liquid funds from changes in the consolidation range" represents the positive cash effect from the sale of Tridonic NZ Limited in Auckland, New Zealand, as well as the cash outflow for the acquisition of the British LED lighting producer AC/DC LED Holdings Ltd. The position "change in assets held for sale" includes the sale of the signage business. The resulting proceeds equalled EUR 7.4 million and were contrasted by the disposal and derecognition of equipment and inventories with a combined value of EUR 3.9 million. In total, free cash flow rose to EUR 49.8 million in 2015/16 (2014/15: minus EUR 15.2 million).

Free cash flow rises to EUR 49.8 million

Cash flow from financing activities consists primarily of the increased use of the existing credit lines, the EUR 9.5 million dividend paid to the shareholders of Zumtobel Group AG for the 2014/15 financial year and interest payments of EUR 9.0 million.

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. As of 30 April 2016, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 88.4 million (2014/15: EUR 93.4 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 2020 and a maximum line that currently equals EUR 300 million. This new agreement replaced the previous EUR 350 million consortium credit agreement, which was due to expire in October 2016, and substantially extended the average maturity of the Group's financing. As of the balance sheet date on 30 April 2016, the amount drawn under this credit agreement totalled EUR 100 million. The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights and also includes clauses covering an increase of up to EUR 200 million and two one-year extensions. The Zumtobel Group has also concluded two bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020; both credits were fully drawn as of 30 April 2016. The consortium credit agreement is linked to compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2016 with a debt coverage ratio of 1.48 (2014/15:1.48) and an equity ratio of 31.2% (2014/15: 29.7%).

Secure liquidity

Balance sheet data in EUR million	30 April 2016	30 April 2015
Total assets	1,068.6	1,086.3
Net debt	134.8	148.2
<i>Debt coverage ratio</i>	1.48	1.48
Equity	333.2	322.6
<i>Equity ratio in %</i>	31.2	29.7
<i>Gearing in %</i>	40.5	46.0
Investments	58.4	76.6
Working capital	231.2	233.8
<i>As a % of rolling 12 month revenues</i>	17.0	17.8

Solid balance sheet structure

The Zumtobel Group's balance sheet structure remained solid throughout the 2015/16 financial year. The equity ratio rose from 29.7% on 30 April 2015 to 31.2%. Net debt totalled EUR 134.8 million as of 30 April 2016 (2014/15: EUR 148.2 million) and was EUR 13.4 million lower than the previous year. Gearing, the ratio of net debt to equity, improved from 46.0% to 40.5%.

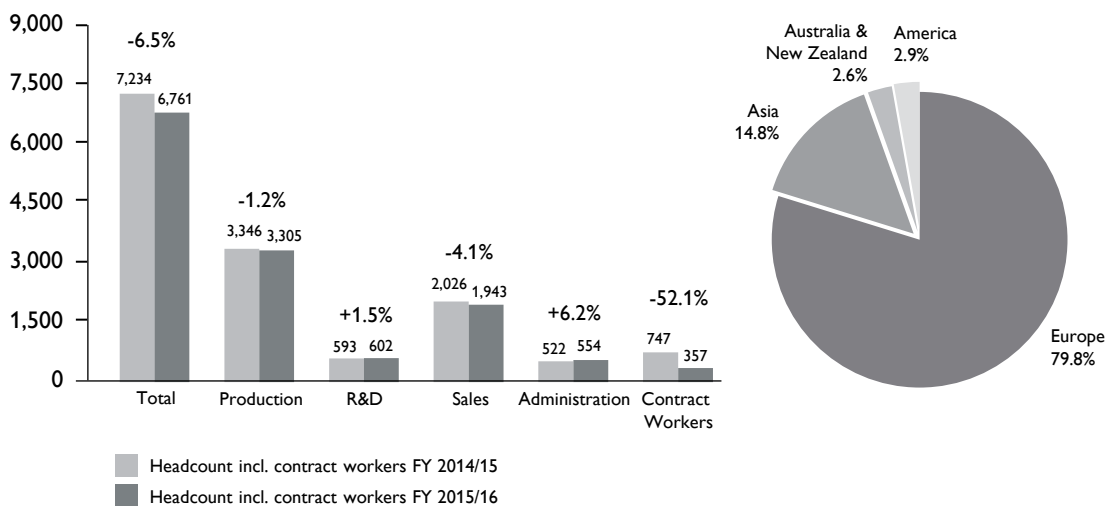
1.7 Human Resources

With its wide-ranging product portfolio and open, growth-oriented corporate culture, the Zumtobel Group offers attractive career opportunities for the industry's creative minds. Qualified, committed and motivated employees play an important role in the company's entrepreneurial success and, in turn, benefit from the many opportunities for career development within the Zumtobel Group. A focused customer orientation and high innovative spirit allow these men and women to create demanding lighting solutions that set worldwide benchmarks. The Zumtobel Group therefore places high priority on advancing the personal and technical expertise of its core workforce.

The strategic reorientation of the Zumtobel Group and the related necessary restructuring measures led to a decline in the workforce during both 2014/15 and 2015/16, above all in production and sales. The Zumtobel Group had 6,761 full-time employees (including contract workers) as of 30 April 2016, or rd. 470 fewer employees than in the previous year. The following graph shows the distribution and development of the workforce by activity and region:

Further restructuring measures lead to workforce reduction

Breakdown by activity and region



Current challenges

"Enlightening your career" is the motto of the Zumtobel Group for its positioning as an employer. With this value promise, the Zumtobel Group is addressing the changed needs of new generations on the labour market in order to maintain and strengthen its position as an attractive employer.

Positive positioning on the labour market

This promise includes the qualification of existing employees through specialised and personal development as well as new talent recruiting, the integration of colleagues in new markets and the active transfer of know-how. Under the umbrella of the Zumtobel Group, cooperation is encouraged between functional areas and brands to maximise the realisation of synergies. Other important objectives are to advance the quality of management and to train supervisors and their staffs.

The Zumtobel Group created a dedicated talent management function during the previous financial year to focus and support the internal recruitment of men and women for key positions. Special development and assessment centres were established to identify the individual potential of these internal talents with regard to future responsibilities. This forms the basis for concrete succession planning and continuous management development.

Targeted talent management

Employee training programmes and apprenticeships

Internal and external training programmes

The Zumtobel Group offers an extensive range of internal and external training and development programmes within the context of the Global Learning Academy. This Group-wide approach is designed to increase efficiency and intensify common training activities.

Global Learning Academy

The training portfolio covers courses for employees and managers on management, processes and social skills. The further expansion of the online training offering has led to substantial savings in time, travel and costs and, in particular, opened the courses to a greater number of participants.

Apprenticeship training in 11 professions

As of 30 April 2016 the Zumtobel Group had 119 (2014/15: 130) apprentices. Internal professional training is an important instrument to counter the lack of specialists caused by demographic shifts. The apprenticeship training programme is operated primarily in Austria and Germany, and includes the following eleven professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining, mechatronics, industrial clerk and media expert.

Social responsibility

High labour standards

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

Support for the work-life balance

The Zumtobel Group offers flexible scheduling models as well as home office and flexible employment options to help working parents achieve a balance between career and family. In 2015/16, the number of part-time employees equalled 4.0% of the full-time equivalent workforce. Mothers and fathers who return to work after parental leave are actively supported in their reintegration.

Equal opportunity and diversity

As an equal opportunity employer (EOE), the Zumtobel Group does not tolerate any form of discrimination. This policy has also been part of the Group's code of conduct since 2004. Accordingly, all personnel decisions are based on performance and qualifications. The share of women in the Zumtobel Group's workforce currently equals approx. 35% (previous year 34%), and there is no quota for the appointment of women to management positions. Qualified applicants are rare because of the general lack of specialists, and the recruitment of the right persons for the right jobs represents a major challenge. The share of women in management positions currently equals approx. 17% (previous year 13%).

Integrative projects

The Zumtobel Group supports the integration of young people and adults with special needs in the working world. Employees with physical handicaps are provided with special on-the-job assistance at a number of the Group companies. At locations that do not meet the legal hiring requirements for people with special needs, the Zumtobel Group makes the required compensation payments.

Remuneration

The Zumtobel Group follows a uniform remuneration scheme that promotes high transparency and ensures performance-based compensation. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. Internal and external comparisons are used to confirm that wages and salaries reflect the market level 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.

The performance indicator for all employees eligible for bonuses was changed in May 2014 to the total shareholder return of Zumtobel Group AG compared with the total shareholder return for a clearly defined, relevant peer group. For upper management, this base performance indicator is generally supplemented by individual goals which can lead to positive or negative variances from the defined targets at the individual level. Variable remuneration 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 base performance indicator (total shareholder return relative to the peer group). This structure is intended to support sustainable decisions by management.

The variable remuneration for the sales area was realigned in 2015/16. A remuneration model with "absolute gross profit" as the primary performance indicator should create a positive incentive to increase profitable revenues in the individual countries and regions and, in this way, support the long-term success of the Zumtobel Group.

Important steps were taken during the reporting year to improve the efficiency of HR processes and services with the start of the HR information system (HRIS) project and the reorientation of the HR business partner role. The objective of these activities is to increase digitalisation and improve the internal HR service offering. An integrated HR service approach (HR Operational Excellence Centre) and a new HR business partner role will form the basis for successful cooperation between management and HR. Both elements are designed to provide comprehensive, efficient support and strategic personnel advising for the line managers by qualified HR business partners.

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

Workplace safety

The Zumtobel Group places high importance on accident prevention and health protection for its employees. Local officers monitor compliance with specific environmental, health and safety guidelines at all locations. Measures are implemented on a continuous basis to increase workplace safety, including employee training, improvements to protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries number of work accidents based on one million work hours) is monitored monthly for all plants. The most frequent injuries involve cuts. In 2015/16 the TRI rate for the lighting plants declined slightly to 15.4 (2014/15: 16.6) and declined to 3.9 (2014/15: 4.8) in the components plants.

Performance-based remuneration schemes

Variable remuneration to strengthen sustainability and anchor the one-group approach

HR processes: efficiency improvement and digitalisation

Annual employee review

Focus on occupational safety

1.8 Suppliers

Focus on quality, costs and supplier reliability

The cooperation between the member companies of the Zumtobel Group and their suppliers is based on long-term mutual trust and fairness. That provides economical, ecological and socially responsible protection for the supply chain, while ensuring optimal quality. The procurement specialists in the Zumtobel Group were faced with substantial challenges during the reporting year, above all from volatile exchange rate constellations caused by the weak euro and the resulting decline in purchasing power on foreign currency markets. The Group's procurement markets, especially for the Components Segment, are located primarily in Asia. Consequently, the purchase prices for raw materials and, in some cases, also the final added value are influenced by the development of the US dollar and/or the Chinese yuan, which led in part to dramatic price increases.

Commodity management and risk management strategy

The strategic reorientation of the entire purchasing organisation in 2014/15 produced further benefits during the reporting year. The continuous bundling of the procurement volumes from all plants under designated Group commodity managers has improved the negotiating position with suppliers and supported the realisation of synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). It also helped to neutralise most of the above-mentioned negative foreign exchange effects. The platform and multi-sourcing strategy and other focal point activities optimise costs and protect supply security and quality, even in the event of unexpected external incidents and demand shifts. This multi-sourcing strategy calls for the identification and approval of at least two suppliers for high-revenue procurement articles. Activities in 2015/16 also focused on the further consolidation of suppliers and components. An important role in this process is played by the technical purchasing department, which was installed during the reporting year and will focus on the standardisation of components during the product development process.

The Zumtobel Group has a network of roughly 700 direct material suppliers throughout the world, each of which is responsible for a purchasing volume of more than ten thousand euros. This network was reduced by almost 5% in 2014/15, although the increasing demands of LED technology have led to the addition of numerous new partners. The goal is to continuously reduce the total number of suppliers through further standardisation. A lower number of suppliers makes it possible to focus on strategic partners which, in turn, leads to higher synergy effects from the further bundling of procurement volumes and also helps to move the preferred suppliers towards greater sustainability and continuity.

LED components are purchased above all in Asia

All brands purchase their key raw materials, e.g. steel, copper, aluminium and plastic granulate, in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers for these parts are located. However, the trend in both segments is pointing towards local procurement in the euro zone because of the weak euro. This development is reflected in a moderate decline in the procurement volume from Asia to slightly under 7% in the Lighting Segment and over 60% in the Components Segment during 2015/16.

Systematic evaluation and audits of suppliers

Both segments of the Zumtobel Group have implemented systematic processes for the regular evaluation and auditing of suppliers. These reviews are coordinated by commodity management in cooperation with the engineering, purchasing and supplier quality staffs. In addition to the recognised success factors of supplier reliability, quality and service, ecological and social responsibility (environmental management system, code of conduct) is also evaluated. The Lighting Segment performed 44 audits in 2015/16 (2014/15: 40), while the Components Segment carried out 25 audits (2014/15: 19) with existing suppliers. Sustainability aspects related to occupational safety and environmental management formed a focal point in 24 audits. These assessment systems generally facilitate the introduction of measures for the joint development of suppliers, which allow for the elimination of weak points and ensure long-term supplier quality.

All new suppliers undergo a Group-wide qualification process and, among others, must confirm compliance with the Zumtobel Group's code of conduct in writing and demonstrate the availability of a verifiable quality management system in a release audit. Compliance with environmental and energy management standards is also reviewed and documented. By countersigning the code of conduct document, suppliers agree to observe the core standards of the International Labour Organisation (ILO) and to prevent corruption. The supplier qualification process was expanded in 2015/16 to also include specific questions on the avoidance of conflict materials. Violations of the code of conduct or environmental standards by business partners are documented and corrective measures are required. If these measures are not implemented within an appropriate period of time, legal steps are taken and the business relationship is terminated.

1.9 Quality

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

Highest quality demands

As part of its continuous improvement efforts, the Zumtobel Group aims to eliminate redundant processes, to reduce refuse and the waste caused by production errors, to avoid unnecessary transportation and - through these activities - to conserve resources. This minimises external and internal costs and, at the same time, reduces the negative impact on the environment. The Lighting and Components Segments use a wide variety of methods and control measures to continuously improve the quality of products and processes. Total Quality Management (TQM), Lean Management and Lean Six Sigma form the core of these activities. TQM utilises various instruments to create an awareness of quality among all employees and at every workplace. The goal of Lean Management and Six Sigma is to minimise errors and activities that do not create added value. The use of the value analysis and material flow management methods was also increased during the reporting year.

High-quality processes and products

With the exception of one plant in the USA, all production facilities in the Zumtobel Group's worldwide network have been certified according to the ISO 9001 international standard for quality management systems. The Lighting Segment sales organisations in Austria, Germany, Switzerland, Italy and Benelux, the Thorn sales organisation in Sweden and the Tridonic sales organisation in Germany have also been certified. The Zumtobel Group guarantees that the products in both segments meet all applicable standards and regulations. In particular, this applies to directives concerning light quality and energy efficiency as well as labelling requirements. The relevant legal regulations include, among others, CE labelling in Europe (EU guidelines and standards for low voltage, electromagnetic compatibility, ecodesign, energy labelling and RoHS – limitations on the use of hazardous substances), WEEE labelling (EU directive on the disposal of waste electrical and electronic equipment) and REACH (EU directive on chemicals). Agreement with these regulations is ensured by product and material compliance software, which is continuously developed and adapted to meet the changing framework conditions.

Standards and directives

1.10 Environmental Protection

Significance of environmental protection

Environmental protection represents a key focal point 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 production more environmentally compatible. This approach is reflected in the careful and efficient use of raw materials as well as the minimisation of emissions and waste over the entire product lifecycle.

Environmental management based on three supports

Environmental management in the Zumtobel Group is based on three main supports: compliance with internal and external guidelines, environmental management systems that are certified according to ISO 14001 and the application of the Lean Six Sigma method. In order to continuously strengthen the focus on environmental protection, external and internal opportunities for improvement are registered in programmes in all plants and dealt with in structured form.

Training in environmental protection

The awareness of employees for environmental protection is underscored 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 accessible 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.

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 life cycle from the selection of materials to production, transportation, use and recycling. The ten most important production plants in the Zumtobel Group are certified under ISO 14001: the components plants in Dornbirn (Austria), Jennersdorf (Austria), Spennymoor (Great Britain) and Shenzhen (China) and the lighting plants in Dornbirn (Austria), Lemgo (Germany), Usingen (Germany), Spennymoor (Great Britain), Les Andelys (France) and Guangzhou (China).

Energy management certified under ISO 50001

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

Lean Six Sigma method

The Lean Management and Six Sigma methods are used in combination throughout the Zumtobel Group with extremely successful results. The global production system is based on these methods and creates internal standards for the effective and efficient use of resources. These standards cover the optimisation of production and support processes that involve the extensive use of human resources as well as the consumption of commodities (including energy), the protection of health and the prevention of negative effects of processes on the environment. The Zumtobel Group has implemented processes to identify and assess opportunities for improvement. They are directed by the continuous global improvement process that forms an integral part of the management system.

1.11 Research and Development

Key data on R&D

Research and development (R&D) represents a decisive success factor for the Zumtobel Group through its role in the development and application of new technologies. In accordance with the goal to further expand the Zumtobel Group's outstanding technology position, R&D expenditures were increased by a further 11.2% to EUR 87.9 million in 2015/16.

Research and Development in EUR million	2015/16	2014/15	Change in %
Development costs	83.9	75.3	11.4
Research costs	4.0	3.7	7.8
R&D total	87.9	79.0	11.2
<i>as a % of revenues</i>	6.5	6.0	
Headcount (full-time equivalent) R&D	602	593	1.5

The individual brands were responsible for product development during the reporting year. Specific responsibilities were concentrated at the Group level, primarily strategic issues such as location and know-how development, the allocation and prioritisation of R&D funds, product development in connection with preliminary medium-term technology, research and predevelopment projects as well as participation in various standards committees and bodies. The issues of internal standardisation and the registration, management and defence of the Group's industrial property rights are also handled at the Group level.

The focal points for R&D activities are derived from the "functional chain" of lighting: light sources, optics, control gears, interfaces and connectivity, luminaires and light management. Accordingly, the key focal points include LED, OLED, quantum dots (QD) and lasers for light sources, new optical concepts for the direction of light in LEDs, new control gears and concepts for the operation of LEDs and OLEDs, new wire-guided and wireless information transfer with new data formats as well as new approaches for the management of lighting systems. The levelling-out of the efficiency increase in LEDs and the increased processor and storage performance in control gears is shifting the focus of development from the lighting function and the luminaire to intelligent components, communication and services.

The Zumtobel Group's innovative strength is closely linked to R&D. An extensive patent portfolio, especially in the area of new technologies, protects the brands' positions in the areas of growth, competitive advantage and access to strategic cooperation with other companies. In 2015/16 the Lighting Segment registered 59 patents (2014/15: 64) and the Components Segment 89 patents (2014/15: 97). The share of revenues generated with new products (products not older than three years) rose to 48.4% (2014/15: 40.7%) in the Lighting Segment and to 71.9% (2014/15: 71.3%) in the Components Segment. The number of active commercial property rights – currently approx. 8,200, including 4,780 patents – and the share of revenues recorded with new products speak for the company's innovative strength. An extensive patent cross-licensing agreement was concluded with the Vossloh-Schwabe/Panasonic Group during the reporting year. This agreement gives the parties reciprocal rights to use specific patents for lighting electronics, above all for the control and operation of LED lighting sources.

Technological shift

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

Further increase in R&D expenditures

Focus on energy efficiency, light quality, connectivity and ecosystems

Continued high innovation power

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

development and data management. This expanded hardware and software structure will also form the basis for future services.

**Growing importance
of strategic
partnerships**

In addition to specially directed support for employees' qualifications in electronics and systems, the Zumtobel Group meets the current challenges by focusing on the modular development of products, standardised hardware and differentiation through software. Development partnerships and open systems will also become even more important in the future. All of the brands have expanded their R&D activities outside Europe, especially in China. The goal is to improve information transfer in the area of new technologies, increase the use of similar tools and promote the creation of standardised processes to drive the development of global products for global markets and low-cost products for the local Asian market. The strengthening of software activities and expertise has also led to the expansion of the development sites in the USA and Australia.

**Cooperation with
universities and
industry on research**

In addition to established cooperation with universities such as Illmenau, Berlin, Hamburg (all Germany), Graz (Austria) and Zurich (Switzerland) in the areas of lighting and lighting technology, the Zumtobel Group is also increasing its interaction with universities in hardware and software development and communication technology. Examples here, among others, are the Technical University in Eindhoven (Netherlands), NTS Interstate University of Applied Sciences of Technology Buchs (Switzerland), the Materials Center Leoben (Austria), Joanneum Research (Austria), Graz University of Technology (Austria), Cambridge University (Great Britain) and the IT Aveiro (Portugal). The Group also maintains development partnerships with industrial firms like ARM, Bosch, Cisco, Johnson Controls, NXP, TNO-ESI, Fraunhofer, VTT and others.

1.12 Internal Control System

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 which provide reasonable assurance for the safeguarding of Group assets, the completeness and reliability of information and systems, the efficiency and effectiveness of processes and compliance with legal, contractual and internal rules and regulations.

ICS structure and focus

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 published by the Information Systems Audit and Control Association (COBIT), which are adjusted 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).

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 1.13 for additional information).

ICS responsibility

In addition to the quality assurance units in the specialist departments, corporate audit as an independent review function with a dual reporting line to the Management Board and Audit Committee of the Supervisory Board monitors the design and effectiveness of the established controls. A strictly organised follow-up process ensures that the identified weak points are eliminated as quickly as possible. The designated monitoring functions are, in turn, based on strict professional standards and subject to regular external review.

ICS monitoring

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

- >> the code of conduct, which is supplemented by specific rules on corporate integrity and corporate citizenship
- >> Corporate policies & procedures
- >> Clearly defined organisational structures, job specifications and the formal delegation of duties and responsibilities according to the individual functional requirements
- >> Corporate policy on the Internal Control System (primarily for financial reporting)
- >> Routine reviews at all levels with a comparison to expected values

ICS elements

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

ICS in financial reporting

In line with the restructuring of the company, the appointment of a finance project manager created the organisational basis to coordinate the fundamental revision of process documentation and the related key controls together with targeted training. The conceptual framework used for this work is closely linked with the recently revised corporate process model.

The following established standards are available throughout the Group in the Intranet:

- >> Written process procedures and documentation
- >> Process-integrated approval and release rules
- >> Accounting and valuation standards (finance group manual)
- >> Uniform closing checklist (applicable to all Group companies)

Further development

In addition to the above-mentioned updating of the control documentation for financial reporting, improvements were made during the reporting year, above all in the following areas:

- >> The compliance department, which was established in 2014 with the appointment of a chief ethics & compliance officer, was expanded to include a specialised assistant.
- >> The compliance management system was expanded through the preparation of standardised document templates and related processes and is now an integral part of the organisation.
- >> The efficiency of prevention was substantially improved by the transition to the automatic screening of SAP master data based on so-called "denied parties", i.e. companies or individuals which/who are included on embargo lists or similar registers.
- >> Zumtobel implemented training programmes at an early stage to create a greater awareness for fraud dangers, above all in the area of attacks through social engineering. A number of such attempts have been identified in advance, which prevented the unauthorised outflow of funds.

1.13 Risk Management

The Zumtobel Group is well aware that an effective opportunity and risk management system – as well as an internal control system – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of risk to protect the asset, financial and earnings positions of the Group and to support the identification of opportunities and the evaluation of entrepreneurial decisions. The goal of risk management is to identify risks and opportunities at an early point in time through a systematic approach, and thereby permit the implementation of suitable measures to deal with changes in the operating environment. Risk management in the Zumtobel Group is an independent strategic process that forms an integral part of operational management. The basic instruments for the monitoring and management of risks are the risk management software that was installed throughout the Group in 2011/12 as well as standardised planning and controlling processes, Group guidelines, regular reporting and the internal control system (see section 1.12).

Systematic approach for the early identification of opportunities and risks

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

Risk management based on recognised best practices and standards

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

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. The monthly management report provides a summary of key financial indicators and the Group's development. 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 risk are continuously developed and improved with the support of internal audit and the auditor. The auditor evaluates the effectiveness of risk management at Zumtobel Group each year and reports to the Supervisory and Management Boards on the results of this review.

Central role of reporting

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

1.13.1 Market and competitive risks in the lighting industry

Developments in the regional selling markets are heavily dependent on the operating environment for the commercial construction industry which, in turn, is characterised by cyclical fluctuations. Economic weakness could lead to a significant decline in incoming orders for the Zumtobel Group as well as the postponement or cancellation of existing orders. More stringent austerity measures in the public sector or increased destocking by wholesalers could also have a negative effect on revenues. These factors create risks for

Macroeconomic risks

earnings growth, in particular through the underutilisation of production capacity, increased pressure on prices and negative shifts in the product mix. Necessary measures to bring structural costs and capacity in line with a more difficult market environment, changes in the organisational structure or the strategic reorientation of the Zumtobel Group could lead to additional restructuring costs and thereby have a negative effect on earnings.

Technology shift through LED

In addition to the larger range of products and shorter innovation and product life cycles, the increasing complexity of lighting systems – and here especially the growing role of software – represents a major driver for R&D expenditures. 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.

Competition from Asia

Aggressive and established competitors, above all the Asian LED chip producers, are entering the professional lighting market with strategies that include forward integration. However, these companies generally lack specific application knowledge in the most important areas of indoor and outdoor lighting as well as the expertise to develop complex light management systems and an extensive direct sales network.

1.13.2 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 Zumtobel, Thorn and acdc 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. The Zumtobel Group meets this challenge with a steady focus on innovation and close cooperation between development and sales.

Political risks

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with over 80% of revenues. Investments in property, plant and equipment are also concentrated in these core regions, where political risks such as the expropriation of assets, restrictions on the transfer of capital, war and the like are considered to be low. The possible exit of Great Britain from the European Union ("Brexit") would most likely lead to a deterioration of the market environment in this key selling region for the Zumtobel Group. The European Union's sanctions against Russia, the ongoing unrest in Ukraine and the continuing crises in a number of North African countries and the Middle East are a source of economic risks that can have a negative effect on both selling and procurement markets. However, the share of Group revenues generated in these countries is very low.

Risk in human resources management

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

The technology transformation has been responsible for a further significant increase in LED purchases (LED chips, LED modules and LED light engines) as a share of total raw material requirements. The prices for LED components have fallen substantially as the result of excess production capacity. The purchase prices for the key materials used by the Zumtobel Group – i.e. plastic granulate, aluminium and steel – continued to decline during the reporting year because of the general economic uncertainty and technical optimisation.

Procurement risks

Uninterrupted supply capability is protected by efficient disposition and the timely involvement of suppliers as well as dual and multiple 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. Further details are provided in section 1.8 Suppliers.

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

IT risks

1.13.3 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. The Group is currently working to successively achieve a "Highly Protected Risk status" (HPR) at all major production locations. Three major production locations – Dornbirn (Austria), Spennymoor (Great Britain) and Sydney (Australia) – are currently qualified as HPR.

Regular maintenance and replacement investments

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

Inventory valuation risks

1.13.4 Pension risks

The Zumtobel Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The obligations remaining after the deduction of plan assets are recognised as provisions. The amount of the pension provision is primarily dependent on the market value of the invested assets, but also on the development of wages and salaries, life expectancy according to the applicable mortality tables and the discount rate. Additional details on this subject are provided in section 2.6.6.13 of the notes.

1.13.5 Product liability risks

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

1.13.6 Legal risks

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

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

1.13.7 Financial risks

Market risk

The Zumtobel Group is exposed to a variety of financial risks from its global operations. Market risk is understood to mean the risk arising from changes in market prices that are denominated in foreign currencies as well as changes in interest rates and raw material prices that could have a negative influence on earnings and the market value of financial instruments used by the Group. The goal of market risk management is to evaluate the existing risks and to minimise these risks as far as possible with suitable measures. These risks are hedged in part with derivative financial instruments in accordance with the current hedging policy. No derivatives are used for trading or speculative purposes. In general, hedges are concluded on a rolling basis for a period of one to three quarters to cover planned cash flows and the risks arising from exchange rate fluctuations. This method leads to a relatively constant volume of hedges and levels foreign exchange exposure. Raw material price risks are reduced, where possible, through appropriate supplier agreements.

Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet 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 that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset seasonal liquidity fluctuations arising from business activities. As of 30 April 2016 the Zumtobel Group had short-term, unsecured lines of credit totalling EUR 88.4 million (2014/15: EUR 93.4 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

An important source of financing for the Zumtobel Group is the consortium credit agreement concluded on 1 December 2015 with seven banks, which has a term extending to November 2020 and a maximum line of EUR 300 million. This agreement replaced the previous EUR 350 million consortium credit agreement, which was due to expire in October 2016, and significantly extended the average maturity of the Group's financing. As of the balance sheet date on 30 April 2016, the amount drawn by the Zumtobel Group under this credit agreement totalled EUR 100 million. The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights and also includes clauses covering an increase of up to EUR 200 million and two one-year extensions. In addition to the consortium credit agreement, the Zumtobel Group concluded two bank credit

agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020; both credits were fully drawn as of 30 April 2016. 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%). These financial covenants were met in full as of 30 April 2016 with a debt coverage ratio of 1.48 (2014/15: 1.48) and an equity ratio of 31.2% (2014/15: 29.7%). 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.

The two EUR 40.0 million long-term loans have fixed interest rates and are therefore not exposed to interest rate risk. However, the balance of EUR 100 million currently outstanding under the consortium credit agreement carries a variable interest rate (EURIBOR money market interest rate). In order to reduce the interest rate risk on the consortium credit agreement, the Zumtobel Group has concluded EUR-interest rate swaps with various banks for a current effective nominal volume of approx. EUR 80 million. These instruments are structured over various terms (up to June 2019 at the latest) and convert the variable interest payments on the financing into fixed interest payments and limit the interest rate to a maximum of 2.694%. Additional information on the fair value of the instruments used to hedge interest rates is provided in section 2.6.11.3 of the notes.

Interest rate risk

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

Foreign exchange risk

1.13.8 Credit risk

The default risk associated with trade receivables is largely limited by credit management processes and appropriate merchandise credit insurance. In cases where credit insurance companies have reduced or refused coverage, the Group carries out a careful risk assessment and, if necessary, sets its own limits after an internal approval procedure. The Zumtobel Group also requests bank guarantees or advance payments in specific cases. An important development in the area of credit management was the implementation of the Cormeta software (SAP add-on), which automatically generates recommendations for customer credit limits. These credit limits are finalised on the basis of guidelines derived from external (credit agencies) and internal information (payment behaviour; dunning levels).

1.13.9 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, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from 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 section 2.6.6.1 of the notes. Assets with an indefinite useful life are tested each year for signs of impairment, while assets with a finite useful life are tested when there are indications of impairment.

1.13.10 Other risks

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

Overall risk evaluation of the Zumtobel Group

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

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

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

1.14 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2016 that would have led to a change in the asset, financial or earnings position of Zumtobel Group AG.

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

1. The share capital of Zumtobel Group AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.50 each in share capital. All of the 43,500,000 shares are securitised in a collective certificate and deposited with Österreichische Kontrollbank (OeKB). All of the company's shares are listed under ISIN AT0000837307 and were admitted to trading on the Vienna Stock Exchange as of 30 April 2016. As of 30 April 2016 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 (4,215,752 shares), ASTERIX private foundation (4,157,002 shares), GWZ private foundation (1,044,660 shares), Hektor private foundation (2,310,180 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (64,088 shares), Caroline Reder (100,000 shares), Christine Reder (100,000 shares), Fritz Zumtobel (166,210 shares), Nicholas Zumtobel (5,000 shares), Caroline Zumtobel (5,000 shares), Isabel Zumtobel (2,000 shares), Karin Zumtobel-Chammah (9,350 shares) and Jürg Zumtobel (144,248 shares) (together: "the syndicate") are parties to a syndicate contract.

This syndicate contract, which has not been disclosed to the Management Board, requires the parties to agree on a course of action prior to each annual general meeting and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate. This contract includes restrictions on the transfer of the shares held by the parties, which apply as long as the parties together hold at least 25% of the voting rights in share capital. The syndicate contract will expire on 31 December 2017. Any additional information about the syndicate contract is not known to the Management Board.

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

3. As of 30 April 2016 the syndicate held 35.4% of the company's share capital. In addition, the institutional investors FMR LLC and Wellington Management Group LLP each held an investment of over 5%. Larzard Freres Gestion SAS informed Zumtobel Group AG that its investment had been increased to above 4% as of 2 June 2016. The company is not aware of any other reportable holdings.

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

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

6. The Management Board was authorised, contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches and also through indirect subscription rights as defined in § 153 (6) of the Austrian Stock Corporation Act – at a minimum issue price equalling 100% of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for five years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 25 July 2014, was recorded in the company

register (i.e. up to 30 August 2019). Furthermore, the Management Board was empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital and to determine the issue price and conditions (authorised capital). The Supervisory Board was authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

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

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

9. The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to November 2020 and a maximum line of EUR 300 million. As of the balance sheet date on 30 April 2016, the amount drawn by the Zumtobel Group under the credit agreement totalled EUR 100 million. The agreement includes a change-of-control clause which is linked to a change in the absolute majority of voting rights as well as clauses covering an increase of up to EUR 200 million and two one-year extensions. In addition to the consortium credit agreement, the Zumtobel Group also concluded two other bank credit agreements on a bilateral basis. These credit agreements have a volume of EUR 40 million each with bullet repayment and a term ending in September 2018, respectively January 2020. The two credits had been fully drawn as of 30 April 2016.

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

11. The most important elements of the risk management system and the internal control system are described in sections 1.12 and 1.13 of the Group management report.

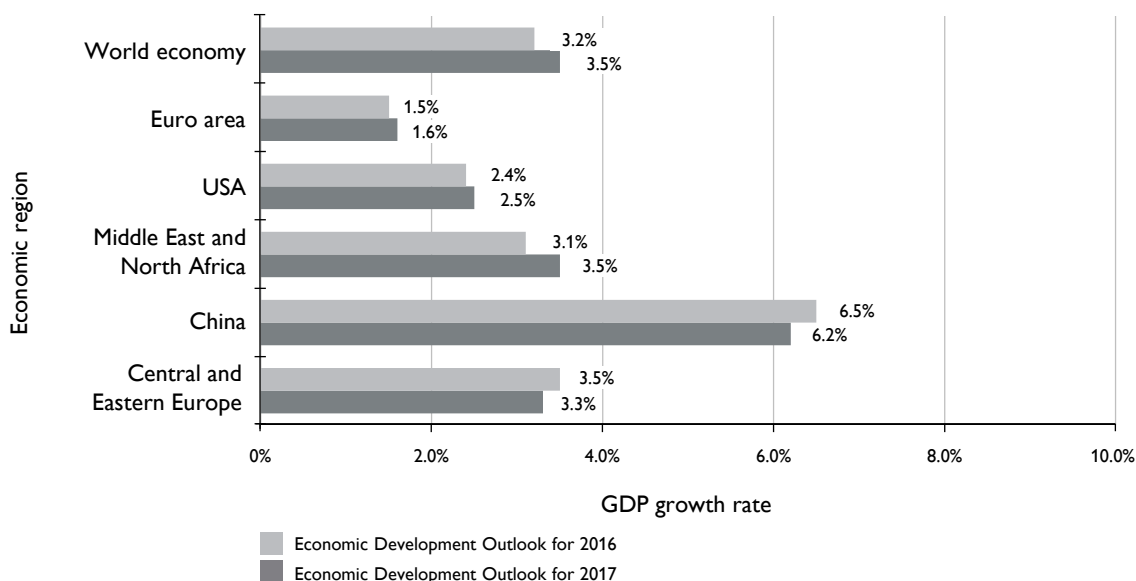
1.16 Outlook and Goals

General economic outlook

Forecasts by the International Monetary Fund (IMF) point to a continuation of the worldwide recovery at a moderate pace in 2016. The 3.1% increase in global economic performance in 2015 is expected to be followed by a plus of 3.2% in 2016 and 3.5% in 2017, with the industrial nations again serving as the main growth driver. Domestic demand in the USA should continue to improve and support an increase of 2.4% in 2016 and 2.5% in 2017. Further recovery is also projected for the euro zone due to the decline in energy prices and a stronger competitive position. The IMF is forecasting an increase of 1.5% for the euro zone in 2016 and 1.6% in 2017. This development should be supported, above all, by the countries in Central and Northern Europe – for example Germany with plus 1.5%, Great Britain with plus 1.9% and Sweden with plus 3.7% in 2016. Growth in the industrial countries should reach 1.9% in 2016 and 2.0% in 2017. In contrast, the outlook for most of the emerging countries remains reserved. The ongoing geopolitical tensions and uncertainty will slow capital investment and consumer spending, while negative foreign exchange effects, high inflationary pressure and the low oil price will weaken domestic demand. China is expected to experience a further slowdown in growth, and Russia and Brazil are caught in a recession. Sound growth is expected only in India, where the investment-friendly economic policies have brought positive results. In total, the IMF economists expect the developing and emerging countries to generate growth of 4.1% in 2016 and 4.6% in 2017.

Continuation of global recovery

Economic Development Outlook for 2016 and 2017



Development in 2016/17 currently characterised by substantial uncertainty

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year; but with substantial regional differences. Great Britain, the most important market for the Zumtobel Group, has recently been faced with growing uncertainty over the outcome of the BREXIT referendum. This has led to delays in the completion of existing orders and the postponement of construction projects, above all in the project-based renovation business. The market climate in Australia, the Middle East, France and Switzerland is expected to remain difficult during 2016/17. Germany, the USA and Eastern Europe should, however, generate further sound

growth. The forecasts for 2016/17 are therefore connected with above-average uncertainty and, consequently, no specific statements will be issued at the present time concerning the development of revenues and earnings in financial year 2016/17. The Zumtobel Group will continue its strategic reorientation course and the implementation of all necessary restructuring measures with its full commitment and determination during the new financial year. In addition, the Group is directing its investments to the expansion of expertise and capacity in the areas of intelligent controls and data management, the service business and other innovative business models.

Dornbirn, 14 June 2016

Der Vorstand

Ulrich Schumacher
Chief Executive Officer (CEO)

Karin Sonnenmoser
Chief Financial Officer (CFO)

Alfred Felder
Chief Operating Officer (COO)

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2. Consolidated Financial Statements

2.1 Consolidated Income Statement

in TEUR	Notes	2015/16	2014/15	Change in %
Revenues	2.6.4.1	1,356,544	1,312,620	3.3
Cost of goods sold	2.6.4.2	(925,359)	(878,048)	5.4
Gross profit		431,185	434,572	(0.8)
<i>as a % of revenues</i>		31.8	33.1	
Selling expenses	2.6.4.2	(327,052)	(326,968)	0.0
Administrative expenses	2.6.4.2	(51,113)	(46,527)	9.9
Other operating results	2.6.4.3	(29,200)	(19,986)	46.1
<i>thereof special effects</i>		(34,857)	(25,392)	37.3
Operating profit/loss		23,820	41,091	(42.0)
<i>as a % of revenues</i>		1.8	3.1	
Interest expense	2.6.4.4	(9,169)	(9,077)	1.0
Interest income	2.6.4.4	497	399	24.4
Other financial income and expenses	2.6.4.5	491	(16,576)	>100
Result from companies accounted for at-equity	2.6.6.4	(61)	(145)	(58.1)
Financial results		(8,242)	(25,399)	67.5
<i>as a % of revenues</i>		(0.6)	(1.9)	
Profit/loss before tax		15,578	15,692	(0.7)
Income taxes	2.6.4.6	(3,692)	(3,737)	(1.2)
Net profit/loss from continuing operations		11,886	11,955	(0.6)
Net loss from discontinued operations	2.6.4.7	0	(41)	100.0
Net profit/loss for the year		11,886	11,914	(0.2)
<i>as a % of revenues</i>		0.9	0.9	
<i>thereof due to non-controlling interests</i>	2.6.6.5	519	(317)	>100
<i>thereof due to shareholders of the parent company</i>		11,367	12,231	(7.1)
Average number of shares outstanding – basic (in 1,000 pcs.)		43,147	43,139	
Average diluting effect (stock options) (in 1,000 pcs.)		0	1	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,147	43,140	
Earnings per share (in EUR)	2.6.4.8			
Basic earnings per share		0.28	0.28	
Diluted earnings per share		0.28	0.28	
Earnings per share from continuing operations (in EUR)				
Basic earnings per share		0.28	0.28	
Diluted earnings per share		0.28	0.28	
Earnings per share from discontinued operations (in EUR)				
Basic earnings per share		0.00	0.00	
Diluted earnings per share		0.00	0.00	

2.2 Consolidated Statement of Comprehensive Income

in TEUR		2015/16	2014/15	Change in %
Net profit/loss for the year		11,886	11,914	(0.2)
Actuarial gain/loss	2.6.5.3	23,139	(48,495)	>100
Deferred taxes due to actuarial gain/loss	2.6.5.4	(1,212)	5,966	<(100)
Total of items that will not be reclassified ("recycled") subsequently to the income statement		21,927	(42,529)	>100
Currency differences	2.6.5.1	(8,601)	26,053	<(100)
Currency differences arising from loans	2.6.5.2	(4,819)	6,767	<(100)
Hedge accounting		1,083	195	>100
Deferred taxes due to hedge accounting		(315)	(49)	<(100)
Total of items that will be reclassified ("recycled") subsequently to the income statement		(12,652)	32,966	<(100)
Subtotal other comprehensive income		9,275	(9,563)	>100
<i>thereof due to non-controlling interests</i>	2.6.6.5	(35)	343	<(100)
<i>thereof due to shareholders of the parent company</i>		9,310	(9,906)	>100
Total comprehensive income		21,161	2,351	>100
<i>thereof due to non-controlling interests</i>		484	26	>100
<i>thereof due to shareholders of the parent company</i>		20,677	2,325	>100

2.3 Consolidated Balance Sheet

in TEUR	Notes	30 April 2016	in %	30 April 2015	in %
Goodwill	2.6.6.1	209,090	19.6	198,891	18.3
Other intangible assets	2.6.6.2	58,353	5.5	60,540	5.6
Property, plant and equipment	2.6.6.3	223,808	20.9	236,671	21.7
Financial assets accounted for at equity	2.6.6.4	2,234	0.2	2,295	0.2
Financial assets	2.6.6.6	1,203	0.1	1,811	0.2
Other assets	2.6.6.7	4,434	0.4	4,289	0.4
Deferred taxes	2.6.6.8	44,883	4.2	48,075	4.4
Non-current assets		544,005	50.9	552,572	50.8
Inventories	2.6.6.9	187,437	17.5	201,785	18.6
Trade receivables	2.6.6.10	220,869	20.7	234,587	21.6
Financial assets	2.6.6.6	2,309	0.2	4,034	0.4
Other assets	2.6.6.7	32,633	3.1	29,133	2.7
Liquid funds	2.6.6.11	81,394	7.6	59,345	5.5
Available-for-sale assets	2.6.6.12	0	0.0	4,819	0.4
Current assets		524,642	49.1	533,703	49.2
ASSETS		1,068,647	100.0	1,086,275	100.0
Share capital		108,750	10.2	108,750	10.0
Additional paid-in capital		335,316	31.4	335,316	30.9
Reserves		(127,161)	(11.9)	(137,848)	(12.7)
Net profit/loss for the year		11,367	1.1	12,231	1.1
Capital attributed to shareholders of the parent company		328,272	30.8	318,449	29.3
Capital attributed to non-controlling interests	2.6.6.5	4,973	0.4	4,152	0.4
Equity	2.6.8	333,245	31.2	322,601	29.7
Provisions for pensions	2.6.6.13	79,740	7.5	99,994	9.2
Provisions for severance compensation	2.6.6.13	48,717	4.6	49,348	4.5
Provisions for other employee benefits	2.6.6.13	11,527	1.1	13,433	1.2
Other provisions	2.6.6.15	744	0.1	1,238	0.1
Borrowings	2.6.6.16	209,438	19.5	190,904	17.7
Other liabilities	2.6.6.19	12,137	1.1	4,174	0.4
Deferred taxes	2.6.6.8	1,624	0.2	5,556	0.5
Non-current liabilities		363,927	34.1	364,647	33.6
Provisions for taxes		21,182	2.0	21,521	2.0
Other provisions	2.6.6.15	54,707	5.1	31,927	2.9
Borrowings	2.6.6.16	6,758	0.6	17,301	1.6
Trade payables		147,062	13.7	174,040	16.0
Other liabilities	2.6.6.19	141,766	13.3	153,989	14.2
Liabilities held for Sale	2.6.6.12	0	0.0	249	0.0
Current liabilities		371,475	34.7	399,027	36.7
EQUITY AND LIABILITIES		1,068,647	100.0	1,086,275	100.0

2.4 Consolidated Cash Flow Statement

in TEUR	Notes	2015/16	2014/15
Profit/loss before tax	2.1	15,578	15,692
Depreciation and amortisation	2.6.4.2	67,531	59,048
Gain/loss from disposal of fixed assets		(1,863)	2,854
Other financial income and expenses		(453)	16,750
Interest income/ Interest expense		8,695	8,649
Changes in the scope of consolidation		(1,229)	133
Results from assets/liabilities held for sale		(3,493)	0
Results from discontinued operations		0	(41)
Cash flow from operating results		84,766	103,085
Inventories		9,445	(12,484)
Trade receivables		11,974	(7,415)
Trade payables		(28,280)	(7,523)
Prepayments received		2,755	4,789
Change in working capital		(4,106)	(22,633)
Non-current provisions		(8,404)	(28,177)
Current provisions		22,770	(2,569)
Other current and non-current assets and liabilities		3,448	19,069
Change in other operating items		17,814	(11,677)
Taxes paid		(5,907)	(5,936)
Cash flow from operating activities		92,567	62,839
Proceeds from the sale of non-current assets		7,559	3,678
Capital expenditures on non-current assets		(58,366)	(76,576)
Change in non-current and current financial assets		3,274	(10,044)
Change in liquid funds from changes in the consolidation range		(2,605)	9,522
Assets/Liabilities held for Sale		7,402	(4,570)
Cash flow from investing activities		(42,736)	(77,990)
FREE CASH FLOW		49,831	(15,151)
Change in net borrowings		4,070	(814)
<i>thereof restricted cash</i>		(10)	(7)
Loss absorption for non-controlling interests		(1,366)	0
Capital increases		733	492
Dividends		(9,888)	(8,149)
Exercise of options		4	67
Interest paid		(8,962)	(9,048)
Interest received		499	399
Cash flow from financing activities		(14,910)	(17,053)
Effects of exchange rate changes on cash and cash equivalents		(2,767)	4,772
CHANGE IN CASH AND CASH EQUIVALENTS		32,154	(27,432)
Cash and cash equivalents at the beginning of the year	2.6.7.1	43,151	70,583
Cash and cash equivalents at the end of the year	2.6.7.1	75,305	43,151
Change absolute		32,154	(27,432)

2.5 Consolidated Statement of Changes in Equity

2015/16 Financial Year

in TEUR	Attributed to shareholders of the parent company								Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the year			
30 April 2015	108,750	335,316	(2,013)	(9,782)	(2,814)	19,479	(142,718)	12,231	318,449	4,152	322,601
+/- Additions to reserves	0	0	12,231	0	0	0	0	(12,231)	0	0	0
+/- Total comprehensive income	0	0	0	(13,385)	768	0	21,927	11,367	20,677	484	21,161
+/- Capital increases	0	0	0	0	0	0	0	0	0	733	733
+/- Stock options – exercises	0	0	4	0	0	0	0	0	4	0	4
+/- Dividends	0	0	(9,492)	0	0	0	0	0	(9,492)	(396)	(9,888)
+/- Loss absorption for non-controlling interests	0	0	(1,366)	0	0	0	0	0	(1,366)	0	(1,366)
30 April 2016	108,750	335,316	(636)	(23,167)	(2,046)	19,479	(120,791)	11,367	328,272	4,973	333,245

2014/15 Financial Year

in TEUR	Attributed to shareholders of the parent company								Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the year			
30 April 2014	108,750	335,249	11,083	(42,259)	(2,960)	19,479	(100,558)	(4,995)	323,789	3,765	327,554
+/- Additions to reserves	0	0	(4,995)	0	0	0	0	4,995	0	0	0
+/- Total comprehensive income	0	0	0	32,477	146	0	(42,529)	12,231	2,325	26	2,351
+/- Capital increases	0	0	0	0	0	0	0	0	0	492	492
+/- Stock options – exercises	0	67	0	0	0	0	0	0	67	0	67
+/- Dividends	0	0	(7,765)	0	0	0	0	0	(7,765)	(384)	(8,149)
+/- Changes in the scope of consolidation	0	0	(336)	0	0	0	369	0	33	252	285
30 April 2015	108,750	335,316	(2,013)	(9,782)	(2,814)	19,479	(142,718)	12,231	318,449	4,152	322,601

2.6 Notes to the Consolidated Financial Statements

2.6.1 General Information

The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code and the provisions of IFRS/IAS that were issued by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee that were valid as of the balance sheet date, to the extent that these regulations have also been adopted by the European Union through its endorsement proceedings. Therefore, the consolidated financial statements of Zumtobel AG reflect all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2015/16 financial year (IFRS).

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 14 June 2016. 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 21 June 2016 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 2015 to 30 April 2016. The reporting currency is the euro. The business activities of the Group are carried out primarily through the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic lighting components and LED lighting components).

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

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

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

2.6.2 Scope of Consolidation and Consolidation Methods

2.6.2.1 Scope of consolidation

The consolidated financial statements for 2015/16 include 97 (2014/15: 94) fully consolidated companies in which Zumtobel Group AG exercises management control or directly or indirectly owns the majority of shares. Two companies were included in the consolidation at equity (2014/15: two). Eleven companies (2014/15: 11) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial. An overview of the Group companies is provided. 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		Total
	full	at equity	
30 April 2015	94	2	96
Included during reporting period for first time	5		5
<i>thereof newly founded</i>	1		1
<i>thereof acquisition</i>	4		4
deconsolidated/liquidated during reporting period	(2)		(2)
30 April 2016	97	2	99

The shares in Tridonic NZ Limited, New Zealand, were sold during June 2015 and the company was deconsolidated during the first quarter of 2015/16.

Zumtobel Pool AG, Switzerland, was liquidated and subsequently deconsolidated in April 2016.

The newly founded ZG Innovation France SAS was initially consolidated as of October 2015.

Business combination

On 7 September 2015 the Zumtobel Group acquired a controlling interest (60%) in the British LED lighting producer AC/DC LED Holdings Ltd (acdc) and therefore also a controlling interest in the acdc Group, which comprises four companies. The sale agreement also includes a call/put option to purchase the remaining interest (40%) in acdc in 2020.

acdc is a niche supplier of high-quality architectonic LED facade lighting and lighting solutions for hotels and design-oriented restaurants and bars. The company's products will complement the Zumtobel Group's existing portfolio. The Zumtobel Group expects this acquisition will lead to a stronger market presence in the above-mentioned areas and to the realisation of synergy effects across the entire value chain in the Lighting Segment. The Group does not expect the recognised goodwill to be deductible for tax purposes.

acdc generated revenues of approx. EUR 17 million in 2014 and has 120 employees.

The following overview summarises the acquired assets and assumed liabilities resulting from this transaction as well as the agreed purchase price.

in TEUR	acdc
Other intangible assets	3,048
Property, plant and equipment	1,279
Financial assets	13
Inventories	1,622
Trade receivables & other assets	2,227
Cash and cash equivalents	44
Borrowings	(4,572)
Other provisions	(714)
Trade payables & other liabilities	(2,179)
Purchase price	14,154
<i>thereof cash</i>	5,352
<i>thereof call/put option</i>	8,802
Equity	768
Goodwill	13,386

The purchase price for the controlling interest (60%) is based on acdc's balance sheet structure on the acquisition date. In addition, the sale agreement includes a call/put option for the purchase of the remaining interest (40%) in acdc in 2020. The purchase price for this 40% interest is linked to the future development of acdc's revenues. The holder of the non-controlling interest no longer has access to the company's returns, and the valuation of the remaining 40% was therefore based on the anticipated acquisition method. Under this method, 100% of the shares were recognised as of the acquisition date and no non-controlling interest is reported. The expected purchase price for the non-controlling interest included in the cost of this business combination was recognised as a non-current liability.

The fair value of trade receivables equals TEUR 1,705, whereby none are classified as uncollectable.

The costs of TEUR 288 connected with this business combination (for legal advising and due diligence) are reported on the income statement for the first half of 2015/16 under administrative expenses.

acdc contributed TEUR 5,967 to Group revenues and TEUR -2,889 to net profit for the 2015/16 financial year. If the acquisition had taken place as of 1 May 2015, the estimated revenues and share of net profit would have equalled TEUR 8,950 and TEUR -4,278, respectively.

The accounting treatment of this business combination will be adjusted if new information becomes known within one year of the acquisition date concerning facts and circumstances that existed as of that date and would have led to the adjustment of the recognised amounts or to the recognition of additional provisions. In this connection, the value of inventories was adjusted by TEUR -412 in the third quarter. The provision for license fees was also reduced by TEUR 2,255. This reduction led to an increase of TEUR 766 in the purchase price based on a contractual agreement with the seller.

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 and liabilities are recognised at fair value as of the acquisition date. If the acquisition price exceeds the fair value of the acquired identifiable assets and liabilities, the difference is recognised as goodwill. Any negative differences are recognised immediately to profit or loss in accordance with IFRS 3 "Business Combinations".

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

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

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

Other consolidation principles

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:

1 EUR equals	Average exchange rate: Income Statement		Closing rate: Balance sheet	
	30 April 2016	30 April 2015	30 April 2016	30 April 2015
AUD	1.5091	1.4407	1.4948	1.4161
CHF	1.0783	1.1620	1.0984	1.0486
USD	1.1080	1.2438	1.1403	1.1215
SEK	9.3308	9.2496	9.1689	9.3261
NOK	9.2132	8.4655	9.2150	8.3845
GBP	0.7383	0.7768	0.7803	0.7267

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 2015/16:

Standard / Interpretation	Publication by IASB	Mandatory application as of
IAS 19 Defined benefit plans: employee contributions	21 November 2013	1 February 2015
IFRIC 21 Levies	20 May 2013	17 June 2014
Improvements to IFRS Cycle 2010 - 2012	12 December 2013	1 February 2015
Improvements to IFRS Cycle 2011 – 2013	12 December 2013	1 January 2015

The changes to IAS 19 "Employee Benefits" clarify the rules for allocating contributions by employees and third parties to service periods when these contributions are linked to the service time. In addition, the rules were simplified for contributions which are independent of the service years.

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

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

These new or revised standards and interpretations had no material effects on the consolidated financial statements of the Zumtobel Group.

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 2015/16:

Standards / Interpretations		Mandatory application in financial years beginning on or after
IAS 1	Changes to IAS 1: Presentation of Financial Statements	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 / IAS 28	Changes to IFRS 10 and IAS 28: Sale or contribution of assets to an associate or joint venture	Postponed for an indefinite period
IFRS 10 / IFRS 12 / IAS 28	Changes to IFRS 10, IFRS 12 and IAS 28: Investment entities, application of the consolidation exception	1 January 2016
IFRS 11	Changes to IFRS 11: Accounting for the acquisition of an interest in a joint operation	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Various	Improvements to IFRS Cycle 2012-2014	1 January 2016

As part of the initiative to improve disclosure requirements, the IASB announced changes to IAS 1 "Presentation of Financial Statements". These changes focus, above all, on the presentation of financial statements.

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

The changes to IFRS 10 and IAS 28 "Sale or contribution of assets to associates or joint ventures" requires the recognition of the entire profit or loss from a transaction only when the sold or contributed assets represent a business as defined in IFRS 3 "Business Combinations". The respective rules apply regardless of whether the transaction is designed as a share deal or an asset deal. In contrast, the recognition of the proportional share of results is permitted if the assets do not represent a business.

The changes to IFRS 10, IFRS 12 and IAS 28 "Investment entities, application of the consolidation exception" clarify various issues related to the application of the consolidation exception defined by IFRS 10 "Consolidated Financial Statements" when the parent company is an investment entity. The exception also applies when the parent company is a subsidiary. Moreover, the valuation method applied to interests in investment entities is dependent on whether the parent company itself is an investment entity.

The revision of IFRS 11 "Accounting for the acquisition of an interest in a joint operation" requires the acquirer of an interest in a joint operation which constitutes a business to recognise this interest in accordance with the principles defined by IFRS 3.

IFRS 15 "Revenue from Contracts with Customers" combines the many different rules and interpretations for revenue recognition under a single standard. The new standard presents a comprehensive framework for determining whether, at what amount and at which time revenues should be recognised. IFRS 15 defines a uniform, five-step model that is generally applicable to all contracts with customers.

IFRS 16 "Leases" replaces IAS 17 and provides new rules for the accounting treatment of leases. In the future the lessee will be required to report the assets and liabilities for most leases, regardless of whether the transactions were classified as finance leases or operating leases under the previous IAS 17. The income statement will show the depreciation or amortisation of the leased asset as well as the interest expense on the lease liability. The accounting rules for lessors remain basically unchanged.

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

The Zumtobel Group is currently analysing the effects of the new standards and interpretations. However, these new rules are not expected to have any effect on the consolidated financial statements for the 2016/17 financial year.

2.6.3.2 Major accounting and valuation methods

Goodwill

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

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

Other intangible assets

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

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

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

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

Property, plant and equipment

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

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

Straight-line depreciation	Depreciation rate per year
Buildings	2–3.3%
Technical equipment and machinery	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

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

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

>> Securities and similar rights

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

- >> Trade receivables
Receivables are generally carried at amortised cost, whereby recognisable risks are reflected in bad debt allowances.
- >> Originated loans, other receivables (financial assets)
Originated loans and other receivables are carried at amortised cost.
- >> Loans, finance leases (financial liabilities)
Loans and finance lease liabilities are carried at their repayment amount or nominal value, including transaction costs (amortised cost). Non-current liabilities are carried at their present value.
- >> Derivative financial instruments
Derivative financial instruments are carried at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", whereby fair value is determined in line with the rules defined in IFRS 13 "Fair value measurement". The Zumtobel Group only uses derivative financial instruments to hedge risks arising from the operating business. Interest rate swaps are used to optimise the variable and fixed interest components of financial liabilities. Foreign currency futures are used to preclude transaction risks. Net investments in foreign operations are hedged with cross-currency swaps. In accordance with IFRS 13 "Fair value measurement", derivative financial instruments are measured and recognised at fair value when the contract is signed; this fair value also includes the counterparty default risk. The valuation of forward exchange contracts is based on the present value of future cash flows and reflects the application of current market-based interest rate curves for the respective currency and the foreign exchange rates in effect on the valuation date. The Zumtobel Group does not use listed derivative financial instruments. Off-market interest rate instruments are carried at fair value, which is determined by discounting the expected future payments at the current market interest rate. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative financial instruments that do not meet the requirements for hedge accounting are classified as held for trading.
- >> Market values of derivatives held for trading
Changes in the value of derivative instruments that are not part of hedge accounting are reported on the income statement under financial results.
- >> Market values of derivatives (hedge accounting)
The Zumtobel Group applies the requirements of IAS 39 "Financial Instruments: Recognition and Measurement" (hedge accounting) in connection with interest rate hedges. Increases or decreases in the fair value of derivative instruments that qualify for hedge accounting as defined in IAS 39 (cash flow hedges) and are highly effective are credited or charged to equity. The ineffective portion is recognised immediately through profit or loss. The amounts accumulated under equity are recognised as gains or losses of the same period in which the hedged item is recognised to the income statement. The hypothetical derivative method is used to confirm the effectiveness of these derivatives.
- >> Market value of a net investment in a foreign operation
Derivative instruments concluded to hedge a "net investment in a foreign operation" (IAS 21) are recorded on the balance sheet as derivatives (hedge accounting). In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", all changes in the market value of the effective portion of the hedge are recorded under equity without recognition through profit or loss (cash flow hedge). The ineffective portion of the changes in fair value is recognised immediately to profit or loss. In 2014/15 parts of the hedge were ineffective due to volume adjustments and the respective portion of the negative market value was included on the income statement as a valuation effect. Subsequent changes in the market value during 2015/16 were reported as follows: the ineffective part was included on the income statement and the effective part was shown on the statement of comprehensive income. The allocation between the ineffective and effective portions was based on the initial recognition in 2014/15. The gain or loss on the foreign currency translation of the hedged investment is recorded in equity under other comprehensive income.

>> Determination of fair value

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

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

Level 1: Listed prices on active markets for identical instruments

Level 2: Valuation based on input factors that can be monitored on the market

Level 3: Valuation based on input factors that cannot be monitored on the market

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

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

The financial instruments classified under Level 2 represent the derivatives included under financial assets and other liabilities (positive market values: TEUR 2,294, 2014/15: TEUR 3,398; negative market values: TEUR –10,235, 2014/15: TEUR –21,593; also see section 2.6.10).

The consolidated financial statements of the Zumtobel Group also include an insignificant amount of financial instruments whose valuation is not based on listed prices or input factors that can be monitored on the market (Level 3). Included here are securities and similar rights as well as a long-term liability in the form of a call/put option related to an acquisition.

Current and non-current assets and liabilities

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

Share-based remuneration

The stock option programme of Zumtobel Group AG – the “Stock Option Programme” (SOP) – represented a share-based remuneration that was paid in the form of equity instruments. The value of the compensation for services provided by employees was derived from the market value of the issued equity instruments at the grant date and was based on accepted option valuation models. Additions to and reversals from the reserve were recognised to profit or loss during the reporting period in which the options were granted (granting period). The reserve was not adjusted through profit or loss to reflect the options actually exercised. These items were reported on the balance sheet under reserves. This programme has expired and there are no more exercise windows. Additional information is provided in section 2.6.8.4.

Provisions

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

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

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

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

Employee benefits

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

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

>> Defined benefit plans

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

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

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

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

>> Defined contribution plans

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

Income taxes

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

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

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

Revenue recognition

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

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

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

Foreign currency transactions

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

Discretionary decisions and estimation uncertainty

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

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

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

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

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

The recoverable amount represents the higher of fair value less costs to sell and the value in use, whereby the value in use is determined by discounting the estimated future cash flows from the asset. Most of the development costs were incurred in the region "Europe", where a WACC of 7.15% (2014/15: 7.0%) was applied.

The goodwill in the Lighting Segment resulted from the acquisition of the Thorn Lighting and the acdc corporate groups. In accordance with the brand-based reporting structure that was implemented in 2014/15, the entire goodwill from both acquisitions was allocated to the cash-generating unit Lighting ("CGU Lighting") and tested for impairment at that level. The "CGU Lighting" represents the operating Lighting Segment in the sense of IFRS 8.5.

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

The value in use serves as a benchmark for the impairment testing of goodwill. It is calculated as the discounted cash flows produced by the relevant cash-generating unit. The estimates of future cash inflows are based on internal forecasts approved by the Management Board, which were prepared in detail for 2016/17 and with minor simplifications for a further three years. These forecasts are based on past experience and estimates by the Management Board for the development of the market environment, whereby future margin improvements are anticipated and were included in the projected cash flows. These margin improvements are expected, above all, through the realisation of growth and cost synergies from the multi-brand approach and the group-wide bundling of procurement activities. The estimates for future cash flows do not include the expected future positive effects of strategic initiatives whose implementation is still in progress. The adjusted forecasts used to test goodwill for impairment are based on operating returns on sales (adjusted EBIT margins) of 4% to 7%.

A long-term growth rate of 2.0% for the lighting industry was applied to the years after the detailed forecast period (2014/15: 2.2%).

The quality of the forecast data is regularly compared with actual results through a variance analysis. Cash flows are estimated on the basis of regional assumptions for the development of the market. Cost structures are generally forecasted on the basis of experience and then extrapolated. All impairment charges are recognised immediately to profit or loss.

An after-tax WACC of 7.29% (2014/15: 7.0%) was applied to the "CGU Lighting" in 2015/16. This discount rate is derived from regional discount rates, which are weighted according to the volume of business in the respective region. The regional interest rates are based, above all, on the inflationary trends of the individual countries in relation to the risk-free base interest rate as well as country risk premiums and the applicable national tax rates.

The estimated recoverable amount of the "CGU Lighting" exceeds the carrying amount by nearly EUR 215 million. The recoverable amount of the "CGU Lighting" would equal the carrying amount if the discount rate (WACC) increased from 7.29% to 8.6% or the forecasted cash flows declined by 21%.

>> Provisions for employee benefits

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

>> Other provisions

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

>> Deferred tax assets

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

As of the balance sheet date, the Group was not aware of any major circumstances that could lead to a significant variance in the carrying amount of an asset or liability during the next financial year.

Special effects

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

Government grants

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

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 55,390 (2014/15: TEUR 52,026) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,411,933 (2014/15: TEUR 1,364,646).

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:

2015/16 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(577,396)	(6,574)	(49)	(483)	(584,502)
Personnel expenses	(224,508)	(188,115)	(35,051)	(25,760)	(473,434)
Depreciation	(54,658)	(7,729)	(1,045)	(4,099)	(67,531)
Other expenses	(96,336)	(125,503)	(19,069)	(9,058)	(249,966)
Own work capitalised	18,385	225	0	0	18,610
Internal charges	3,638	(7,228)	3,590	0	0
Total expenses	(930,875)	(334,924)	(51,624)	(39,400)	(1,356,823)
Other income	5,516	7,872	511	10,200	24,099
Total	(925,359)	(327,052)	(51,113)	(29,200)	(1,332,724)

2014/15 Financial Year

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

The cost of materials includes TEUR 24,251 (2014/15: TEUR 23,342) of third party services.

Other income includes government grants of TEUR 2,758 (2014/15: TEUR 5,210), which were provided primarily for research activities. Of this total, TEUR 2,214 (2014/15: TEUR 3,325) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 83,858 (2014/15: TEUR 75,269). Development costs capitalised during the reporting year amounted to TEUR 18,054 (2014/15: TEUR 15,949), and the related amortisation totalled TEUR 19,626 (2014/15: TEUR 15,804). The impairment charges of TEUR 1,014 recognised to development costs in 2015/16 were recorded as a special effect under other operating results. The development costs recognised as expenses in 2015/16, resulting from the capitalisation, were reduced by a net amount of TEUR 1,572 (2014/15: net reduction of TEUR 145 in expenses).

Selling expenses include research costs of TEUR 3,992 (2014/15: TEUR 3,703).

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2015/16:

In TEUR	2015/16	2014/15
Total fees	263	283
<i>thereof audit and related activities</i>	222	198
<i>thereof other services</i>	41	85

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

Administrative expenses include TEUR 1,328 (2014/15: TEUR 1,482) of auditing services performed by the KPMG network for the Zumtobel Group.

The year-on-year change in other operating results is related primarily to special effects recognised in 2015/16 (see section 2.6.4.3).

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

in TEUR	2015/16	2014/15
Wages	(80,690)	(79,557)
Salaries	(262,260)	(254,097)
Expenses for severance compensation	(4,252)	(4,202)
Expenses for pensions	(5,642)	(4,982)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(66,448)	(66,522)
Other employee benefits	(12,271)	(10,939)
Contract workers	(16,384)	(18,605)
Expenses from restructuring	(25,487)	(13,825)
Personnel expenses	(473,434)	(452,729)

2.6.4.3 Other operating results

in TEUR	2015/16	2014/15
Government grants	2,214	3,325
License revenues	2,999	2,032
Special effects	(34,857)	(25,392)
<i>Impairment charges to non-current assets</i>	<i>(3,716)</i>	<i>(2,810)</i>
<i>Restructuring</i>	<i>(29,992)</i>	<i>(21,029)</i>
<i>Impairment charges to current assets</i>	<i>(2,389)</i>	<i>(1,420)</i>
<i>Changes in the scope of consolidation</i>	<i>1,240</i>	<i>(133)</i>
Miscellaneous	444	49
Total	(29,200)	(19,986)

As in the prior year, the government grants received in 2015/16 represent subsidies that were recognised to profit or loss.

License revenues for 2015/16 were generated chiefly by the LED business, as was the case in the prior year.

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

The impairment charges to non-current assets include TEUR 1,014 attributable to the Components Segment and TEUR 2,702 for the Lighting Segment. The expenses of TEUR 1,014 recognised in the Components Segment resulted from the write-off of a capitalised development project following the adjustment of the product portfolio. The impairment charges of TEUR 2,702 to non-current assets in the Lighting Segment consist primarily of TEUR 1,893 related to the planned shutdown of the plant in Usingen, Germany, and the subsequent impairment charges to plant and equipment as well as write-offs of TEUR 767 to tools for two product lines whose production was basically terminated.

The impairment charges recognised to non-current assets in 2014/15 include TEUR 1,767 attributable to the Components Segment and TEUR 1,043 for the Lighting Segment. The expenses recognised in the Components Segment resulted from the write-off of property, plant and equipment in connection with the exit from magnetics technology. The impairment charges to non-current assets in the Lighting Segment were related mainly to the write-off of pressure casting machines following the shutdown of the pressure casting department at the plant in Lemgo, Germany.

The restructuring costs recognised in 2015/16 include TEUR 32,669 for the Lighting Segment, TEUR -3,202 for the Components Segment and TEUR 525 for Zumtobel Group AG.

The expenses charged in the Lighting Segment totalled TEUR 32,669 and include TEUR 13,095 for the restructuring of the global sales organisations (among others in the DACH region, Australia, Asia and Northern and Southern Europe). A further TEUR 18,314 are related to the restructuring of global operations, whereby TEUR 13,071 are attributable to the planned shutdown of the plant in Usingen, Germany, and TEUR 1,260 are related to the restructuring of the Zumtobel Business Division.

The income of TEUR 2,773 recorded in the Components Segment was generated almost entirely by the sale of the advertising lighting ("signage") business, which was sold by Tridonic GmbH & Co KG to the US AgiLight Inc., a company whose registered office is located in San Antonio, Texas, as of 30 November 2015. The sale of the signage activities, which generated revenues of approx. EUR 20 million in 2014/15, took the form of an asset deal. In addition, the sale of land in Fürstenfeld, Austria, generated proceeds of TEUR 412.

The restructuring expenses recognised in 2014/15 include TEUR 20,122 for the Lighting Segment, TEUR 764 for the Components Segment and TEUR 143 for Zumtobel Group AG.

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

The restructuring expenses in the Components Segment during 2014/15 amounted to TEUR 764 and were related, above all, to the exit from magnetics technology (TEUR 384) and the shutdown of the plant in Fürstenfeld, Austria (TEUR 377).

The impairment charges recognised to current assets in 2015/16 included TEUR 814 related to the relocation of production from Landskrona, Sweden, to Spennymoor, Great Britain, TEUR 430 related to the shutdown of the plant in Tianjin, China, and TEUR 500 for the planned shutdown of the plant in Usingen, Germany.

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

The deconsolidation of Tridonic NZ Limited, New Zealand, which was sold during the first quarter of 2015/16, resulted in a positive effect of TEUR 1,229. This transaction involved the sale of net assets totalling TEUR 1,539. In addition, TEUR 135 were reported under impairment charges to current assets in connection with this sale. The liquidation of Zumtobel Pool AG, Switzerland, resulted in additional income of TEUR 11.

In 2014/15 this position included the deconsolidation results from the sale of Tridonic connection technology GmbH & Co KG, Austria, and Tridonic connection technology GmbH, Austria.

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

2.6.4.4 Interest income and expenses

Interest expense consists mainly of interest and fees for the current credit agreement as well as the interest component of the lease for the plant in England (TEUR 2,116; 2014/15: TEUR 2,158).

2.6.4.5 Other financial income and expenses

in TEUR	2015/16	2014/15
Interest component as per IAS 19 less income on plan assets	(4,686)	(6,997)
Foreign exchange gains and losses	(3,244)	(677)
Market valuation of financial instruments	8,432	(8,899)
Gains/losses on sale	(11)	(3)
Total	491	(16,576)

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

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at their respective market values as of the balance sheet date. The positive change since 30 April 2015 resulted mainly from the measurement of financial instruments whose fair value increased during the reporting period and from the realisation of foreign currency transactions with a previous negative fair value (in particular, forward exchange contracts in Swiss francs).

2.6.4.6 Income taxes

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

in TEUR	2015/16	2014/15
Current taxes	(6,066)	(6,227)
<i>thereof current year</i>	(6,239)	(6,255)
<i>thereof prior years</i>	173	28
Deferred taxes	2,374	2,490
Income taxes	(3,692)	(3,737)

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 23.7% for the reporting year (2014/15: 23.8%).

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

Difference between calculated and actual tax expense

in TEUR	2015/16	2014/15
Profit/loss before tax	15,578	15,693
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	(3,894)	(3,923)
Difference between calculated/actual tax expense	202	186
Non-deductible expenses	(5,110)	(3,624)
Foreign tax rates	(1,019)	(248)
Valuation discounts for deferred taxes	559	1,405
Tax-free income	2,076	2,404
Other items	3,696	249
Total tax expense	(3,692)	(3,737)

Deferred taxes of TEUR 5,853 (2014/15: TEUR 6,262) were recognised on tax deductible impairment charges of subsidiaries by the head company of the Austrian tax group. This represents 100% of the impairment charges on tax group members in Austria.

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

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

Income from investments in domestic subsidiaries is generally tax-exempt in Austria. The dividends from investments in EU and EEA countries have also been generally exempt from Austrian corporate tax since 2009 if certain conditions are met. Dividends from other foreign investments in which the Zumtobel Group holds a stake of 10% or more are also tax-free for the Austrian parent company.

2.6.4.7 Results from discontinued operations

Results from discontinued operations in 2014/15 represent subsequent expenses in connection with the reorganisation process for Space Cannon VH SRL. This company was part of the event lighting business, which was discontinued during the second quarter of 2009/10.

2.6.4.8 Earnings per share

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

The distribution to shareholders from reserves and annual results may not exceed the total profit reported on the individual financial statements of Zumtobel Group AG, which are prepared in accordance with Austrian corporate law (TEUR 76,304; 2014/15:TEUR 60,383).

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

2015/16 Financial Year

in 1,000 pcs.	Balance sheet date	Average
1 May 2015	43,146	43,146
Stock options – exercises	1	1
30 April 2016	43,147	43,147

2014/15 Financial Year

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

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 -3,188 (2014/15: TEUR 11,099) of currency-related adjustments to goodwill. The currency reserve under equity contains foreign exchange-related effects of TEUR -35 (2014/15: TEUR 342). The deconsolidation of a Group company whose functional currency is not the euro also involves the subsequent reclassification of the related amounts from the currency reserve to the income statement and the inclusion of these amounts in the deconsolidation results.

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR -4,819 (2014/15: TEUR 6,767) from loans result from long-term loans granted by the Group in GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and must therefore be reported under other comprehensive income. This position also includes foreign exchange differences from an interest rate hedge.

2.6.5.3 Actuarial gain/loss

The actuarial gains of TEUR 23,139 in 2015/16 (2014/15: losses of TEUR 48,495) include TEUR 10,454 (2014/15: losses of TEUR 12,850) from a pension plan in Great Britain. The actuarial losses in the previous year resulted mainly from the decline in interest rates during 2014/15. An actuarial gain of TEUR 1,439 was also recorded in 2015/16 (2014/15: loss of TEUR 10,001) chiefly due to interest rate adjustments to the provisions for severance compensation.

2.6.5.4 Deferred taxes

The deferred tax effect of TEUR -1,212 (2014/15: TEUR 5,917) resulted mainly from the revaluation of the involved IAS 19 obligations and was recorded under other comprehensive income. Deferred tax assets were not recognised for the actuarial losses related to a pension plan in a British subsidiary because of immateriality.

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

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

in TEUR	Lighting Segment	Components Segment	Total
30 April 2014	185,735	2,057	187,792
FX effects	11,099	0	11,099
30 April 2015	196,834	2,057	198,891
Addition to goodwill	13,386	0	13,386
FX effects	(3,187)	0	(3,187)
30 April 2016	207,033	2,057	209,090

The original goodwill in the Thorn Lighting Group had a historical cost of TEUR 543,661. The accumulated impairment charges recognised up to 30 April 2014 totalled TEUR 338,278, and the accumulated foreign exchange effects equalled TEUR -19,648.

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR -3,187 to goodwill during the reporting year, which was not recognised through profit or loss (2014/15: TEUR 11,099). These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

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

The addition of TEUR 13,386 to goodwill in 2015/16 resulted from the acquisition of accdc (see section 2.6.2.1.).

2.6.6.2 Other intangible assets

2015/16 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2015	48,526	138,000	186,526
Foreign currency translation	(299)	(873)	(1,172)
Changes in the scope of consolidation	3,048	0	3,048
Additions	1,994	18,060	20,054
Disposals	(414)	(4,259)	(4,673)
Transfers	26	0	26
30 April 2016	52,881	150,928	203,809
Accumulated amortisation			
30 April 2015	(37,896)	(88,090)	(125,986)
Foreign currency translation	62	846	908
Changes in the scope of consolidation	0	0	0
Scheduled depreciation	(3,544)	(19,626)	(23,170)
Impairment	0	(1,014)	(1,014)
Disposals	409	3,397	3,806
30 April 2016	(40,969)	(104,487)	(145,456)
Net carrying amount 30 April 2015	10,630	49,910	60,540
Net carrying amount 30 April 2016	11,912	46,441	58,353

The intangible assets include customers relations of TEUR 1,395 capitalised in connection with the acquisition of accd as well as brand rights of TEUR 1,653.

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38 "Intangible Assets". The additions to acquisition costs, including transfers, include capitalised development expenses of TEUR 18,054 (2014/15: TEUR 15,949). Most of these additions involve work on luminaires and lighting components, whereby TEUR 10,424 (2014/15: TEUR 12,599) were not yet available for use as of the balance sheet date.

The impairment charges recognised during the reporting year are related to a capitalised development project in the Components Segment, which was written off due to the adjustment of the product portfolio.

2014/15 Financial Year

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

2.6.6.3 Property, plant and equipment

2015/16 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2015	254,128	364,615	112,493	16,660	747,896
Foreign currency translation	(4,129)	(6,831)	(1,494)	(258)	(12,712)
Changes in the scope of consolidation	491	1,155	838	11	2,495
Additions	5,319	11,575	8,121	13,297	38,312
Disposals	(11,977)	(26,557)	(11,191)	0	(49,725)
Transfers	1,141	21,825	(1,109)	(21,883)	(26)
30 April 2016	244,973	365,782	107,658	7,827	726,240
Accumulated amortisation					
30 April 2015	(128,632)	(293,309)	(89,274)	(10)	(511,225)
Foreign currency translation	1,945	5,326	1,187	2	8,460
Changes in the scope of consolidation	(311)	(392)	(513)	0	(1,216)
Scheduled depreciation	(9,665)	(20,794)	(10,186)	0	(40,645)
Impairment	0	(2,702)	0	0	(2,702)
Disposals	10,480	24,461	9,947	8	44,896
Transfers	(681)	(1,861)	2,542	0	0
30 April 2016	(126,864)	(289,271)	(86,297)	0	(502,432)
Net carrying amount 30 April 2015	125,496	71,306	23,219	16,650	236,671
Net carrying amount 30 April 2016	118,109	76,511	21,361	7,827	223,808

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

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 3,463 (2014/15: TEUR 5,051) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 208 (2014/15: TEUR 336), plant and machinery at TEUR 2,988 (2014/15: TEUR 4,401) and other non-current assets at TEUR 267 (2014/15: TEUR 314).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 581 (2014/15: TEUR 603), plant and machinery at TEUR 7,051 (2014/15: TEUR 15,622) and other non-current assets at TEUR 195 (2014/15: TEUR 425).

The impairment charges to plant and machinery include TEUR 2,702 for the Lighting Segment. Of this amount, TEUR 1,893 is related to the planned shutdown of the plant in Usingen, Germany, and TEUR 767 to the write-off of tools for two product lines whose production was basically terminated.

2014/15 Financial Year

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

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

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in two (2014/15: two) companies, in which it has significant influence over major financial and/or operating policies but does not exercise control ("associated companies"). Therefore, these companies were included in the consolidated financial statements at equity as of 30 April 2016.

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

LEXEDIS Lighting GmbH, is classified as a joint venture in accordance with IFRS 11 "Joint Arrangements" because it is managed together with an equal partner. The valuation at equity was discontinued due to the accumulated losses. This company develops, produces and sells LED products (light-emitting diodes). The profit generated in 2015/16 was offset against previous losses. Valuation will be resumed when profits exceed the accumulated losses of TEUR 4,554. 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.

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

in TEUR	Staff Iberica S.A.	LEXEDIS Lighting GmbH
30 April 2016		
Assets	6,909	2,716
Liabilities	2,440	4,670
Equity	4,469	(1,954)
Revenues	6,425	15,967
Net profit/loss for the year	(122)	170

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

Current trade receivables due from associated companies totalled TEUR 775 as of 30 April 2016 (2014/15: TEUR 932); no impairment charges were recognised to these assets. The respective parent companies have concluded agreements with companies included at equity for the provision of goods and services.

As of 30 April 2016, a financial liability of TEUR 325 was due to an associated company (2014/15: financial receivable of TEUR 616).

Deferred taxes of TEUR 259 (2014/15: deferred taxes of TEUR 274) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39 "Income Taxes".

2.6.6.5 Investments in other companies

The following companies have non-controlling interests:

Company	Country	Operating Segment	30 April 2016	30 April 2015
Zumtobel Lighting Saudi Arabia Limited	Saudi Arabia	Lighting Segment	49%	49%
Thorn Gulf LCC	UAE	Lighting Segment	51%	51%
Thorn Lighting Limited Liability	Qatar	Lighting Segment	51%	51%

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

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

Balance Sheet	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
	30 April 2016				30 April 2015			
in TEUR								
Non-current assets	162	146	164	472	220	28		248
Current assets	248	8,926	3,050	12,224	194	8,830	614	9,638
Assets	410	9,072	3,214	12,696	414	8,858	614	9,886
Current liabilities	955	3,784	1,990	6,729	1,284	3,781	102	5,167
Equity	(545)	5,288	1,224	5,967	(870)	5,077	512	4,719
Equity and Liabilities	410	9,072	3,214	12,696	414	8,858	614	9,886
Capital increases	1,498							
Dividends		(989)				(959)		

Statement of Comprehensive Income	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
	2015/16				2014/15			
in TEUR								
Revenues	0	8,105	3,859	11,963	0	10,239	0	10,239
Net profit/loss for the year	(1,197)	1,274	738	815	(3,265)	1,773	(92)	(1,584)
<i>thereof due to non-controlling interests</i>	<i>(360)</i>	<i>510</i>	<i>369</i>	<i>519</i>	<i>(980)</i>	<i>709</i>	<i>(46)</i>	<i>(317)</i>
Subtotal other comprehensive income	24	(74)	(26)	(76)	(133)	767	99	733
<i>thereof due to non-controlling interests</i>	<i>8</i>	<i>(30)</i>	<i>(13)</i>	<i>(35)</i>	<i>(27)</i>	<i>319</i>	<i>50</i>	<i>342</i>
Dividends paid to non-controlling interests	0	(396)	0	(396)	0	(384)	0	(384)

Cash Flow Statement	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
	2015/16				2014/15			
in TEUR								
Cash flow from operating activities	(1,372)	3,399	515	2,542	(790)	340		(450)
Cash flow from investing activities	(10)	(152)	(174)	(336)	(202)	(26)		(228)
Cash flow from financing activities	1,503	(1,063)	15	455	1,066	(892)	508	682
Net increase/decrease in cash and cash equivalents	121	2,184	356	2,661	74	(578)	508	4

2.6.6.6 Financial assets

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

Current financial assets consist primarily of a short-term financial receivable due from an associated company (TEUR 0; 2014/15: TEUR 616) and active market values from hedged positions (TEUR 2,294; 2014/15: 3,398).

Detailed information is presented in section 2.6.10.1.

2.6.6.7 Other assets

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

in TEUR	30 April 2016	30 April 2015
Coverage capital for Group life insurance	3,556	3,449
Other	878	840
Other non-current assets	4,434	4,289
Prepaid expenses and deferred charges	8,915	8,692
Amounts due from tax authorities	14,391	6,806
Prepayments made	1,056	959
Other	8,271	12,676
Other current assets	32,633	29,133

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 1,328 (2014/15: TEUR 4,307), receivables of TEUR 1,605 (2014/15: TEUR 2,426) arising from part-time work for older employees in Germany and advance contributions of TEUR 1,128 (2014/15: TEUR 1,575) to pension plans in Switzerland.

2.6.6.8 Deferred taxes

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

in TEUR	30 April 2016		30 April 2015	
	Assets	Liabilities	Assets	Liabilities
Other intangible assets	73	11,188	126	12,011
Property, plant and equipment	1,672	2,751	2,405	4,111
Financial assets	0	288	140	556
Inventories	4,142	59	4,721	108
Trade receivables	950	846	991	900
Other receivables	0	4,679	406	2,304
Non-current provisions	20,248	27	22,050	43
Other provisions	3,799	1,327	1,969	1,653
Trade payables	4,282	229	3,247	70
Loss carryforwards	145,136	0	148,653	
Deferred tax credits or liabilities	180,302	21,394	184,708	21,756
Valuation discounts for deferred taxes	(115,649)		(120,433)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(19,770)	(19,770)	(16,200)	(16,200)
Deferred taxes	44,883	1,624	48,075	5,556

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 462,596 (2014/15: TEUR 481,728) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 32,957 (2014/15: TEUR 26,602) will expire within ten years. In agreement with IAS 12.39 "Income Taxes", deferred tax liabilities are not recognised on timing differences related to shares in subsidiaries. The calculation of deferred taxes for Group companies is based on the applicable national tax rate. Deferred taxes on loss carryforwards are only capitalised if they will be offset by deferred tax liabilities or if the utilisation of the loss carryforwards is sufficiently certain.

Deferred taxes of TEUR -1,527 were recognised under other comprehensive income during the reporting year (2014/15: TEUR 5,917). This amount includes TEUR -1,212 (2014/15: TEUR 5,966) related to actuarial gains/losses on the provisions for pensions and severance compensation as required by IAS 19 "Employee Benefits" as well as TEUR -315 (2014/15: TEUR -49) for the hedge accounting reserve.

2.6.6.9 Inventories

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

in TEUR	30 April 2016	30 April 2015
Raw materials	66,093	71,448
<i>Gross value</i>	79,130	80,496
<i>Impairment charges</i>	(13,037)	(9,048)
Work in process	3,027	3,750
Semi-finished goods	10,261	13,081
<i>Gross value</i>	11,996	14,600
<i>Impairment charges</i>	(1,735)	(1,519)
Merchandise	23,486	21,953
<i>Gross value</i>	27,185	25,707
<i>Impairment charges</i>	(3,699)	(3,754)
Finished goods	84,570	91,553
<i>Gross value</i>	99,625	103,553
<i>Impairment charges</i>	(15,055)	(12,000)
Inventories	187,437	201,785

Income was reduced by valuation adjustments of TEUR 7,205 to inventories during the reporting year (2014/15: TEUR 2,352).

Impairment charges of TEUR 135 were recognised to current assets in the Components Segment during 2015/16 in connection with the sale of Tridonic NZ Limited, New Zealand.

In the Lighting Segment, impairment charges of TEUR 814 were recognised to current assets during the reporting year due to the relocation of production from Landskrona, Sweden, to Spennymoor, Great Britain. Impairment charges of TEUR 430 were also recognised in connection with the shutdown of the plant in Tianjin, China, and TEUR 500 in connection with the planned shutdown of the plant in Usingen, Germany.

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

In 2014/15, the restructuring of the product portfolio in the Lighting Segment resulted in an impairment charge of TEUR 328 to current assets at the plant in Spennymoor, Great Britain.

2.6.6.10 Trade receivables

in TEUR	30 April 2016	30 April 2015
Trade receivables gross	250,748	261,061
Valuation adjustments to receivables	(10,598)	(10,119)
Provision for customer bonuses and discounts	(19,281)	(16,355)
Trade receivables	220,869	234,587

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts totalled TEUR 35,720 as of 30 April 2016 (2014/15: TEUR 45,560). The amounts received from factoring were deducted from the gross receivables shown in the above table.

2.6.6.11 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 205 (2014/15: TEUR 204) 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 Assets and liabilities held for sale

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

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

in TEUR	30 April 2015
Non-current assets	6
Current assets	4,813
Available-for-sale assets	4,819
Non-current liabilities	15
Current liabilities	234
Liabilities held for Sale	249

2.6.6.13 Employee benefits

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

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

Defined benefit plans as per IAS 19 in TEUR	Post-employment benefits					
	Pensions		Severance compensation		Other	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Beginning balance, net liability	99,994	77,486	49,348	41,374	13,433	12,860
Foreign currency translation & reclassification	(4,231)	6,471	0	0	(15)	224
Change in consolidation range & reclassifications	0	0	0	(1,317)	(412)	443
Changes recognised through profit or loss	5,219	3,354	2,419	2,633	1,801	3,312
<i>thereof service cost</i>	1,419	2,642	1,650	1,354	1,590	1,648
<i>thereof past service cost</i>	0	0	0	0	76	38
<i>thereof plan reductions and settlements</i>	0	(3,619)	0	0	0	0
<i>thereof interest expense</i>	8,687	10,870	769	1,279	116	1,387
<i>thereof expected income from plan assets</i>	(4,887)	(6,539)	0	0	0	0
<i>thereof actuarial gain/loss</i>	0	0	0	0	18	239
Actuarial gain/loss recognised to equity	(13,466)	26,874	(1,439)	10,001	0	0
<i>thereof demographic adjustments</i>	(3,547)	(5,733)	(122)	(163)	0	0
<i>thereof financial adjustments</i>	(7,475)	44,614	(2,060)	9,175	0	0
<i>thereof experience related adjustments</i>	(2,444)	(12,007)	743	989	0	0
Payments	(7,776)	(14,191)	(1,613)	(3,343)	(3,279)	(3,406)
<i>thereof from employer</i>	(7,776)	(14,191)	(1,613)	(3,343)	(3,279)	(3,406)
Ending balance, net liability	79,740	99,994	48,717	49,348	11,527	13,433

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

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

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

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Germany	1.8%	1.6%	-	-	3.0%	3.0%	1.3%	1.5%	1)	1)
Great Britain	3.3%	3.4%	3.3%	3.4%	-	-	2.9%	3.1%	65/65	65/65
Switzerland	0.6%	0.9%	0.6%	0.9%	1.5%	1.5%	-	-	64/65	64/65
Norway	2.4%	2.2%	2.4%	2.2%	2.3%	2.5%	0.1%	0.1%	67/67	67/67
Sweden	2.0%	2.0%	-	-	-	-	1.5%	1.5%	65/65	65/65
Austria	1.9%	1.6%	-	-	3.0%	3.0%	-	-	2)	2)
France	1.7%	1.5%	-	-	1.0%	2.0%	-	-	3)	3)
Italy	1.2%	1.1%	-	-	1.0%	3.0%	-	-	60/65	60/65
Australia	3.5%	2.2%	3.5%	2.2%	3.0%	3.0%	-	-	65	65

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

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

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

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

Pension obligations

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

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

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

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

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

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

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

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

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 580 in 2015/16 (2014/15: TEUR 691). The asset coverage calculated in accordance with Swedish law equalled 144% (2014/15: 149%) for all plan participants. This coverage represents the difference between the insurance obligations and the fair value of the relevant assets, which was determined on the basis of information provided by the pension fund programme.

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

The Australian pension plan was terminated as of 31 August 2015. All participants and the related assets were transferred to a superannuation scheme in the Mercer Smart SuperPlan. In addition, the obligations to the defined benefit participants were transferred as accumulation amounts to the Smart SuperPlan. The termination of the defined benefit entitlements is considered to be a curtailment event under AASB 119.

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

in TEUR	30 April 2016	30 April 2015
Obligations not financed through funds	31,421	33,624
Obligations financed through funds	250,892	283,096
Present value of defined benefit obligation (DBO)	282,313	316,720
Fair value of plan assets	(202,573)	(216,726)
Net liability as per balance sheet	79,740	99,994

The provision for pensions is classified by country as follows:

in TEUR	30 April 2016	30 April 2015
Germany	28,511	30,516
Great Britain	37,536	53,486
Switzerland	10,423	12,206
Other	3,270	3,786
Net liability as per balance sheet	79,740	99,994

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

in TEUR	2015/16		2014/15	
	DBO	Plan assets	DBO	Plan assets
30 April 2015	316,720	216,726	253,472	175,986
Foreign currency translation	(18,391)	(14,160)	30,099	23,628
Service cost	1,419	0	2,642	0
Plan reductions and settlements	0	0	(3,619)	0
Past service cost	(2,380)	(2,380)	0	0
Interest expense / income	8,687	4,887	10,870	6,539
Actuarial gain/loss recognised to equity	(16,900)	(3,434)	38,212	11,338
<i>thereof demographic adjustments</i>	(3,547)	0	(5,733)	0
<i>thereof financial adjustments</i>	(7,475)	0	44,614	0
<i>thereof experience related adjustments</i>	(5,878)	(3,434)	(669)	11,338
Payments	(6,842)	934	(14,956)	(765)
<i>thereof payments</i>	(6,842)	934	(10,461)	3,730
<i>thereof payments due to plan reductions</i>	0	0	(4,495)	(4,495)
30 April 2016	282,313	202,573	316,720	216,726

The plan reductions and settlements reported in the previous year are related entirely to a Swiss group company. The actual payments from the pension plans totalled TEUR 6,906 in 2015/16 (2014/15: TEUR 14,956).

As of 30 April 2016, plan assets comprised the following:

in TEUR	30 April 2016	thereof quoted on an active market
Liquid funds	1,347	745
Equity instruments	39,218	36,846
Debt instruments	113,099	108,012
Real estate	241	0
Assets held by insurance companies	31,089	0
Other	17,579	15,837
Plan assets	202,573	161,439

Prices on an active market were not available for the assets in the Australian and Norwegian pension plans as of 30 April 2016. The fair value of the assets in these two plans totalled TEUR 1,736 as of that date (2014/15: TEUR 4,224).

The actual income on the plan assets totalled TEUR 1,454 (2014/15: TEUR 17,877).

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

in TEUR	30 April 2016	30 April 2015
Present value	282,313	316,720
Plan assets	(202,573)	(216,726)
Deficit	79,740	99,994

Severance compensation obligations

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

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

The obligations relate to the following countries:

in TEUR	30 April 2016	30 April 2015
Austria	43,321	43,583
France	3,434	3,907
Italy	1,962	1,858
Severance compensation obligation	48,717	49,348

IAS 19 Reserve

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

	Pensions	Severance compensation	Total
30 April 2014	93,442	7,115	100,558
Actuarial gain/loss	26,874	10,001	36,875
Changes in the scope of consolidation	0	(369)	(369)
Foreign currency translation	11,620	0	11,620
Deferred taxes	(3,445)	(2,521)	(5,966)
30 April 2015	128,491	14,226	142,718
Actuarial gain/loss	(13,466)	(1,439)	(14,905)
Foreign currency translation	(8,233)	0	(8,233)
Deferred taxes	865	346	1,211
30 April 2016	107,658	13,133	120,791

Deferred taxes of TEUR -1,211 were recorded directly in equity during the reporting year (2014/15: TEUR 5,966). The actuarial gains in 2015/16 resulted primarily from the adjusted parameters in Great Britain. The actuarial losses in the previous year resulted chiefly from the decline in discount rates and were related, above all, to the Thorn Lighting Pension Fund in Great Britain.

Sensitivity analysis

Effects on the DBO as of 30 April 2016:

	Discount rate		Salary trend		Pension trend	
	+0.5%	(0.5)%	+0.5%	(0.5)%	+0.5%	(0.5)%
Pension plans	(18,140)	27,407	4,482	2,408	17,692	(16,772)
Severance compensation	(3,250)	2,680	2,527	(3,142)	0	0

Effects on the DBO as of 30 April 2015:

	Discount rate		Salary trend		Pension trend	
	+0.5%	(0.5)%	+0.5%	(0.5)%	+0.5%	(0.5)%
Pension plans	(27,374)	28,841	244	(671)	21,341	(20,557)
Severance compensation	(2,971)	3,371	3,197	(2,848)	0	0

Weighted average term of the obligation in years

	30 April 2016	30 April 2015
Pension plans	18	18
Severance compensation	13	13

In 2016/17 the contributions to pension plans are expected to total TEUR 5,924 and severance compensation payments are expected to equal TEUR 1,609.

Other long-term employee benefits

These obligations total TEUR 11,527 (2014/15:TEUR 13,433) and consist mainly of the following provisions: TEUR 6,143 (2014/15:TEUR 5,875) for service anniversary bonuses in Austria, TEUR 3,424 (2014/15:TEUR 5,039) for part-time work for older employees in Germany and TEUR 1,137 (2014/15:TEUR 1,596) for special leave in Australia. Also included here are provisions for legally required profit sharing and bonus payments for long-standing service in France.

2.6.6.14 Defined contribution obligations

Defined contribution payments of TEUR 6,401 were made by various group companies in 2015/16 (2014/15:TEUR 6,591). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

2.6.6.15 Other provisions

2015/16 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2015	10,088	12,979	290	103	9,705	33,165
Addition	13,585	23,131	1,369	44	9,198	47,327
Utilisation	(3,142)	(10,158)	(181)	(57)	(6,592)	(20,130)
Reversal	(2,528)	(975)	0	(46)	(1,549)	(5,098)
Changes in the scope of consolidation	107	1	0	0	606	714
Foreign currency translation	(278)	(108)	(14)	(11)	(116)	(527)
30 April 2016	17,832	24,870	1,464	33	11,252	55,451
<i>thereof current</i>	17,832	24,870	1,464	33	10,508	54,707
<i>thereof non-current</i>	0	0	0	0	744	744

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

Provisions for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 14,440 (2014/15:TEUR 6,769) for individual items as well as experience-based provisions of TEUR 3,392 (2014/15:TEUR 3,319), for cases not recognised individually or not known. This provision is determined by applying separate percentage rates for the various product groups to product revenues for the respective period.

Provisions for restructuring

The increase in the provisions for restructuring resulted from the restructuring measures that are described in section 2.6.4.3, which were still in progress as of 30 April 2016.

Provisions for legal proceedings

The year-on-year change in this provision during 2015/16 resulted from claims for damages against Zumtobel Lighting GmbH, Dornbirn.

Onerous contracts

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

2014/15 Financial Year

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

2.6.6.16 Financial liabilities

in TEUR	30 April 2016	30 April 2015
Loans from financial institutions	0	831
Finance leases	438	431
Loans from public authorities	61	0
Loans from other third parties	375	49
Working capital credits	5,884	15,990
Current borrowings	6,758	17,301
Loans from financial institutions	184,826	165,383
Finance leases	20,022	21,968
Loans from public authorities	4,590	3,553
Non-current borrowings	209,438	190,904
Borrowings	216,196	208,205

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 2020 and a maximum line that currently equals EUR 300 million. This new agreement replaced the previous EUR 350 million consortium credit agreement, which was due to expire in October 2016, and substantially extended the average maturity of the Group's financing. As of the balance sheet date on 30 April 2016, the amount drawn under this credit agreement totalled EUR 100 million.

The Zumtobel Group has also concluded two bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020; both credits were fully drawn as of 30 April 2016.

2.6.6.17 Finance leases

in TEUR	Expenses 2015/16	Minimum lease payments			Total Liability	Net carrying amount assets
		Future payments				
		< 1 year	1-5 years	> 5 years		
Land & buildings	2,377	2,377	10,708	24,728	37,813	9,578
Total minimum lease payments	2,377	2,377	10,708	24,728	37,813	9,578
Less: finance charge = Interest expense	2,116	1,939	7,198	8,216	17,353	
Present value of net minimum lease payments	261	438	3,510	16,512	20,460	

There are no conditional lease payments for finance leases.

In 2008/09 a GBP 15.7 million finance lease was concluded for the plant building in Spennymoor, Great Britain. This lease has a term of 21 years, whereby no payments were due in the first year. The net present value of the minimum lease payments totalled TEUR 20,460 as of 30 April 2016 (2014/15: TEUR 22,399). The year-on-year change in the net present value of the minimum lease payments resulted primarily from foreign exchange translation effects.

2.6.6.18 Operating leases

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

in TEUR	Expenses 2015/16	Future payments to third parties			Total
		< 1 year	1-5 years	> 5 years	
Minimum lease payments based on non-cancellable leases	20,219	15,262	28,314	13,485	57,061
Less payments received from leases and sub-leases	36	216	864	1,080	2,160
Net minimum lease payments	20,183	15,046	27,450	12,405	54,901

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from one month to 15 years, depending on the object and contract.

The Zumtobel Group signed an operating lease with an external lessee for the mothballed lighting plant in Romania, which began on 1 May 2010 and initially covered a non-cancellable period of five years and six months. This lease includes an open-ended extension option, and the lessee extended the lease for a further five years and eight months as of 1 April 2016.

in TEUR	Income 2015/16	Future payments from third parties			Total
		< 1 year	1-5 years	> 5 years	
Minimum lease payments based on non-cancellable leases	507	492	1,968	328	2,788

2.6.6.19 Other liabilities

The components of other current liabilities are as follows:

in TEUR	30 April 2016	30 April 2015
Vacations, comp. in free time, special payments to employees	47,784	54,111
Amounts due to employees	11,563	11,531
Miscellaneous taxes	22,516	15,586
Social security	6,123	6,463
Prepayments received	30,057	28,524
Accrued interest	126	128
Deferred income	1,499	1,404
Derivatives (hedge accounting)	8,593	11,077
Derivatives held for trading	1,642	10,516
Customs	2,630	2,939
Other liabilities	9,233	11,710
Other current liabilities	141,766	153,989

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

The increase in other non-current liabilities from TEUR 4,174 to TEUR 12,137 resulted primarily from the recognition of the purchase price for acdc from the call option.

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. Depreciation and amortisation include the respective scheduled expenses for the reporting period (TEUR 63,815) as well as impairment charges (TEUR 3,716).

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

Cash flow from operating activities rose by TEUR 29,728 to TEUR 92,567 in 2015/16 (2014/15: TEUR 62,839). This improvement resulted, above all, from strict inventory and receivables management. The reduction of inventories and active receivables management generated positive cash flow effects of TEUR 9,445 (2014/15: TEUR -12,484) and TEUR 11,974 (2014/15: TEUR -7,415), respectively, despite an increase in the volume of business. An opposite effect was the decline of TEUR -28,280 (2014/15: TEUR -7,523) in trade payables. As of 30 April 2016 working capital was slightly lower than the previous year at TEUR 231,183 (2014/15: TEUR 233,807).

The development of the other operating positions was related chiefly to a decline in non-current provisions (TEUR –8,404), which was caused mainly by the change in the IAS 19 reserve recorded under comprehensive income during the reporting year; and from an increase in current provisions (TEUR 22,770). The change in current provisions resulted primarily from an increase in the provisions for guarantees and restructuring.

A total of TEUR 58,366 was invested in non-current assets for various plants during the reporting year (2014/15: TEUR 76,576). These investments covered tools for new products, expansion projects and maintenance as well as capitalised R & D costs (TEUR 18,054).

Proceeds from the sale of non-current assets include the sale of land in Landskrona, Sweden, with a cash inflow of TEUR 2,676 and the sale of a plant in Fürstenfeld for TEUR 2,100. The change in liquid funds from changes in the scope of consolidation comprises cash inflows from the sale of Tridonic NZ Limited in Auckland, New Zealand, as well as cash outflows for the acquisition of the British LED lighting producer AC/DC LED Holdings Ltd (acdc). The positive cash effect in the previous year resulted from the sale of Tridonic connection technology and the initial consolidation of Thorn Lighting Limited Liability Company, Qatar. Free cash flow rose to TEUR 49,831 in 2015/16 (2014/15: TEUR – 15,151).

The sale of the signage business is reported under assets and liabilities held for sale. The proceeds totalled TEUR 7,402 and are contrasted by TEUR 3,908 from the disposal of equipment and inventories.

Cash flow from financing activities consists primarily of the increased use of the existing credit lines (TEUR 4,070), the dividend paid to the shareholders of Zumtobel Group AG for the 2014/15 financial year (TEUR 9,492) and interest payments (TEUR 8,962).

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 2016	30 April 2015
Liquid funds	81,394	59,345
Not available for disposal	(205)	(204)
Overdrafts	(5,884)	(15,990)
Cash and cash equivalents	75,305	43,151

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

2.6.8 Notes to the Statement of Changes in Equity

2.6.8.1 Share capital

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

The annual general meeting on 25 July 2014 passed the following resolution: The Management Board is authorised, in accordance with § 169 of the Austrian Stock Corporation Act and contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000.00 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches and also through indirect subscription rights as defined in § 153 (6) of the Austrian Stock Corporation Act – at a minimum issue price equalling 100% 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 2016 (2014/15: 43,146,137). As the last exercise window has been closed, no further options will be issued from the SOP. The company held 353,343 treasury shares as of 30 April 2016 (2014/15: 353,863).

2.6.8.2 Additional paid-in capital

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

2.6.8.3 Reserves

Other reserves

This position includes profit carried forward.

Currency translation reserve

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

Hedge accounting

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

Reserve for stock options

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

IAS 19 Reserve

Additional information on the IAS 19 reserve is provided in section 2.6.6.13.

2.6.8.4 Stock option programmes

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

The development of treasury shares is as follows:

in pcs.	Total
Share buyback (to 30 April 2015)	1,539,211
Exercised (to 30 April 2015)	(1,185,348)
30 April 2015	353,863
Exercised	(520)
30 April 2016	353,343

A total of TEUR 7,212 was paid for the 924,424 shares previously purchased in connection with the SOP (average price of EUR 7.80 per share). This amount was credited to additional paid-in capital.

Reserve for stock options

The reserve for stock options remains unchanged in year-on-year comparison at TEUR 19,479 and is included under reserves.

2.6.8.5 Dividend

The annual general meeting on 24 July 2015 authorised the payment of a EUR 0.22 dividend per share for the 2014/15 financial year. The resulting amount of TEUR 9,492 for the 43,146,657 shares outstanding as of 31 July 2015 (43,500,000 less 353,343 treasury shares) was distributed to shareholders on 31 July 2015.

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and expected economic developments. Against the backdrop of the further positive development of business, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 22 July 2016, calling for a dividend of EUR 0.20 for the 2015/16 financial year (2014/15: EUR 0.22).

2.6.9 Capital Management

The goals of capital management in the Zumtobel Group are to protect the continued existence of the member companies of the Group and to optimise the return for shareholders by 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 or decrease in financial liabilities and dividend payments as well as new issues and share buybacks.

The financial framework for the Group's actions is defined, above all, by the consortium credit agreement concluded on 1 December 2015 with seven banks, which has a term extending to November 2020 and a maximum line of EUR 300 million. This agreement replaced the previous EUR 350 million consortium credit agreement, which would have expired in October 2016, and significantly extended the average maturity of the Group's financing. As of 30 April 2016, the amount drawn by the Zumtobel

Group under this credit agreement totalled EUR 100 million. The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights and also includes clauses covering an increase of up to EUR 200 million and two one-year extensions. In addition to the consortium credit agreement, the Zumtobel Group concluded two long-term bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020; both credits were fully drawn as of 30 April 2016. Compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%) is also part of the consortium credit agreement. The financial covenants were met in full as of 30 April 2016 with a debt coverage ratio of 1.48 (2014/15: 1.48) and an equity ratio of 31.2% (2014/15: 29.7%). 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 IAS 39

The financial instruments used by the Zumtobel Group are classified as follows, based on the categories defined in IAS 39 "Financial Instruments: Recognition and Measurement":

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

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

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

The fair value of current financial instruments reflects the carrying amount of these items because of their short term.

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

2015/16 Financial Year

Assets

in TEUR	Carrying amount	upon initial recognition	HFT	L&R	Cash
Non-current financial assets	1,203	600	-	603	-
<i>Securities and similar rights</i>	600	600	-	-	-
<i>Loans originated and other receivables</i>	603	-	-	603	-
Current financial assets	2,309	-	2,294	15	-
<i>Loans originated and other receivables</i>	14	-	-	14	-
<i>Positive market values of derivatives held for trading</i>	2,294	-	2,294	-	-
<i>Other</i>	1	-	-	1	-
Trade receivables	220,869	-	-	220,869	-
Liquid funds	81,394	-	-	-	81,394
Total	305,775	600	2,294	221,487	81,394

Liabilities

in TEUR	Carrying amount	upon initial recognition	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	209,438	-	-	209,438	-	-
<i>Loans received</i>	189,416	-	-	189,416	-	-
<i>Finance leases</i>	20,022	-	-	20,022	-	-
Other non-current liabilities	12,137	8,802	-	-	-	3,335
Current borrowings	6,758	-	-	6,758	-	-
<i>Loans received</i>	6,320	-	-	6,320	-	-
<i>Finance leases</i>	438	-	-	438	-	-
Trade payables	147,062	-	-	147,062	-	-
Other current liabilities	141,766	-	1,642	126	8,593	131,405
<i>Negative market values of derivatives held for trading</i>	1,642	-	1,642	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	8,593	-	-	-	8,593	-
<i>Other</i>	131,531	-	-	126	-	131,405
Total	517,161	8,802	1,642	363,384	8,593	134,740

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 accdc (other non-current liabilities).

The financial instruments carried at fair value through profit or loss as of 30 April 2016 are categorised as follows:

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Securities and similar rights	600	600	-	-	600
Loans originated and other receivables	-	-	-	-	-
Current financial assets					
Loans originated and other receivables	-	-	-	-	-
Positive market values of derivatives held for trading	2,294	2,294	-	2,294	-
Other	-	-	-	-	-
Total	2,894	2,894	-	2,294	600

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other non-current liabilities	8,802	8,802	-	-	8,802
Other current liabilities	10,235	10,235	-	10,235	-
Derivatives held for trading	1,642	1,642	-	1,642	-
Derivatives (hedge accounting)	8,593	8,593	-	8,593	-
Total	19,037	19,037	-	10,235	8,802

In the Zumtobel Group, the calculation of fair value is based primarily on input factors that can be monitored on the market (Level 2). The valuation of forward exchange contracts is based on the present value of future cash flows and reflects the application of current market-based interest rate curves for the respective currency and the foreign exchange rates in effect on the valuation date. The fair value of the remaining derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based on input factors that can be monitored on the market. These valuations reflect the Level 2 criteria. The Level 2 financial instruments comprise the derivatives reported under financial assets and financial liabilities (positive market values TEUR 2,294, 2014/15: TEUR 3,398; negative market values TEUR -10,235, 2014/15: TEUR -21,593). 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 8,802 resulted primarily from obligations arising from the call/put option for the purchase of the remaining 40% of accd in 2020. The purchase price for the non-controlling interest is linked to the future development of accd's revenues. The valuation of this obligation is based on accd's forecasted revenues.

The consolidated financial statements of the Zumtobel Group as of 30 April 2016 also include an immaterial amount of financial instruments whose valuation is not based on quoted prices or input factors that can be monitored on the market (Level 3). Most of these financial instruments represent smaller investments in various companies. There were no major changes in the composition of these financial instruments since 30 April 2015 and no distributions of profit were received from these investments during the reporting year.

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

2014/15 Financial Year

Assets

in TEUR	Carrying amount	upon initial recognition	HFT	L&R	Cash
Non-current financial assets	1,811	587	-	1,224	-
<i>Securities and similar rights</i>	587	587	-	-	-
<i>Loans originated and other receivables</i>	1,224	-	-	1,224	-
Current financial assets	4,034	-	3,398	636	-
<i>Loans originated and other receivables</i>	13	-	-	13	-
<i>Positive market values of derivatives held for trading</i>	3,398	-	3,398	-	-
<i>Other</i>	623	-	-	623	-
Trade receivables	234,587	-	-	234,587	-
Liquid funds	59,345	-	-	-	59,345
Total	299,777	587	3,398	236,448	59,345

Liabilities

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

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

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

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

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

in TEUR	2015/16	2014/15
Net gains or net losses	5,177	(9,579)
<i>Financial instruments measured at amortised cost</i>	(3,244)	(677)
<i>Held for trading</i>	8,057	(5,764)
<i>Net investment hedge – ineffective portion of changes in fair value</i>	594	(3,135)
<i>Realised gains/losses from the hedge of a net position</i>	(219)	0
<i>Gains/losses on sale</i>	(11)	(3)
Interest expense	(9,169)	(9,077)
<i>Interest expense for financial assets measured at amortised cost</i>	(7,362)	(7,080)
<i>Interest expense hedge accounting</i>	(1,641)	(1,609)
<i>Interest expense held for trading</i>	(166)	(388)
Interest income	497	400
<i>Interest income at amortised cost</i>	439	364
<i>Interest income hedge accounting</i>	58	36
Valuation adjustments to loans and receivables	(1,036)	136

Other financial income and expense (TEUR 491; 2014/15:TEUR –16,576) includes net income or expense (TEUR 5,177; 2014/15:TEUR –9,579) as well as the interest component as defined in IAS 19 “Employee Benefits” after the deduction of income on plan assets (TEUR –4,686; 2014/15:TEUR –6,997).

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

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

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

2.6.11 Information on Risk Management

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

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

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

2.6.11.1 Credit risk

- >> Trade receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts reported under assets therefore represent the maximum credit and default risk. However, this risk is considered to be low because it is distributed over a large number of customers and financial institutions. In 2015/16 losses on receivables, i.e. derecognised receivables, totalled 0.1% (2014/15: 0.1%) of Group revenues. The ten largest customers were responsible for 24% of Group revenues in 2015/16 (2014/15: 28%).

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 2016. Group managers are authorised to approve credit limits for customers, whereby the amount of the credit limit is matched to the management level.

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

in TEUR	30 April 2016	30 April 2015
Beginning balance	10,119	10,404
Addition	3,128	3,427
Utilisation	(1,058)	(1,499)
Reversal	(1,591)	(2,213)
Ending balance	10,598	10,119

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

The age structure of trade receivables is shown below:

in TEUR	30 April 2016		30 April 2015	
	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	225,015	1,890	231,201	191
Overdue 1–60 days	13,674	60	17,105	22
Overdue 61–90 days	1,583	305	1,648	257
Overdue 91–120 days	956	290	1,007	311
Overdue 121–180 days	1,067	532	1,326	613
Overdue > 180 days	8,453	7,521	8,774	8,725
Total	250,748	10,598	261,061	10,119

The nominal value of trade receivables includes TEUR 8,600 (2014/15: TEUR 7,727) that are classified as doubtful. These doubtful receivables were adjusted by a total of TEUR 7,914 (2014/15: TEUR 6,789).

- >> Liquid funds, non-current securities, derivatives and other financial assets
The Group minimises credit risk in this area by investing only in short-term instruments with selected banks.
- >> Outstanding credit risk
The maximum risk represents the carrying amount of financial instruments, and totalled TEUR 305,775 as of 30 April 2016 (2014/15: TEUR 299,777). This amount consists primarily of trade receivables and liquid funds (also see section 2.6.10.1).

2.6.11.2 Liquidity risk

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

As of 30 April 2016 liquidity was secured by the consortium credit agreement and two other credit agreements (see section 2.6.6.16) as well as short-term unsecured lines of credit totalling TEUR 88,378 (2014/15: TEUR 93,414). 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 2016 will result in the following payments.

30 April 2016

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1-5 years	> 5 years
Borrowings	216,196	245,641	11,413	204,212	30,016
<i>Loans from financial institutions</i>	184,826	196,858	2,716	188,854	5,288
<i>Loans from public authorities</i>	4,651	4,711	61	4,650	0
<i>Loans from other third parties</i>	375	375	375	0	0
<i>Finance leases</i>	20,460	37,813	2,377	10,708	24,728
<i>Working capital credits</i>	5,884	5,884	5,884	0	0
Trade payables	147,062	147,062	147,062	0	0
Other liabilities	153,903	154,642	138,300	16,342	0
<i>Derivatives held for trading</i>	1,642	1,684	1,684	0	0
<i>Derivatives (hedge accounting)</i>	8,593	9,290	1,750	7,540	0
<i>Other financial instruments</i>	8,928	8,928	126	8,802	0
<i>Liabilities Non-FI</i>	134,740	134,740	134,740	0	0
Liquidity risk	517,161	547,345	296,775	220,554	30,016

30 April 2015

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

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

30 April 2016

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1-5 years	> 5 years
Financial assets	2,294	2,170	2,170	0	0
<i>Derivatives held for trading</i>	2,294	2,170	2,170	0	0

30 April 2015

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

No securities were pledged as collateral.

2.6.11.3 Market risk

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

The Zumtobel Group uses derivative financial instruments in certain cases to provide protection against these risks. Derivative transactions are concluded only with selected banks in order to minimise the credit risk associated with hedges. The use of derivative financial instruments is regulated by a Group hedging policy. No derivatives are used for trading or speculative purposes.

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

Interest rate risk

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

The amount currently outstanding under the consortium credit agreement (TEUR 100,000) is considered long-term because of its maturity date on 30 November 2020. However, this credit carries a variable interest rate (a EURIBOR-based money market interest rate). The two long-term loans concluded on a bilateral basis in 2014/15 (TEUR 40,000 each) carry fixed interest rates and are therefore not exposed to interest rate risk.

In order to reduce the interest rate risk associated with the consortium credit agreement, the Zumtobel Group concluded EUR-interest rate swaps with various banks. These swaps have a current effective nominal volume of TEUR 80,000. These interest rate instruments are structured over various terms (up to June 2019 at the latest) and convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 2.694%. The euro-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39 "Financial Instruments: Recognition and Measurement". The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The Zumtobel Group also concluded a EUR/CHF-cross-currency swap with payment obligations in Swiss francs. The foreign exchange component of this cross-currency swap meets the requirements for a hedge of a net investment in a foreign operation as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates", and the market value is reported under derivatives (hedge accounting).

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2015/16	Fair value in TEUR 2014/15
EUR	80,000	(2,676)	(3,742)
CHF	27,228	(5,917)	(7,335)
Negative market values of interest rate hedging instrument (hedge accounting)		(8,593)	(11,077)
CHF	0	0	(163)
Negative market values of interest rate hedging instrument (held for trading)		0	(163)

>> 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 2016	30 April 2015
Borrowings	(116,196)	(128,205)
Fixed rate instruments	(116,196)	(128,205)
Financial assets	3,512	5,845
Liquid funds	81,394	59,345
Borrowings	(100,000)	(80,000)
Variable rate instruments	(15,094)	(14,810)
Total	(131,290)	(143,015)

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 252 (2014/15: TEUR 347) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, a change in the interest rate would not lead to any valuation effects on the income statement or equity.

For the interest rate swap, a change of 100 basis points in the interest rate over a period of one year would result in an opposite change of TEUR 516 (2014/15: TEUR 706).

Foreign exchange risk

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

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

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

>> Sensitivity analysis

The following information describes the sensitivity of a change in the EUR exchange rate versus other currencies from the Group point of view. All financial instruments reported on the balance sheet as of 30 April 2015 (including internal financial instruments) are included in the calculation.

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

A 10% increase or decrease in the value of the euro versus the relevant foreign currency as of 30 April 2015 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

in TEUR	EUR decrease of 10%		EUR increase of 10%	
	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	5,992	6,857	(5,992)	(6,857)
EUR - USD	(2,461)	395	2,461	(395)

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

in TEUR	Fair value	EUR decrease of 10%	EUR increase of 10%
EUR - GBP	1,734	(3,545)	3,132
EUR - CHF	195	(2,299)	2,090
EUR - AUD	20	(979)	890
EUR - USD	(272)	3,659	(3,525)
EUR - NOK	(45)	(386)	351

Raw material price risk

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

2.6.12 Segment Reporting

2.6.12.1 Operating segments

The Zumtobel Group comprises two operating segments: the Lighting Segment and the Components Segment. The Lighting Segment covers the Thorn, Zumtobel, acdc and SPP businesses and markets lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems. The Components Segment includes the Tridonic business, which develops, produces and markets electronic lighting components and LED lighting components. The transfer of goods and services between the two divisions is based on ordinary market conditions.

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

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

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

Results from associated companies include TEUR -61 (2014/15:TEUR -145) for the Lighting Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR 3,716 (2014/15:TEUR 2,810) of impairment charges, whereby TEUR 1,014 (2014/15:TEUR 1,767) are attributable to the Components Segment and TEUR 2,702 (2014/15:TEUR 1,043) to the Lighting Segment. The elimination of inter-segment revenues is included in the reconciliation column.

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	2015/16	2014/15	2013/14	2015/16	2014/15	2013/14	2015/16	2014/15	2013/14	2015/16	2014/15	2013/14
Net revenues	1,028,413	989,907	938,450	410,353	393,819	384,546	(82,222)	(71,106)	(76,165)	1,356,544	1,312,620	1,246,831
External revenues	1,027,665	988,419	937,897	328,799	323,897	308,849	80	304	85	1,356,544	1,312,620	1,246,831
Intercompany revenues	748	1,488	553	81,554	69,922	75,697	(82,302)	(71,410)	(76,250)	0	0	0
Operating profit/loss	10,596	42,194	21,075	38,260	24,670	11,617	(25,036)	(25,773)	(20,549)	23,820	41,091	12,143
Investments	33,858	49,186	49,970	20,091	19,899	13,768	4,417	7,491	1,815	58,366	76,576	65,553
Depreciation	(38,937)	(35,321)	(39,220)	(24,596)	(21,109)	(26,711)	(3,998)	(2,618)	(2,136)	(67,531)	(59,048)	(68,067)

in TEUR	30 April 2016	30 April 2015	30 April 2014	30 April 2016	30 April 2015	30 April 2014	30 April 2016	30 April 2015	30 April 2014	30 April 2016	30 April 2015	30 April 2014
Assets	736,685	743,925	668,998	173,395	207,140	209,046	158,568	135,210	128,557	1,068,648	1,086,275	1,006,601

	30 April 2016	30 April 2015	30 April 2014	30 April 2016	30 April 2015	30 April 2014	30 April 2016	30 April 2015	30 April 2014	30 April 2016	30 April 2015	30 April 2014
Headcount (full-time equivalent)	4,913	5,302	5,186	1,638	1,752	1,971	210	180	134	6,761	7,234	7,291

The reconciliation column comprises the following:

in TEUR	2015/16	2014/15
Group parent companies	(23,557)	(25,398)
Group entries	(1,479)	(375)
Operating profit/loss	(25,036)	(25,773)

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 2016	30 April 2015
Assets used by more than one segment	150,848	130,995
Group parent companies	59,827	58,155
Group entries	(52,107)	(53,940)
Assets	158,568	135,210

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

2.6.12.2 Regional segments

The restructuring of the Zumtobel Group's sales organisation led to minor adjustments in the sales regions. The most important changes involved the reclassification of the Latin American countries to the America region and the reclassification of the Central Asian countries and Turkey to Benelux & Eastern Europe.

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:

in TEUR	External revenues		Assets	
	2015/16	2014/15	30 April 2016	30 April 2015
D/A/CH	393,042	370,391	494,280	508,449
Northern Europe	356,747	343,273	146,146	148,965
Southern Europe	192,008	197,095	63,319	71,079
Benelux & Eastern Europe	153,762	134,996	27,317	24,950
Middle East & Africa	80,725	81,026	14,541	15,290
Asia & Pacific	140,005	149,658	68,025	82,675
Americas	40,255	36,181	13,406	13,123
Reconciliation	0	0	241,613	221,744
Total	1,356,544	1,312,620	1,068,647	1,086,275

Reconciliation of regions:

in TEUR	30 April 2016	30 April 2015
Assets used by more than one segment	241,585	215,110
Group entries	28	6,634
Assets	241,613	221,744

The changes were also applied retroactively and led to the adjustment of the regional classification for the previous financial year.

2.6.13 Contingent Liabilities and Guarantees

Group companies have accepted liabilities of TEUR 8,586 (2014/15: TEUR 8,898) for bank guarantees.

2.6.14 Subsequent Events

No significant events occurred after the balance sheet date on 30 April 2016.

2.6.15 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel Group AG. As of 30 April 2016 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (also see section 2.6.6.4). Trade receivables due from associated companies totalled TEUR 775 as of 30 April 2016 (2014/15: TEUR 932) and trade payables amounted to TEUR 1,839 (2014/15: TEUR 2,560). No receivables due from associated companies were derecognised due to failed collection in 2015/16, and no receivables due from associated companies were classified as uncollectible as of 30 April 2016.

As of 30 April 2016 a financial liability of TEUR 325 was due to an associated company (2014/15: financial receivable of TEUR 616).

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2015/16	2014/15
Total remuneration for the Management Board	1,476	3,845
<i>thereof fixed component</i>	1,189	1,700
<i>thereof short-term variable component</i>	67	528
<i>thereof long-term variable component</i>	220	1,617

in TEUR	2015/16	2014/15
Ulrich Schumacher (as of 1 October 2013)	945	1,905
<i>thereof fixed component</i>	750	750
<i>thereof short-term variable component</i>	39	231
<i>thereof long-term variable component</i>	156	924
Karin Sonnenmoser (as of 1 May 2014)	483	894
<i>thereof fixed component</i>	400	400
<i>thereof short-term variable component</i>	25	148
<i>thereof long-term variable component</i>	58	346
Alfred Felder (as of 1 April 2016)	47	0
<i>thereof fixed component</i>	39	0
<i>thereof short-term variable component</i>	2	0
<i>thereof long-term variable component</i>	6	0
Martin Brandt (up to 3. July 2014)	0	1,046
<i>thereof fixed component</i>	0	550
<i>thereof short-term variable component</i>	0	149
<i>thereof long-term variable component</i>	0	347

The target remuneration and actual remuneration for Ulrich Schumacher in 2015/16 include the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as COO (1 May 2015 to 31 March 2016). In 2014/15 the remuneration for Ulrich Schumacher included the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as COO (1 August 2014 to 30 April 2015).

The members of the Management Board had no further claims from share-based remuneration programmes as of 30 April 2016. There were also no claims for termination or post-employment payments as of 30 April 2016, with the exception of Martin Brandt whose LIT segments will remain in the payout scheme up to the 2017/18 financial year:

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	2015/16	2014/15
Total Supervisory Board remuneration	512	313
<i>thereof fixed remuneration</i>	420	180
<i>thereof variable remuneration</i>	75	129
<i>thereof expense allowances and reimbursements</i>	17	4

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	2015/16		2014/15	
	Average	Balance sheet date	Average	Balance sheet date
Production	3,290	3,305	3,401	3,346
R&D	598	602	590	593
Sales	1,990	1,943	2,042	2,026
Administration	544	554	492	522
Miscellaneous	590	357	649	747
Total	7,012	6,761	7,174	7,234

The above number of employees 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 2015/16:

Name	Function	Initially appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	13 years
Hero Brahms	First Vice-Chairman (up to 24 July 2015)	2008	2015	7 years
Stephan Hutter	Member (up to 24 July 2015)	2010	2020	6 years
	First Vice-Chairman (since 24 July 2015)			
Johannes Burtscher	Second Vice-Chairman	2010	2020	6 years
Fritz Zumtobel	Member	1996	2020	20 years
Rüdiger Kapitza	Member (since 24 July 2015)	2015	2020	1 year
Hans-Peter Metzler	Member	2010	2020	6 years
Mario Wintschnig	Delegated by the Employees' Council (up to 9 July 2015)	2007		8 years
Dietmar Dünser	Delegated by the Employees' Council (since 9 July 2015)	2015		1 year
Richard Apnar	Delegated by the Employees' Council	2012		4 years
Erich Zucalli	Delegated by the Employees' Council	2012		4 years

The following persons served as members of the Management Board in 2015/16:

Name	Function	Initially appointed on	Term ends on	Service time to date
Ulrich Schumacher	CEO (Chief Executive Officer)	1 October 2013	30 April 2020	3 years
Karin Sonnenmoser	CFO (Chief Financial Officer)	1 May 2014	30 April 2020	2 years
Alfred Felder	COO (Chief Operating Officer)	1 April 2016	30 April 2019	1 year

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

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

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

Dornbirn, 14 June 2016

The Management Board

Ulrich Schumacher
Chief Executive Officer (CEO)

Karin Sonnenmoser
Chief Financial Officer (CFO)

Alfred Felder
Chief Operating Officer (COO)

2.8 Scope of Consolidation

No.	Total	Country	Share in %	Consolidation Method	Balance sheet date	Currency
1		Australia	100	full	30 April	AUD
2		Australia	100	full	30 April	AUD
3		Australia	100	full	30 April	AUD
4		Australia	100	full	30 April	AUD
5		Australia	100	full	30 April	AUD
6		Australia	100	full	30 April	AUD
7		Austria	100	full	30 April	EUR
8		Austria	100	full	30 April	EUR
9		Austria	100	full	30 April	EUR
10		Austria	50	equity	30 April	EUR
11		Austria	99.95	full	30 April	EUR
12		Austria	100	full	30 April	EUR
13		Austria	100	full	30 April	EUR
14		Austria	100	full	30 April	EUR
15		Austria	100	full	30 April	EUR
16		Austria	100	full	30 April	EUR
17		Austria	100	full	30 April	EUR
18		Austria	100	full	30 April	EUR
19		Austria	100	full	30 April	EUR
20		Austria	100	full	30 April	EUR
21		Austria	100	full	30 April	EUR
22		Austria	100	full	30 April	EUR
23		Belgium	100	full	30 April	EUR
24		Chile	100	full	30 April	CLP
25		China	100	full	31 December	CNY
26		China	100	full	30 April	HKD
27		China	100	full	31 December	CNY
28		China	100	full	31 December	CNY
29		China	100	full	31 December	CNY
30		China	100	full	30 April	HKD
31		Croatia	100	full	30 April	HRK
32		Czech Republic	100	full	30 April	CZK
33		Denmark	100	full	30 April	DKK
34		Finland	100	full	30 April	EUR
35		France	99.95	full	30 April	EUR
36		France	100	full	30 April	EUR
37		France	100	full	30 April	EUR
38		France	100	full	30 April	EUR
39		Germany	100	full	30 April	EUR
40		Germany	100	full	30 April	EUR
41		Germany	100	full	30 April	EUR
42		Germany	100	full	30 April	EUR

Consolidated Financial Statement

Zumtobel Group AG

1 May 2015 to 30 April 2016

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

88	Tridonic Iberia SL	Spain	100	full	30 April	EUR
89	ZG Lighting Nordic AB	Sweden	100	full	30 April	SEK
90	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK
91	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
92	Tridonic Schweiz AG	Switzerland	100	full	30 April	CHF
93	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
94	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
95	Thorn Gulf LCC	UAE	49	full	31 December	AED
96	Tridonic (ME) FZE	UAE	100	full	30 April	AED
97	acdc Corp.	USA	100	full	31 December	USD
98	Lemgo Realty Corp.	USA	100	full	30 April	USD
99	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidated in 2015/16:

1	Tridonic NZ Limited	New Zealand	100	full	30 April	NZD
2	Zumtobel Pool AG	Switzerland	100	full	30 April	EUR

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

**Zumtobel Group AG,
Dornbirn,**

that comprise the consolidated balance sheet as of 30 April 2016, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year then ended, and the notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing – ISA. In accordance with International Standards on Auditing, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 April 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

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

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

Vienna, 14 June 2016

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 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 2015/16

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3. Corporate Governance

3.1 Corporate Governance in the Zumtobel Group

The Zumtobel Group views corporate governance as a comprehensive model for the management and monitoring of the company. This orientation is reflected in the Group's corporate culture through a strategic focus on sustainability, long-term development and responsibility. The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code. The major building blocks of this system are the corporate values, the code of conduct and Group policies. They play a key role in the long-term creation of value and a sustainable increase in the worth of the company.

Information on corporate
governance also under
www.zumtobelgroup.com

Management encourages employees to report possible violations of the code of conduct, whereby all such information is treated confidentially. Employees may contact the chief ethics & compliance officer of the Zumtobel Group as well as specially trained colleagues in the legal and internal audit departments. Reports of violations or questions on the code of conduct can also be directed to internal contact partners such as the respective supervisor, human resources staff and employee representatives. The awareness and acceptance of employees for the meaning and content of the code of conduct were most recently reviewed through a Group-wide survey in 2014/15 and remain at a rewarding high level. Employees and managers took frequent advantage of the opportunities to consult these contact partners on compliance issues during the reporting year. All reports on possible violations of the code of conduct were investigated by the chief ethics & compliance officer in close cooperation with internal audit, the legal department and other specialist departments and – if necessary – also examined by external experts and reported to the Management Board.

Further developments in the 2015/16 financial year

In keeping with the objective to continuously strengthen the efficiency and effectiveness of the corporate governance system to meet the changes in the operating environment, the Zumtobel Group implemented a number of measures during the reporting year. The design and the step-by-step establishment and expansion of the Compliance Management System (CMS) by the corporate integrity department has been in progress since July 2014 under the direction of the chief ethics & compliance officer. The most important corporate integrity activities involve preventive anti-corruption measures, e.g. through the verification and approval routines integrated in SAP processes, anti-fraud management, insider compliance as defined in the Issuer Compliance Directive, data protection and the verification of compliance with the Austrian Corporate Governance Code. The training programme which covers the code of conduct, insider compliance, corruption and fraud prevention, data protection and other central aspects of compliance management has been implemented and will be continuously expanded. In addition, corporate integrity is developing a central management framework for the corporate policies which will support the regular review, adaptation, harmonisation and communication of the individual Group guidelines.

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

The fraud awareness information portal in the Intranet released a number of announcements during the reporting year; among others with warnings to employees about external phishing attacks via telephone and email, to raise employees' awareness and attention.

3.2 The Austrian Corporate Governance Code

The Austrian Corporate Governance Code, which is issued by the Austrian Working Group for Corporate Governance, represents a benchmark for good corporate governance and corporate control that exceeds legal requirements and meets international standards. The code was initially presented in 2002 and has since been amended several times. The latest amendments were made in January 2015 to incorporate the new provisions of Austrian stock corporation law and the Austrian Commercial Code, above all with respect to the quality of reporting on management ("Comply or Explain") and the AFRAC opinion on the preparation and audit of a corporate governance report in accordance with § 243 of the Austrian Commercial Code. This corporate governance report is based on the January 2015 version of the code. The latest version of the code is available for review on the following website: (www.corporate-governance.at).

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

As in previous years, Zumtobel Group AG complied with nearly all provisions of the code in 2015/16. The Group's actions deviated in part from only two C-Rules of the 83 Rules in the code. These differences are described below.

3.2.1 Comply or Explain

The following C-Rules of the code are currently not met in full or in part:

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

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

3.2.2 Other required disclosures

3.2.2.1 Auditor's fees

The annual general meeting on 24 July 2015 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and separate financial statements of Zumtobel Group AG for the 2015/16 financial year. KPMG also performs tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2015/16:

In TEUR	2015/16	2014/15
Total fees	263	283
thereof audit and related services	222	198
thereof other services	41	85

The fees for other services involve audit-related consulting and the evaluation of risk management. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,328 for the reporting year (2014/15: TEUR 1,482).

3.2.2.2 Measures to support the development of women in the Group

As an equal opportunity employer (EOE), the Zumtobel Group is committed to ensuring equal opportunities for its entire workforce regardless of gender, ethnic origin etc. This orientation is reflected in the Zumtobel Group's code of conduct, which was first issued in 2004 and has always prohibited all forms of discrimination. Experience, qualifications and performance represent the basis for personnel decisions in all areas of the corporation and at all management levels. A technical education is the prerequisite for many of the key positions in the company. The Zumtobel Group receives few applications from women for these positions, a situation which reflects the current labour market for technical professions. The company works to counteract this situation by providing strong support for the training of women in technical professions, for example as part of its apprenticeship programmes. The Zumtobel Group also helps working parents to create a positive work-life balance, e.g. through flexible working schedules or the use of a home office.

Women represented approx. 35% of the workforce in the Zumtobel Group at the end of the reporting year (2014/15: 34%), while the comparable figure for management positions was 17% (2014/15: 13%). As in the previous year, the Supervisory Board included no female delegates in 2015/16. The Zumtobel Group's efforts to increase the share of women in key positions are demonstrated, in particular, by the appointment of Karin Sonnenmoser, an experienced financial manager, as Chief Financial Officer for a term extending to 30 April 2020. After the appointment of Alfred Felder to the Management Board, the share of women on this corporate body equalled 33% (2014/15: 50%).

3.3 Risk Management and the Internal Control System

The basis for the risk management and internal control systems used in the Zumtobel Group is formed by the internationally recognised standard guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Consequently, these systems overlap and influence each other during their daily application.

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

In accordance with § 243a (2) of the Austrian Corporate Code as well as Rules 69 and 70, the management report must disclose the major elements of the internal control system and risk management system related to accounting processes. The relevant information can be found in the Group Management Report under sections 1.12 (Internal Control System) and 1.13 (Risk Management).

Internal audit

The corporate internal audit department of Zumtobel Group AG is a staff department that reports directly to the Management Board. The head of the department provides regular reports to the Audit Committee on the planning for and the most important results of its activities.

The internal audit charter approved by the Management Board represents the working basis 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, where by 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 the 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.

3.4 The Corporate Bodies and Committees of Zumtobel Group AG

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

3.4.1 Shareholders and the annual general meeting

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

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

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

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

3.4.2 The Management Board

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

Name	Function	Appointed on	Term ends on	Service time
Ulrich Schumacher	CEO (Chief Executive Officer)	01.10.2013	30.04.2020	3 years
Karin Sonnenmoser	CFO (Chief Financial Officer)	01.05.2014	30.04.2020	2 years
Alfred Felder	COO (Chief Operating Officer)	01.04.2016	30.04.2019	1 year

Ulrich Schumacher – CEO

Ulrich Schumacher was appointed CEO of Zumtobel Group AG as of 1 October 2013, and his term of office extends to 30 April 2020. Ulrich Schumacher was born in Bergisch Gladbach (Germany) in 1958 and studied electrical engineering and business administration. He joined Siemens in 1986, where he was responsible for the semi-conductor business starting in 1996. In 1998 he was appointed to the managing board of Siemens AG. Schumacher managed the initial public offering of a spin-off in 2000, which was subsequently renamed Infineon Technologies AG. After his departure in 2004 – Infineon had since become the world's fourth largest semi-conductor producer – he joined Francisco Partners, a US private equity firm in the technology sector, as a partner. There he was responsible, among others, for the creation of Numonyx, a joint venture between Intel and STMicroelectronics with revenues of US\$ 3 billion. From 2007 to 2011 Ulrich Schumacher served as CEO of Grace Semiconductor Manufacturing Corporation, a partly state-owned Chinese company with headquarters in Shanghai, where he successfully managed the turnaround. Since 2011 he has held positions on a number of supervisory boards and consulted for technology companies.

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

Karin Sonnenmoser – CFO

Karin Sonnenmoser was appointed CFO of Zumtobel Group AG as of 1 May 2014. Her term of office extends to 30 April 2020. She studied business administration at the University of Augsburg (Germany) and also received a master of business administration from the University of Dayton in Ohio (USA). Her professional career began in 1995 in a trainee programme with Volkswagen AG. She held a number of financial positions in the Volkswagen Group starting in 1996, beginning with a position in the accounting department of the Spanish subsidiary Seat in Barcelona. Karin Sonnenmoser later took over various functions in controlling and accounting for the Volkswagen auto brand. She headed the general secretariat of the Volkswagen brand group from 2002 to 2006, where she also served as secretary general for the chief executive officer of Volkswagen AG in Wolfsburg. From 2007 to 2010 she was the commercial managing director and later chief executive officer of AutoVision GmbH. In 2010 she was appointed managing director for controlling and finance of Volkswagen Sachsen GmbH and commercial director of Volkswagen Bildungsinstitut GmbH in Zwickau. She also took over as managing director of finance and controlling at Gläserne Manufaktur, Dresden, in 2011, where she shared responsibility for revenues of EUR 5.5 billion and 9,600 employees at four locations.

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

Alfred Felder – COO (since 1 April 2016)

Alfred Felder was appointed COO of Zumtobel Group AG as of 1 April 2016 for a term of office extending to 30 April 2019. Mr. Felder was born in 1963 in South Tyrol 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, served as 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 has served as the managing director of the Zumtobel Group's Tridonic components subsidiary since November 2012. In addition to his duties as COO, he will continue in this function during a transition period up to November 2016.

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. These functions and activities cover the entire Group and do not necessarily reflect reporting lines.

The distribution of duties is as follows:

Ulrich Schumacher CEO	Karin Sonnenmoser CFO	Alfred Felder COO
<ul style="list-style-type: none"> - Corporate strategy, mergers & acquisitions, business processes - Business divisions - Sales, marketing & communications - Technology & development - Human resources - Investor relations 	<ul style="list-style-type: none"> - Accounting and tax (incl. customs), finance & controlling - Purchasing - Treasury - Legal - Risk management - Compliance - Internal audit - Insurance 	<ul style="list-style-type: none"> - Plant network (operations) - Supply chain - Quality - IT

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

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

3.4.3 The Supervisory Board

The members of the Supervisory Board of Zumtobel Group AG are elected by the annual general meeting. The Austrian Stock Corporation Act allows employee representatives to delegate one member to the Supervisory Board for every two members elected by the annual general meeting.

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	13 years
Hero Brahms	First Vice-Chairman (up to 24.07.2015)	2008	2015	7 years
Stephan Hutter	Member (up to 24.07.2015) First Vice-Chairman (since 24.07.2015)	2010	2020	6 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	6 years
Fritz Zumtobel	Member	1996	2020	20 years
Rüdiger Kapitza	Member (since 24.07.2015)	2015	2020	1 year
Hans-Peter Metzler	Member	2010	2020	6 years
Mario Wintschnig	Delegated by the Employees' Council (up to 9 July 2015)	2007		8 years
Dietmar Dünser	Delegated by the Employees' Council (since 9 July 2015)	2015		1 year
Richard Apnar	Delegated by the Employees' Council	2012		4 years
Erich Zucalli	Delegated by the Employees' Council	2012		4 years

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

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Four members of the Supervisory Board – Rüdiger Kapitza, Stephan Hutter, Hans-Peter Metzler and Johannes Burtscher – are independent and neither shareholders nor representatives of shareholders with an investment of more than 10%. Accordingly, Rule 54 is also met in full. There are no contracts between the members of the Supervisory Board and the Zumtobel Group that require approval or must be disclosed under Rules 48 or 49.

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

3.4.3.1 The Supervisory Board | committees

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

Audit Committee

Members up to 24 July 2015: Johannes Burtscher (Chairman and Finance Expert), Hero Brahms (Vice-Chairman and Finance Expert), Jürg Zumtobel, Mario Wintschnig (up to 9 July 2015) and Dietmar Dünser (since 9 July 2015).

Members since 24 July 2015: Johannes Burtscher (Chairman and Finance Expert), Fritz Zumtobel Vice-Chairman), Jürg Zumtobel, Dietmar Dünser, Richard Apnar (up to 23 September 2015) and Erich Zucalli (since 23 September 2015)

Duties: The Audit Committee is responsible for the audit and preparations for the approval of the annual financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2015/16 financial year. At each meeting the responsible managers report to the committee on the current status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the heads of corporate internal audit and corporate integrity.

Committee for Management Board Matters

Members up to 24 July 2015: Stephan Hutter (Chairman), Jürg Zumtobel (Vice-Chairman), Hero Brahms.

Members since 24 July 2015: Stephan Hutter (Chairman), Jürg Zumtobel (Vice-Chairman), Rüdiger Kapitza.

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 (since 24 July 2015)

Members: Jürg Zumtobel (Chairman), Stephan Hutter (Vice-Chairman), Rüdiger Kapitza, Hans-Peter Metzler, Dietmar Dünser, Richard Apnar (up to 23 September 2015), Erich Zucalli (since 23 September 2015).

Duties: The Strategy Committee serves as a permanent sounding board for the Management Board on strategic and cultural issues related to Zumtobel Group AG against the backdrop of the strategic reorientation ("One company with multi brands").

3.4.3.2 The Supervisory Board | shareholder representatives

Jürg Zumtobel

Jürg Zumtobel has been chairman of the Supervisory Board of Zumtobel Group AG since 1 September 2003. His term of office extends until the annual general meeting for the 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).

Hero Brahms (up to 24 July 2015)

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

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

Rüdiger Kapitza (since 24 July 2015)

Mr. Kapitza has been a member of the Supervisory Board of Zumtobel Group AG since 24 July 2015. His term of office extends to the annual general meeting for the 2019/2020 financial year. Rüdiger Kapitza was born in Bielefeld, Germany, in 1955. He holds a doctorate in economics and served as the chairman of the management board of DMG MORI AG up to 6 April 2016 where he was responsible for the corporate strategy, key accounting, human resources, procurement, internal audit, compliance and corporate public relations.

Additional functions or inter-company relations outside the Zumtobel Group: president of the administrative board of LICON AG, Vaduz (Liechtenstein), member of the advisory board of the Horstmann Group, Bielefeld (Germany).

Hans-Peter Metzler

Hans-Peter Metzler has been a member of the Supervisory Board of Zumtobel Group AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2019/20 financial year. Mr. Metzler was born in Bregenz (Austria) in 1959. After completing university studies in mathematics and theoretical physics, he joined the group research department of Siemens AG, Munich, in 1984. In 1992 he became managing director and head of research & development for Siemens Components, Asia Pacific and in 1996 general manager of the microcontroller business of Siemens AG in Munich. Mr. Metzler founded NewLogic Technologies in 1997, Photeon Technologies in 2000 and Interclick in 2008.

Additional functions or inter-company relations outside the Zumtobel Group: president of the administrative board of CCS Group Holding AG, Lyss (Switzerland), chairman of the supervisory board of Aquin & Cie

GmbH, Munich (Germany), member of the supervisory board of Dornbirner Sparkasse Bank AG, Dornbirn (Austria), member of the administrative board of Dacuda AG, Zurich (Switzerland), president of Bregenzer Festspiele Privatstiftung, Bregenz (Austria), member of the management board of Freundesverein des Kunsthaus Bregenz, Bregenz (Austria).

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: none.

Stephan Hutter

Stephan Hutter has been a member of the Supervisory Board of Zumtobel Group AG since 23 July 2010 and first vice-chairman since 24 July 2015. His term of office extends up to the annual general meeting for the 2019/20 financial year. Mr. Hutter was born in Dornbirn (Austria) in 1961. Since 2012 he has been a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in Frankfurt am Main. Mr. Hutter serves as an advisor, above all, on international capital markets law as well as international acquisitions and bank financing. Stephan Hutter began his legal career with Shearman & Sterling in New York in 1986 where he became a partner in 1995; he was admitted to the New York bar in 1987. From 2008 to 2012 he served as the managing partner for the European and Asian capital markets legal practice of Shearman & Sterling.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Zürcher Kantonalbank Österreich AG, Salzburg (Austria), member of the management board of Städelsche Museumsverein, Frankfurt (Germany), honorary consul of the Republic of Austria in Hesse und Rheinland-Palatinate (Germany), member of the board of trustees of the Kronberg Academy (Germany).

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel Group AG since 1996. He served as chairman up to 1 September 2003, as vice-chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 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.

3.4.3.3 The Supervisory Board | employee representatives

Mario Wintschnig (up to 9 July 2015)

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

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

Dietmar Dünser (since 9 July 2015)

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 and joined the Zumtobel Group in 1986 where he initially worked in electronics development. His career has included positions in marketing and product management, technical sales, complaint management and control equipment qualification. From 1997 to 2002 Mr. Dünser also pursued studies in export and international management at the Management Center Innsbruck (MCI), where he completed his degree in economics and management. He has worked as a quality and risk management engineer with Zumtobel Lighting GmbH since 2015. Mr. Dünser joined the Employees' Council in 1999 and has been an active member since 2005. In April 2015 he was elected chairman of the Employees' Council 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.

Richard Apnar

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

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

Erich Zucalli

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

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

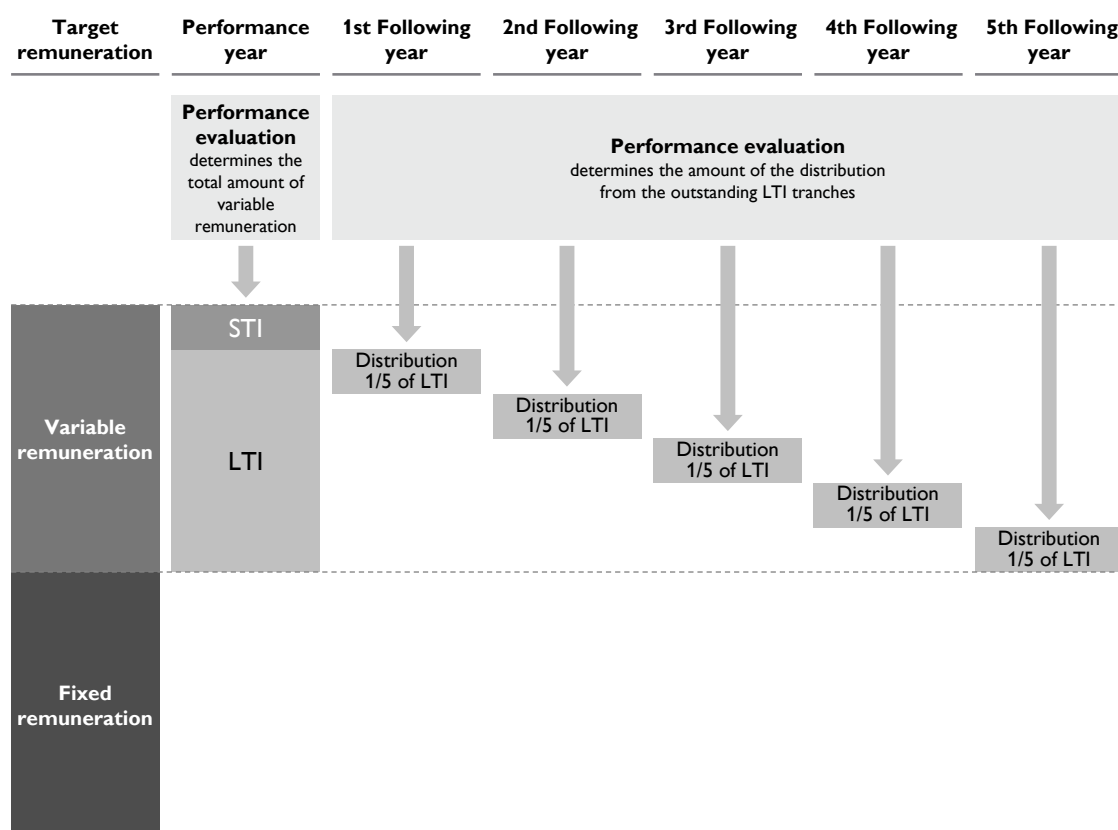
3.5 Remuneration Report

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 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:



The variable remuneration consists of a short-term component (Short-Term Incentive; STI) and a long-term component (Long-Term Incentive; LTI). The STI is paid out in cash during the respective performance year. The cash distribution from the LTI is spread over the five following years¹, whereby the amount of the

¹ The contracts concluded with members of the Management Board prior to 1 October 2013 provide for the allocation of the LTI in three annual segments. In the contracts concluded with members of the Management Board after that date, the LTI is allocated in five annual segments.

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

The performance evaluation assesses the achievements of the Management Board based on a relative performance indicator at the time the variable remuneration is distributed and at the time the LTI segments are paid. The relative performance indicator has been based on the total shareholder return of Zumtobel Group AG since the 2014/15 financial year, 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, and has remained constant since 2014/15.

Composition of the peer group² of Zumtobel Group AG:

Geographic distribution	Share	Distribution by industrial sector	Share
D/A/CH	41,5%	Lighting	53,5%
Northern Europe	19,9%	Construction, same level of supply	23,5%
Benelux & Eastern Europe	2,8%	Construction, upstream level of supply	16,1%
Southern Europe & Latin America	4,1%	Manufacturing and Electrics	6,9%
Asia & Pacific	9,7%		
Middle East & Africa	4,6%		
North America	17,4%		

The variable remuneration for the members of the Management Board is generally determined solely on the basis of goal attainment in relation to the relative performance indicator. However, variable remuneration determined on the basis of this goal attainment can vary by up to 20% above or below the respective target in justified cases³. This discretionary component can (but must not) also be based on non-financial criteria. Therefore, all components of the remuneration scheme used by Zumtobel Group AG meet the requirements of the Austrian Corporate Governance Code, above all Rule C27.

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

² The introduction of the relative performance indicator based on total shareholder return was accompanied by an extensive revision and adjustment of the peer group in 2014/15.

³ The extension of the CEO's contract in 2015/16 included the addition of an alternative that takes effect beginning with the 2016/17 financial year. It permits the granting of a variable component based on previously defined targets above and beyond the 20% variable remuneration.

⁴ FehrAdvice & Partners AG

The performance evaluation resulted in the following remuneration for the Management Board in 2015/16:

Remuneration recognised for the Management Board⁵

Disclosures in accordance with Rules 29, 30 and 31:

In TEUR	Total		Fixed	Variable		LTI payments from prior periods	Severance compensation
	Target remuneration ⁶	Remuneration ⁷	Basic salary	STI	LTI ⁸		
Total Management Board remuneration							
2015/16	2,292	1,476	1,189	67	220	307	0
2014/15	3,141	3,845	1,700	528	1,617	421	0
Ulrich Schumacher, CEO (since 1 October 2013)							
2015/16 ⁹	1,500	945	750	39	156	72	0
2014/15 ¹⁰	1,500	1,905	750	231	924	143	0
Karin Sonnenmoser, CFO (since 1 May 2014)							
2015/16 ¹¹	721	483	400	25	58	175	0
2014/15 ¹²	721	894	400	148	346	103	0
Alfred Felder, COO (since 1 April 2016)							
2015/16 ¹³	71	47	39	2	6	0	0
2014/15	0	0	0	0	0	0	0
Martin Brandt, COO (up to 31 July 2014)							
2015/16 ¹⁴	0	0	0	0	0	60	0
2014/15 ¹⁵	920	1,046	550	149	347	175	0

⁵ Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2015/16 irrespective of the payment date.

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

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

⁸ The ratio of LTI to STI for the Management Board members equals 70:30, respectively 80:20; the LTI payout period for the Management Board covers five years for all of the current board members.

⁹ The target remuneration and actual remuneration for Ulrich Schumacher in 2015/16 include the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as COO (1 May 2015 – 31 March 2016).

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

¹¹ The target remuneration and actual remuneration for Karin Sonnenmoser in 2015/16 include the contractually agreed compensation for the function of CFO as well as the remainder of the signing bonus agreed at the start of her contract.

¹² The target remuneration and actual remuneration for Karin Sonnenmoser in 2014/15 include the contractually agreed compensation for the function of CFO as well as the first tranche of the signing bonus agreed at the start of her contract.

¹³ The target remuneration and actual remuneration for Alfred Felder in 2015/16 include the contractually agreed compensation for the function of COO (1 April 2016 – 30 April 2016) and additional compensation for his double function as business unit leader of Tridonic (1 April 2016 – 30 April 2016). Mr. Felder received LTI payments from prior periods only for his activities as the Tridonic business unit leader and not for his activities as COO. These payments are not included here.

¹⁴ The allocated LTI segments from the 2012/13, 2013/14 and 2014/15 financial years remain within the distribution scheme up to the 2017/18 financial year.

¹⁵ Martin Brandt was released from his obligations as a member of the Management Board as of 31 July 2014 at his own request. In accordance with the termination agreement, Mr. Brandt continued to receive his fixed and variable remuneration components up to 30 April 2015. The allocated LTI segments remain within the distribution scheme up to the 2017/18 financial year.

The contracts with Ulrich Schumacher (CEO) and Karin Sonnenmoser (CFO), which would have expired on 30 April 2017, were extended prematurely by a further three years to 30 April 2020. Alfred Felder, formerly the managing director of the Tridonic components subsidiary, was appointed to the Management Board as COO as of 1 April 2016; his contract extends to 30 April 2019. Mr. Felder will continue to direct Tridonic's operating business together with the Tridonic management team during the transition phase up to 1 November 2016.

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

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

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

3.5.2 Supervisory Board remuneration scheme

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.

Total Supervisory Board remuneration:¹⁶

In TEUR	2015/16	2014/15
Total remuneration of the Supervisory Board	512	313
thereof fixed remuneration	420	180
thereof variable remuneration	75	129
thereof expense allowances and reimbursements	17	4

Remuneration of the individual Supervisory Board members

Disclosure in accordance with Rule 51:

In TEUR	2015/16	2014/15
Jürg Zumtobel	135	55
Hero Brahms	14	55
Rüdiger Kapitza	51	0
Johannes Burtscher	90	55
Fritz Zumtobel	70	35
Stephan Hutter	75	29
Hans-Peter Metzler	60	35

Dornbirn, 14 June 2016

The Management Board

Ulrich Schumacher
 Chief Executive Officer (CEO)

Karin Sonnenmoser
 Chief Financial Officer (CFO)

Alfred Felder
 Chief Operating Officer (COO)

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.

3.6 Report by the Supervisory Board

Dear Shareholders,

In 2015/16 the Zumtobel Group continued to pursue the reorientation and related restructuring measures that were initiated two years ago. We expressly welcome the Management Board's strategy and the premature extension of the contracts with CEO Ulrich Schumacher and CFO Karin Sonnenmoser up to April 2020. In addition, we were able to engage Alfred Felder, a proven technology expert and experienced manager who has done excellent work at Tridonic over the past three years, as the third member of the Management Board. Mr. Felder took over as Chief Operating Officer on 1 April 2016 and was appointed up to April 2019.

We performed the duties required by law and the articles of association during the 2015/16 financial year by regularly monitoring the direction of the company by the Management Board and the management of Zumtobel Group AG. The Management Board provided us with comprehensive verbal and written reports on a regular and timely basis, which covered the general development of business and major events as well as the position of Zumtobel Group AG and the Zumtobel Group. Experts were invited to our meetings to provide detailed information on specific topics. Between the scheduled meetings, the Management Board supplied the Supervisory Board with regular reports on important individual subjects. The chairmen of the Management and Supervisory Boards also held a number of personal meetings. These activities allowed the Supervisory Board to meet its obligations in full.

The Supervisory Board of Zumtobel Group AG included the following six shareholder representatives as of 30 April 2016: Jürg Zumtobel, Rüdiger Kapitza, Fritz Zumtobel, Hans-Peter Metzler, Johannes Burtscher and Stephan Hutter.

Meetings of the Supervisory Board

The Supervisory Board met six times during the 2015/16 financial year: in four scheduled meetings, one unscheduled meeting and one strategy meeting. One member of the Supervisory Board was excused at each of two meetings, and there was full attendance at all other meetings.

The Supervisory Board meeting on 23 June 2015 focused, above all, on the 2014/15 annual financial statements and consolidated financial statements of Zumtobel Group AG. After an extensive discussion of operating developments in the Zumtobel Group and its two segments (Lighting and Components) during the fourth quarter and the full 2014/15 financial year, we agreed with the Audit Committee's recommendations to approve the audited annual financial statements and the management report and to accept the consolidated financial statements, including the group management report. In this connection, the Management Board's recommendation to distribute a dividend of EUR 0.22 per share was approved. We also approved the report by the insider compliance officer and – based on a recommendation by the Audit Committee – a proposal to the annual general meeting for the election of KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as the auditor of the separate and consolidated financial statements for the 2015/16 financial year. The Supervisory Board's report to the annual general meeting was discussed and approved. Based on the results of a self-evaluation questionnaire, opportunities for improving the organisation and work processes of the Supervisory Board were openly discussed.

The Supervisory Board meeting on 25 September 2015 dealt with the management report and key financial data on the first quarter of 2015/16. Transactions requiring the consent of the Supervisory Board involved the approval of changes in the authorised signatories.

The Supervisory Board met in a closed conference on 18 December 2015 to discuss strategic issues related to the Zumtobel Group's areas of business.

The main topics of the Supervisory Board meeting on 29 January 2016 included the management report on the first six months of 2015/16 and the outlook for the full financial year as well as status reports on various projects. Transactions requiring the consent of the Supervisory Board involved the approval of appointments to Group functions.

On 11 March 2016 the Supervisory Board reappointed Ulrich Schumacher as chairman of the Management Board and Karin Sonnenmoser as a member of the Management Board, each with a term of office extending to 30 April 2020. In addition, Alfred Felder was appointed to the Management Board for a term of office extending from 1 April 2016 to 30 April 2019.

The central topics of the Supervisory Board meeting on 22 April 2016 were the management report on the third quarter of 2015/16, the budget for 2016/17 and the related medium-term planning for the financial years up to 2019/20. The Supervisory Board accepted the budget and the medium-term planning. Transactions that required and received the consent of the Supervisory Board included, among others, the discussion and approval of the rules of procedure for the Management Board.

At the unscheduled meeting of the Supervisory Board on 28 April 2016, the closing of the lighting plant in Usingen, Germany, was approved.

Audit Committee

The Audit Committee met twice during 2015/16. There was full attendance at the meeting on 23 June 2015, but one member was excused from the meeting on 29 January 2016.

The meeting on 23 June 2015 concentrated on the annual financial statements for 2014/15. 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, risk management system, internal control system, internal audit, corporate governance and insider compliance) were discussed and accepted. A resolution for the appointment of the auditor for the 2015/16 financial year was approved and passed on to the Supervisory Board. The Management Board's recommendation for the distribution of profit was approved. Selected issues related to interest rate swaps, foreign currency effects and hedging were also presented.

The Audit Committee meeting on 29 January 2016 dealt with the six-month financial statements as of 31 October 2015, whereby the related reports by the auditor and corporate staff were accepted. The accounting process, the focal points of the review and selected issues were examined in detail. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were presented and accepted. The tender for the annual audit of the financial statements and preliminary results were also discussed. As regards the appointment of an auditor for the 2016/17 financial year, the Audit Committee will finalise its recommendation to the Supervisory Board at the next meeting. This recommendation will reflect the legal requirements resulting from an amendment to Austrian auditing regulations ("Abschlussprüfungsrechts-Änderungsgesetz, APRÄG) which was passed by the Austrian Parliament on 19 May 2016 and implements the EU audit reform.

Committee for Management Board Matters

The Committee for Management Board Matters met seven times during the reporting year, with full attendance at all meetings. Additional telephone conferences were held in advance of these meetings to prepare or follow-up on the various agenda topics.

An important focus of the committee's activities in 2015/16 was the premature extension of the Management Board contracts with Ulrich Schumacher, Chief Executive Officer (CEO), and Karin Sonnenmoser, Chief Financial Officer (CFO) of Zumtobel Group AG. Both of these contracts were extended as of 1 May 2017 for a further three years up to 30 April 2020. In addition, the Committee for Management Board Matters appointed Alfred Felder to the Management Board as Chief Operating Officer (COO) and concluded a three-year contract with him covering the period from 1 April 2016 to 30 April 2019. Mr. Felder will continue to direct Tridonic's operating business together with the Tridonic management team during the transition phase up to 1 November 2016.

Another important responsibility of the Committee for Management Board Matters in 2015/16 was its work on the Compensation Committee, which takes decisions on the remuneration system. The Compensation Committee includes representatives of the Management Board, Supervisory Board and human resources department and is supported by FehrAdvice & Partners AG, an independent consulting firm located in Zurich. In 2014/15 a new system was introduced for the calculation of variable remuneration for the Management Board and key managers of Zumtobel Group AG. This remuneration system is linked to a capital market-based performance indicator (total shareholder return) and reflects the goals of Zumtobel Group AG to promote cooperation within the Group, to leverage synergy effects and, in this way, to optimise the Group as a whole so ("one firm"). Under this system, performance evaluation is based on a comparison of the total shareholder return of Zumtobel Group AG with the total shareholder return of a specifically selected group of comparable companies.

The Committee for Management Board Matters discussed the specific design of the remuneration system and its application to the remuneration for the expanded Management Board and key managers in a number of meetings and telephone conferences during the reporting year. Additional information is provided in the remuneration report.

Strategy Committee

The members of the Strategy Committee met before and after the Supervisory Board meetings and the closed conference to discuss the design of this committee. Several discussions were held during March and April to prepare the topics for the strategy meeting on 10 June 2016.

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 2015/16 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and given unqualified opinions. After an extensive review and discussion of the annual financial statements of Zumtobel Group AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for limitations, the Supervisory Board stated its agreement with the management reports for the company and the Group pursuant to § 96 (1) of the Austrian Stock Corporation Act and approved the annual financial statements of Zumtobel Group AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements and the corporate governance report, which was reviewed by the Audit Committee.

The Supervisory Board supports the recommendation by the Management Board to the annual general meeting, which calls for the distribution of a EUR 0.20 dividend per share from annual profit for the 2015/16 financial year and the carryforward of the remaining amount.

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

We would also like to thank the shareholders of Zumtobel Group AG for their confidence.

For the Supervisory Board

Jürg Zumtobel
Chairman of the Supervisory Board

Dornbirn, 21 June 2016

4. Service

Service

Zumtobel Group AG

1 May 2015 to 30 April 2016

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4. Service

Financial Terms

Adjusted EBIT	EBIT adjusted for special effects
Adjusted EBIT margin	= Adjusted EBIT as a percentage of revenues
CAPEX	Capital expenditure
Debt coverage ratio	= Net debt divided by EBITDA
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Equity ratio	= Equity as a percentage of assets
Gearing	= Net debt as a percentage of equity
Labour productivity	= Adjusted EBIT as a percentage of personnel expenses
Net debt	= Non-current borrowings + current borrowings – liquid funds – current financial receivables from associated companies
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables – trade payables – prepayments received

Abbreviations and Technical Terms

Ballast	Ballasts are electrical devices which are used with fluorescent or high intensity discharge (HID) lamps. They supply sufficient voltage to start and operate the lamp, but then limit the current during operation. Ballasts can be either magnetic or electronic, whereby the electronic ballasts are available in dimmable or switchable versions.
COB	Chip on Board; a process to load a printed circuit board. The uncased LED chip is bonded directly onto the board and contacted via the "bond wires". Then the phosphor is applied for light conversion. In some cases, a bonded epoxy lens is added to improve the light distribution. A COB LED can have an extremely narrow-beam or an extreme wide-angle distribution, depending on the design of the lens.
Control gear	Most artificial light sources, with the exception of incandescent and halogen lamps, require a special driver for start-up and operations. Depending on the type of lamp, these mechanisms are called ballasts, igniters, converters, drivers or transformers.
Lamp	Lamps are artificial sources of light. There are many types, which are distinguished by the way they generate light, their light output or luminous flux, their power consumption, their luminous efficiency, their geometry, the spectral composition of the radiation emitted, their luminance and their beam characteristics.
LED / light-emitting diode	An LED or light-emitting diode is a small semiconductor device, which emits light when an electric current passes through it. LEDs are energy-saving and have a long service life. The colours most frequently seen are red, green, blue, amber and white. LED light engines can generate any colour by mixing the individual spectral components. LEDs are point light sources, they give off directional light.
LED chip	Light-generating semiconductor in the LED (purchased by the Zumtobel Group from external sources)
LED component	An LED chip with an integrated circuit or resistance, which is enclosed in a housing. White LEDs have a phosphorus coating on the chip that converts blue light into white.
LED converter	An LED driver that provides voltage and current for an LED module.
LED lamp	An artificial light source based on LED technology. It also includes so-called LED retrofit lamps, whose shape and socket have the same dimensions as standard lights (e.g. substitute for incandescent or fluorescent lamps).
LED light engine	In the industry this term is used to describe an LED module with a converter. Sometimes, however, light engines are simply called LED modules.
LED module	A module that serves as a light source. One or more LEDs are mounted and connected on a printed circuit board with optics (e.g. lenses) and, in some cases, other optional electronic components (resistance, asics, transistors etc.). High-performance modules also require a cooling device for thermal conduction.

Lighting solution	At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.
Luminaire	Luminaires are fittings in which the lamp and controls are mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire". The luminaire protects the lamp, distributes and directs the light emitted by the lamp and prevents glare. Luminaires can be classified by the type of lamps used (incandescent lamps, fluorescent lamps, discharge lamps), the number of lamps (single-lamp, two-lamp, etc.), planned location (indoor; outdoor), protection class (for dry, damp or dusty environments), design (open, closed, reflector; mirror; louvre, diffuser; spotlights), mounting (wall, ceiling, pendant or hand-held) or intended use (technical, decor or effect).
Luminous efficacy	Luminous efficacy is a measure of the efficiency of a lamp. It indicates how many lumens (lm) a lamp produces per unit of electricity (Watt) consumed. A lamp with a high ratio of lumens to Watts does a better job of converting the consumed power into light – which means it is more efficient.
OLED	Organic light-emitting diode. A component comprising a system of thin organic layers located between two electrode layers (anode and cathode). When voltage is applied, light is generated and emerges through at least one of the electrode layers. OLEDs give off wide-area light.
OLED module	One or more OLED panels assembled with a housing, outcoupling and electrical contact system.
OLED panel	Organic light-emitting diode with airtight encapsulation that is mounted on a foil, glass plate or metal surface.
OLED stack	Layer system based on several thin organic layers that are arranged to generate light in a specified spectrum.
SMD	Surface Mounted Device LED. An alternative process for loading a circuit board. In this process the LED chip is first mounted in a casing, then assembled on a circuit board and contacted in the soldering bath.

Service

Zumtobel Group AG
1 May 2015 to 30 April 2016

Financial Calendar

Record Date for the Annual General Meeting	12 July 2016
40 th Annual General Meeting	22 July 2016
Ex-Dividend Day	29 July 2016
Record Date Dividends	1 August 2016
Dividend Payout Day	2 August 2016
Report on the First Quarter 2016/17 (1 May 2016 – 31 July 2016)	6 September 2016
Report on the First Half-year 2016/17 (1 May 2016 – 31 October 2016)	6 December 2016
Report on the First Three Quarters 2016/17 (1 May 2016 – 31 January 2017)	7 March 2017

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Financial Reports

Our financial reports are available in English and German for download under: <http://www.zumtobelgroup.com>. The annual report 2015/16 will be available at our 40th 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
www.reiss-lighting.de

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Disclaimer

This annual financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. 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. Other risks may arise as a result of price developments, unforeseeable events in the operating environments of acquired companies or Group companies as well as ongoing cost optimisation programmes. The Zumtobel Group does not plan to update these forward-looking statements. This annual financial report is also presented in English, but only the German text is binding.

Service

Zumtobel Group AG

1 May 2015 to 30 April 2016

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