ZUMTOBEL GROUP ANNUAL FINANCIAL REPORT 2017/2018

1 May 2017 – 30 April 2018

Front cover design: Sagmeister & Walsh, USA

This year´s art edition of the annual report has been designed by Sagmeister & Walsh.
Sagmeister & Walsh is a NY-based creative agency that makes identities, campaigns,
commercials, websites, images, films, books, and objects for clients, audiences, and ourselves.

Following the publication at the Shareholder´s Meeting on July 27 2018,
a PDF version of the report and order details will be available at:
www.zumtobelgroup.com/en/ordering.htm

Annual Financial Report 2017/18 Zumtobel Group AG

1 May 2017 to 30 April 2018

Five-Year Overview

in EUR million	2017/18	2016/17	2015/16	2014/15	2013/14
Revenues	1,196.5	1,303.9	1,356.5	1,312.6	1,246.8
Adjusted EBIT	19.7	72.4	58.7	66.5	47.6
as a % of revenues	*1.6*	*5.6*	*4.3*	*5.1*	*3.8*
Net profit/loss for the year	(46.7)	25.2	11.9	11.9	(4.8)
as a % of revenues	*(3.9)*	*1.9*	*0.9*	*0.9*	*(0.4)*
Total assets	986.1	1,019.6	1,068.6	1,086.3	1,006.6
Equity	268.3	334.0	333.2	322.6	327.6
Equity ratio in %	*27.2*	*32.8*	*31.2*	*29.7*	*32.5*
Net debt	146.3	91.0	134.8	148.2	126.2
Cash flow from operating results	53.5	114.1	84.8	103.1	79.5
Investments	69.0	45.2	58.4	76.6	65.6
as a % of revenues	*5.8*	*3.5*	*4.3*	*5.8*	*5.3*
R&D total	73.4	82.4	87.9	79.0	71.8
as a % of revenues	*6.1*	*6.3*	*6.5*	*6.0*	*5.8*
Headcount incl. contract worker (full-time equivalent)	6,224	6,562	6,761	7,234	7,291

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

Contents

Chief Executive's Review

Alfred Felder

Dear Shareholders,

I consider it a great honour that the Supervisory Board has entrusted me in February 2018 with the management of this internationally respected company in these challenging times. Our disappointing business development during the 2017/18 financial year, the increasing loss of confidence on the part of key stakeholders like customers and the capital market and a difficult environment in the industrial sector clearly showed that the status quo was no longer viable and that significant strategic and organisational changes and adjustments would be required to successfully position the Zumtobel Group for the future. My new Management Board colleagues and I have introduced numerous operating measures in recent months to stabilise the business and – with a substantially leaner management team – worked intensively on the development of a future-oriented strategy for the Zumtobel Group. All structures and corporate processes as well as business areas, markets, brands and product portfolios are analysed in an open discussion based on the underlying goal to strengthen the focus on customers while reducing complexity and costs. We will present the new strategy for the company's management as well as revised medium-term goals, at the latest, in connection with the announcement of results for the first quarter of 2018/19 on 4 September 2018. In the meantime, I am pleased to report to you on the most important events of the past financial year in this letter.

Profitability of the Zumtobel Group negatively affected by decline in revenues and aggressive price competition

The Zumtobel Group recorded a year-on-year decline of 8.2% in revenues to EUR 1,196.5 million for 2017/18 in a challenging industry environment (2016/17: EUR 1,303.9 million). Revenue development was influenced by substantial negative currency translation effects of EUR 31.5 million, above all from the appreciation of the euro versus the British pound and the Swiss franc. After an adjustment for currency translation effects, revenues declined by 5.8% in 2017/18. An analysis by regional shows a particularly strong decline of more than 20% in Great Britain, the most important market for the Zumtobel Group. In contrast, Zumtobel Group Services (ZGS) generated sound development. The ZGS brand bundles all project and software-oriented services in this lighting group under a single roof. Revenues in this business division rose by 11.6% to EUR 179.0 million during the reporting year and equalled 15.0% of Group revenues.

The 2017/18 financial year was also characterised by key strategic steps to improve the competitive position of the Zumtobel Group. Important milestones to support profitability over the medium-term included the start of construction on a new plant in Serbia during July 2017 and the closing for the sale of the plant in Les Andelys (France) in October 2017 as well as the decision to gradually transfer a large part of the components production from Dornbirn (Austria) to Serbia over the coming years. However, these long-term steps and recently implemented cost reduction measures were unable to prevent a sharp year-on-year drop of 72.9% in Group EBIT adjusted for special effects to EUR 19.7 million (2016/17: EUR 72.4 million). The reduction in the Group's profitability during the reporting year is attributable, above all, to the substantial decline in revenues and very aggressive price competition. Consequently, net profit fell from plus EUR 25.2 million in the previous year to minus EUR 46.7 million in 2017/18. As a result of the lower cash flow generated by the operating business and increased investment activity, free cash flow dropped to minus EUR 23.9 million (2016/17: plus EUR 69.4 million) and net debt rose by EUR 55.3 million to EUR 146.3 million as of 30 April 2018. In view of the substantially weaker operating development a distribution of dividends is not planned for the 2017/18 financial year.

Cautious optimism for the 2018/19 financial year

We see 2018/19 as a year of transition in which we must do everything in our power to stabilise the operating business and, at the same time, re-establish a stable foundation for profitable growth in the future. This will require fundamental organisational and strategic changes together with concrete restructuring and cost reduction measures in all functional areas. Specific actions will be defined during the current strategy development process. The strategic reorientation of the Zumtobel Group will receive our full attention and commitment, but it will take several quarters for the planned extensive changes to be visibly reflected in revenues and earnings.

The forecast for revenues and earnings in the 2018/19 financial year is connected with substantial uncertainty due to the upcoming major changes in the company, the generally aggressive price competition in the lighting industry and the noticeable deterioration in the operating environment in Great Britain, the Zumtobel Group's most important market. We expect a further decline in revenues, especially during the first half-year. For the full 2018/19 financial year, the Management Board has set a goal to generate a slight year-on-year improvement in adjusted Group EBIT (FY 2017/18: EUR 19.7 million). Further non-recurring charges from the strategic reorientation are also highly probable in the coming quarters.

Dear Ladies and Gentlemen: I look forward to the challenges connected with my new activities. During the course of our strategic reorientation, we can rely on our dedicated and excellently qualified employees – who I would expressly like to thank on behalf of the entire Management Board for their commitment and performance. My colleagues and I would also like to thank our customers, partners, suppliers and shareholders for their confidence, support and open dialogue.

Alfred Felder
Chief Executive Officer (CEO)

1. Group Management Report

Contents

1. Group Management Report

1.1 The Zumtobel Group – An Overview

1.1.1 The Company

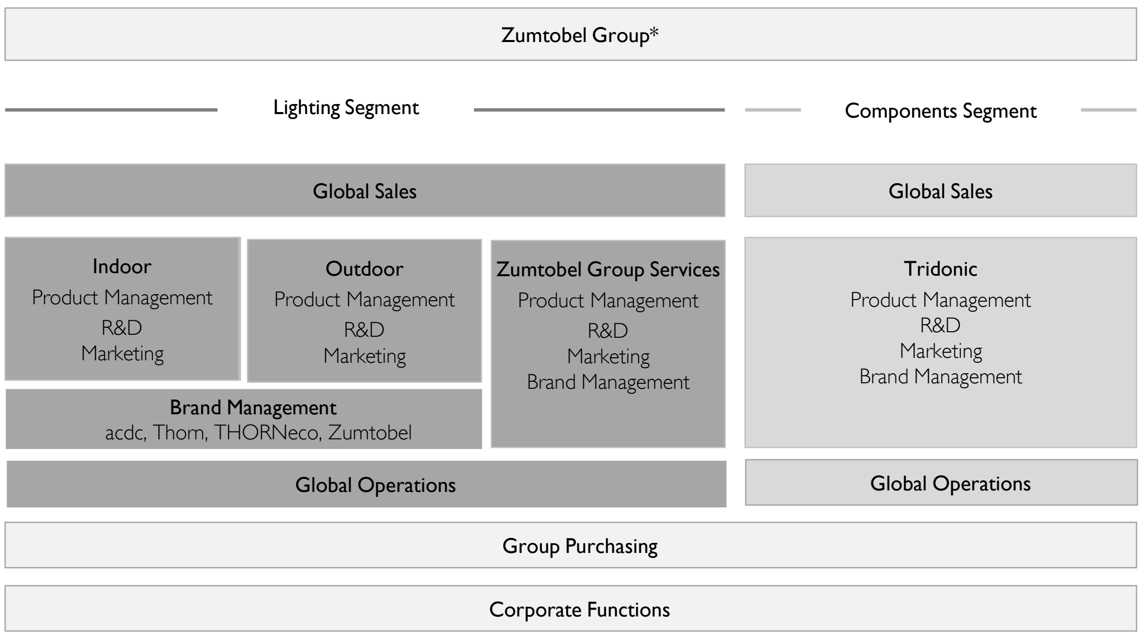
One of the few global players in the lighting industry

The Zumtobel Group is a leading international supplier of innovative lighting solutions and components. This listed company operates 13 production plants on four continents and has sales offices and partners in nearly 90 countries. The Group employed a workforce of 6,224 as of 30 April 2018 and recorded revenues of EUR 1,196.5 million in the 2017/18 financial year. The founding Zumtobel family has held approx. 35.5% of share capital since the IPO in 2006 and therefore serves as a stable core shareholder. The Zumtobel Group is based in Dornbirn, Vorarlberg (Austria).

Thought leader and trendsetter for 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. 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.

The Zumtobel Group has two operating segments which form the basis for corporate management: the Lighting Segment and the Components Segment. Each segment has its own global sales and production organisation. The individual application areas in the Lighting Segment – Indoor, Outdoor and Zumtobel Group Services – were organised as separate business divisions as of 30 April 2018.



* Simplified illustration as of 30 April 2018

Global multi-brand sales

The global multi-brand strategy is a core element of the organisational structure. It allows the Group 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 according to customer-specific target groups.

Focus on applications

The further development of the organisational structure in the Lighting Segment during 2017/18 led to the replacement of the brands with applications – Indoor, Outdoor and Zumtobel Group Services – as the business divisions. This new orientation is designed to strengthen the focus on applications. The development of the product portfolio will now be directed by the responsible category managers and assigned to a brand in agreement with corporate brand management. In this way, overlapping will be avoided, the entire product portfolio will be optimised and the brands will have a clear positioning on the market. The Indoor Division includes applications for industry (incl. logistics, halls and car parks), offices, education and health (incl. hospitals, schools and universities) as well as the retail trade, supermarkets, art & culture and exhibition areas (incl. gastronomy). The Outdoor Division addresses applications for roads, tunnels, sport facilities and exterior lighting for public areas. Zumtobel Group Services bundles all project and software-oriented services under a single roof.

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 procurement. These central functions support the implementation of the corporate strategy through standardised processes and instruments and ensure transparency and efficiency throughout the Group.

1.1.2 Products and production locations

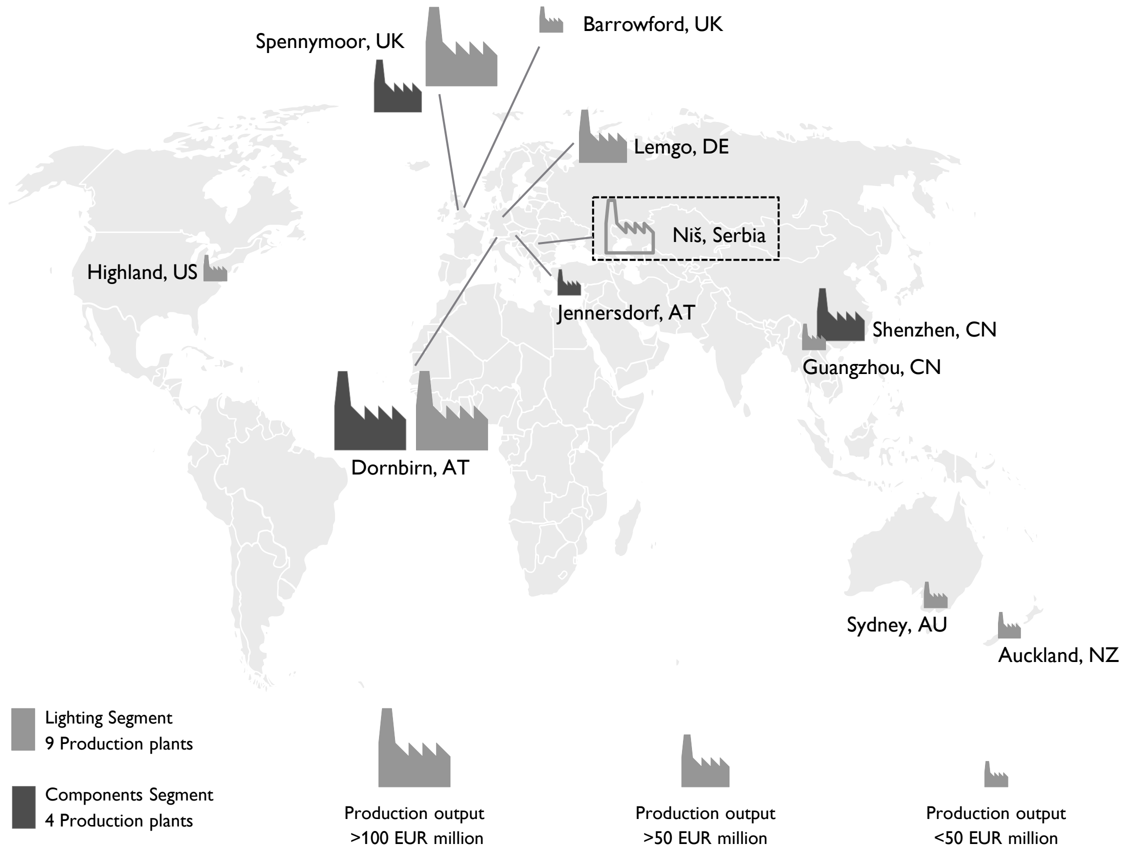
Full coverage of the value chain

The Zumtobel Group covers the entire value chain in professional lighting. With its diverse brands – Thorn, THORNeco, Tridonic, Zumtobel, Zumtobel Group Services and acdc – 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.

Global production network

The Zumtobel Group's lighting and components plants are organised 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. The reorganisation involved the implementation of numerous projects in recent financial years which led to the reduction, sale or closing of individual locations. The lighting plants in Landskrona (Sweden), Tianjin (China) and Usingen (Germany) as well as the components plant in Ennenda (Switzerland) were closed; Tridonic connection technology in Innsbruck (Austria), the components plant in Auckland (New Zealand) and the lighting plant in Les Andelys (France) were sold. In October 2017 the Zumtobel Group took a further step to optimise its production network and strengthen its competitive position: the two lighting and components plants in Dornbirn (Austria) will be combined over the medium-term. Production at the headquarters location in Dornbirn will then focus on lighting. In summer 2017 the ground-breaking ceremony was held for the construction of a new joint production facility for lighting and components in Serbia. The Zumtobel Group had 13 production facilities on four continents as of 30 April 2018.

Production network of Zumtobel Group as of 30 April 2018



1.1.3 Market and brand positioning

Leading position in a highly fragmented lighting market

The Zumtobel Group is active worldwide, but Europe remains the most important market with approximately 80% of Group revenues. The 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 lighting brands holds a leading position with a market share of slightly under 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. THORNeco is characterised by excellent value for money and is marketed exclusively by wholesalers.

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

Tridonic, the technology company in the Zumtobel Group, supports its customers with intelligent hardware and software. As a global innovation driver for light-based network technology, Tridonic develops future-safe and scalable solutions that make it possible for lighting producers, building managers, system integrators, planners and many other customer groups to develop new business models. Tridonic is not only active in the production of components and system solutions for the Group's lighting brands, it also serves as an OEM supplier (Original Equipment Manufacturer) for luminaire producers throughout the world and generates over 80% of its revenues outside the Zumtobel Group. More than 2,500 patents document Tridonic's innovation strength. Tridonic continued its concentration on the megatrend connectivity in 2017/18 to develop technologies for smart and integrated lighting systems, new services and business models. Other activities included the expansion of the portfolio for outdoor lighting and the development of business in the USA.

Zumtobel – the premium brand for architectural lighting

Zumtobel, as a leader in innovation, develops sustainable lighting solutions which are tailored to the needs of people in the respective area of application. With a comprehensive portfolio of high-end luminaires and intelligent lighting management systems, Zumtobel offers the right lighting for every activity and time of the day, for working and living spaces, and for exterior and interior areas. The most important applications are offices, education, presentation and retail, hotel and wellness, healthcare, art and culture and industry. 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.

acdc – the innovative niche supplier for demanding LED projects

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 world's most distinctive buildings.

ZGS – all services under a single roof

The Zumtobel Group bundled all project- and software-oriented activities in a new business division – Zumtobel Group Services (ZGS) – as of 1 March 2017. This step reflects the Group's plans to further strengthen its positioning as a service-oriented company. ZGS's services range from turnkey project management and light contracting to consulting and the commissioning of light management systems and emergency lighting as well as worldwide engineering and maintenance. The offering also includes the use and analysis of data-based software services in the rapidly growing connected lighting market.

1.1.4 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 and a strong technology position.

Multi-brand strategy for customer-specific target groups

The sales function plays a key role in the Zumtobel Group's business model. The Group had more than 1,900 employees working in this area during the reporting year. The systematic alignment of sales with a multi-brand strategy that is focused on the various target groups allows the Zumtobel Group to meet and optimally cover the diverse needs of its customers.

Know-how in lighting applications

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

Strong technology position

In 2017/18 the Zumtobel Group spent EUR 73.4 million on research and development (R&D) to further strengthen the Group's outstanding technology position. The continuous 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 other industrial companies.

1.1.5 Structural revenue drivers for professional lighting

The most important structural revenue drivers for the professional lighting industry are energy efficiency with a special emphasis on intelligently managed lighting solutions, the rapidly rising demand for innovative services and the growing awareness that light is a decisive factor for people's sense of well-being.

Energy efficiency remains a central growth driver

The subject of energy efficiency is receiving greater attention in connection with the reduction of CO_2 emissions and remains a central growth driver for the Zumtobel Group. Intelligently managed lighting solutions can reduce electricity consumption by up to 80%. 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). In addition to a significant cost savings potential, the growing demand for energy-efficient lighting is supported by legal regulations that include the EU directives on the energy efficiency of buildings and ecodesign.

Increased demand for innovative business models and services

The transformation from conventional lighting sources to LED has been largely completed. The LED share of Group revenues rose to 79.6 in 2017/18, and all of the new products introduced during the reporting year are equipped with energy-efficient LEDs. The lighting industry's changeover to LED has been followed by a further major shift that is focused on "connectivity", meaning intelligent and Internet-linked lighting, as well as the growing demand for comprehensive, integrated service offers. Light is predestined to become a cornerstone for the infrastructure of the Internet of Things (IoT). Lighting is everywhere, connected and digital. The Internet of Light will create new and better experiences and services for the retail trade, buildings and cities and therefore opens up a wide range of opportunities for the development of innovative business models. The Zumtobel Group has one of the most comprehensive service offerings in the entire lighting industry.

Growing importance of light as a marketing tool

The Zumtobel Group aims to create lighting solutions that balance energy savings and optimal lighting quality. Good lighting can increase the sense of well-being and create ideal conditions for fitness, satisfaction and health – while minimising the impact on the environment. Good lighting is also becoming increasingly important as an effective marketing and sales tool because human emotions and, in turn, consumers' readiness to buy and purchasing decisions can be positively influenced by lighting concepts that focus on various personality types.

1.1.6 Corporate strategy

Challenging market environment

The latest Euroconstruct data confirm a slight improvement in the market environment for the European construction industry over the coming years. The lighting industry is experiencing this trend to a greater extent due to the technology shift to LED, the focus on energy efficiency and growth opportunities in the service business. However, these developments are contrasted by expectations that the current aggressive price competition will continue in both the components business and the traditional lighting business during the next quarters.

Disappointing operating development requires wide-ranging strategic adjustments

The disappointing business development of the Zumtobel Group in 2017/18, the loss of confidence on the part of key stakeholders like customers and the capital market and a difficult environment in the industrial sector showed that the status quo is no longer viable and that significant strategic and organisational changes and adjustments would be required to successfully position the Zumtobel Group for the future. The new Management Board which was installed in spring 2018 has introduced urgently required operating measures in recent months to stabilise the business and – with a substantially leaner management team – worked intensively on the development of a future-oriented strategy for the Zumtobel Group. All structures and corporate processes as well as business areas, markets, brands and product portfolios are analysed in an open discussion based on the underlying goal to strengthen the focus on customers while reducing complexity and costs. The Zumtobel Group will present the new strategy for the company's management as well as revised medium-term goals, at the latest, in connection with the announcement of results for the first quarter of 2018/19 on 4 September 2018.

1.2 General Economic Environment

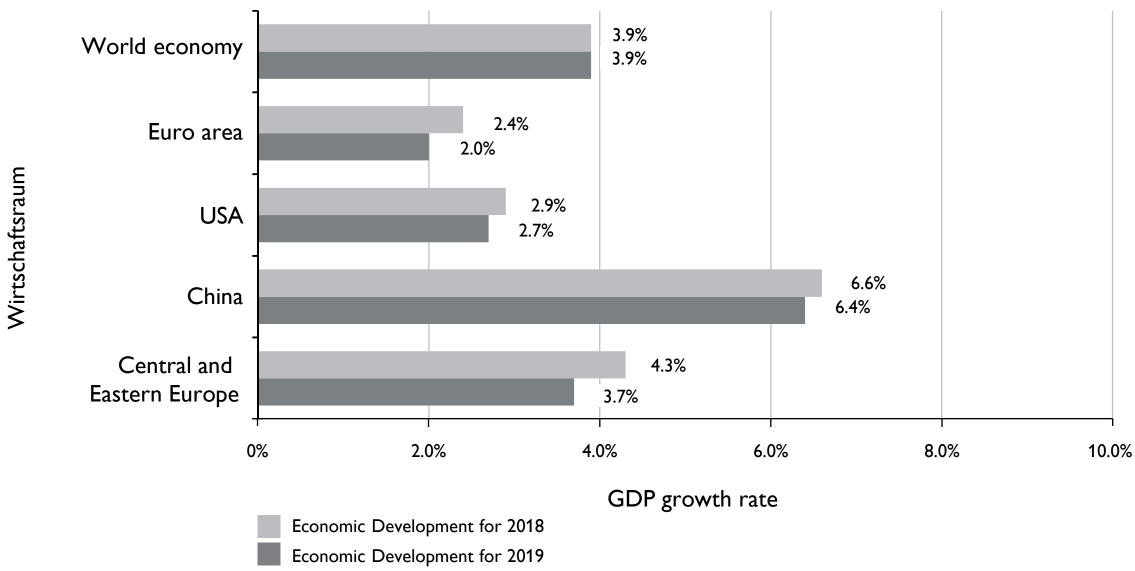
Solid growth for the global economy in 2017/18

The global economy gained further momentum in 2017/18, with an increase from 3.2% in the previous year to 3.8%[1] according to the International Monetary Fund (IMF). Growth was particularly sound in Europe, the core region for the Zumtobel Group. The euro zone experienced a robust upturn and, based on positive contributions by all major economies, generated the highest GDP growth in 10 years at 2.3%. The main driver for this development was the European Central Bank with its expansive monetary and low interest policies, which provided support for private consumption and capital investment. Economic growth in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, accelerated during the reporting year: in Germany by 2.5%, in Austria by 2.9% and in Switzerland by 1.1%. In Southern Europe, the upward trend continued in Spain (plus 3.1%) and Portugal (plus 2.7%). Signs of recovery were also noted in Italy and France with an increase of 1.5% and 1.8%, respectively. The British economy recorded only a slight decline in growth momentum to 1.8% in 2017, in spite of the Brexit decision. The economic upturn in the USA, which has now lasted for eight years, continued with GDP growth of 2.3%. The Chinese economy generated growth of 6.9% in 2017, which was based primarily on private consumption and exports.

Substantial long-term growth risks

The IMF confirmed this year's forecast for the global economy in its April 2018 report and now expects growth will match 2017 with an increase of 3.9% in 2018. The outlook also calls for a year-on-year improvement in both the USA and the euro zone. Great Britain should see a further decline of 0.2 percentage points to 1.6% according to the IMF. In spite of this broad-based growth, the IMF is also warning of substantial long-term dangers for the global economy, above all from escalating trade disputes, high private and public sector debt, and geopolitical risks.

Economic Development Outlook for 2018 and 2019



[1] Source: IMF forecast, World Economic Outlook, April 2018

1.3 The Zumtobel Group Share

A good year for the global stock markets

Developments on the global stock markets were generally positive throughout the 2017/18 financial year, above all due to the central banks' ongoing low interest rate policy and an over-abundance of liquidity. The leading Austrian Traded Index (ATX) rose by 15.2% from 3,010 to 3,469 points during the reporting year. Strong growth was also recorded by other key indexes including the Dow Jones (plus 15.5%) in the USA and the DAX (plus 1.4%) in Germany.

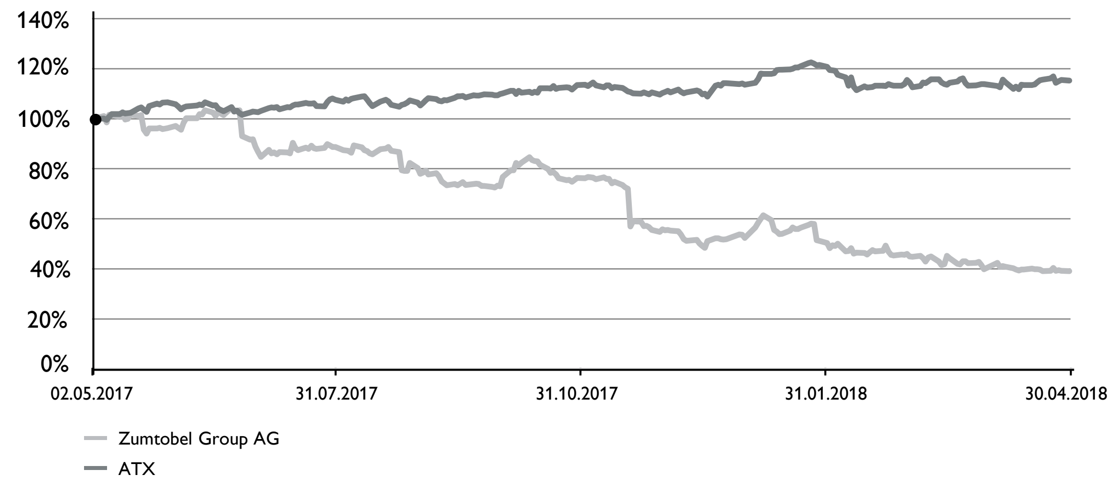
All in all, a good year for the global stock markets

Zumtobel Group share with disappointing performance

For Zumtobel Group shareholders, the 2017/18 financial year was anything but encouraging. The share price fell by 60.8% during the reporting year from 1 May 2017 to 30 April 2018, with performance that was significantly weaker than the Austrian ATX. The sharp drop in the share price reflected the Group's disappointing operating development as well as a difficult industrial environment. The Zumtobel Group share closed the 2017/18 financial year on 30 April 2018 at EUR 7.50.

Weak development of the Zumtobel Group share

Development of the Zumtobel Group



The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2017/18. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 326 million on 30 April 2018 (2016/17: EUR 833 million). The average daily turnover on the Vienna Stock Exchange equalled 280,373 shares in 2017/18, compared with 282,402 shares in the previous year (double-count, as published by the Vienna Stock Exchange). The semi-annual ATX review in March 2018 led to the removal of the Zumtobel Group share from this index due to its weak development and low market capitalisation. The Zumtobel Group share has been listed in the ATX Prime since 16 March 2018.

Market capitalisation of EUR 326 million

Key Data on the Zumtobel Group Share for FY 2017/18

Closing price at 29.04.2017	EUR 19,150	Currency	EUR
Closing price at 30.04.2018	EUR 7,500	ISIN	AT0000837307
Performance FY 2017/18	(60.8)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.2018	EUR 326 Mio	Market segment	ATX Prime
Share price - high at 19.06.2017	EUR 19,990	Reuters symbol	ZUMV.VI
Share price - low at 30.04.2018	EUR 7,500	Bloomberg symbol	ZAG AV
∅ Turnover per day (shares)	280,373	Number of issued shares	43,500,000

Shareholder structure

Zumtobel family continues to hold 35.5%

There were no major changes in the shareholder structure of Zumtobel Group AG during the 2016/17 financial year. The Zumtobel family has remained the stable core shareholder of Zumtobel Group AG since the initial public offering with a stake of approximately 35.5%. The following institutional investors held reportable investments as of 30 April 2018: Lazard Frères Gestion SAS with an investment of over 5% as well as Erste Asset Management GmbH, Wellington Management Group LLP and SYZ Asset Management (OYSTER SIVAV) each with an investment of over 4%. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. The company held an unchanged number of 353,343 treasury shares at the end of the 2017/18 financial year.

Dividend policy

No dividend planned for FY 2017/18

The Zumtobel Group follows a continuous dividend policy, which calls for a distribution of approximately 30% to 50% of consolidated net profit after the deduction of possible special effects. In view of the substantially weaker operating development and the balance sheet result of EUR 0 recorded by Zumtobel Group AG, a distribution of dividends is not planned for the 2017/18 financial year.

Investor relations activities focused on transparency and dialogue

Zumtobel Group coverage increased to nine analysts

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. The Management Board and investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows and one-on-one meetings. In 2017/18 nine well-known Austrian and international analysts issued regular reports on the Zumtobel Group share together with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Baader Bank (Munich), Berenberg (London), Erste Bank (Vienna), J.P. Morgan (London), Kepler Cheuvreux (London), Landesbank Baden-Württemberg (Stuttgart), Morgan Stanley (London), Raiffeisen Centrobank (Vienna) and UBS (Frankfurt).

In connection with quarterly reporting and the publication of the annual financial report, the Zumtobel Group holds regular conference calls to provide detailed information on results. The Internet represents an important medium to ensure that investors and other interested stakeholders receive information at the same time. All corporate publications, contact data, the financial calendar and additional information on the Zumtobel Group as well as the corporate governance report can be reviewed on the investor relations website under *www.zumtobelgroup.com/en/investor_relations*.

1.4 Significant Events since April 2017

EUR 0.23 dividend for FY 2016/17

The 41st annual general meeting on 21 July 2017 authorised the payment of a EUR 0.23 dividend per share for the 2016/17 financial year. This dividend was distributed to shareholders on 2 August 2017.

Zumtobel Group starts construction on a new plant in Serbia

The ground-breaking ceremony for the new production plant in Serbia took place on 28 July 2017. This plant will be located in the southern industrial zone of Niš and will be built at a cost of EUR 30 million over the next two and one-half financial years. It will cover 40,000 square metres when completed. The first products are scheduled to come off the production line in 2018/19.

Zumtobel Group sells Les Andelys plant

The contract for a long-term partnership between the Zumtobel Group and the French industrial group Active'Invest was signed on 28 September 2017. This agreement also covers the sale of the Zumtobel Group's plant in Les Andelys (France) with more than 200 employees. The Zumtobel Group will remain a 10% minority shareholder in the new company.

Gradual transfer of Tridonic production to Serbia

The Zumtobel Group took another step to optimise its production network and improve its competitive position with a decision in October 2017 to combine the two lighting and components plants in Dornbirn (Austria). Plans call for the company to focus on the production of luminaires at the corporate headquarters in the future, while the Tridonic production equipment will be gradually relocated to the Group's new location in Niš (Serbia) over the coming years.

Increased expertise for Management Board

In October 2017 the Supervisory Board of Zumtobel Group AG announced the expansion of the Managing Board to include an additional member. Bernard Motzko took on the position of Chief Operating Officer (COO) in February 2018.

Zumtobel Group reorganises the Management Board

In February 2018, the Supervisory Board of Zumtobel Group announced that CEO Ulrich Schumacher had left the company and Alfred Felder had taken over responsibilities as acting president of the Management Board in addition to his function as Chief Sales Officer. The reorganisation of the Management Board was completed on 8 March 2018. The Supervisory Board announced the appointment of Thomas Tschol to the position of CFO as of 1 April 2018; he succeeds Karin Sonnenmoser, who left the company as of 9 March 2018 by mutual agreement.

No other significant events occurred during the reporting year.

1.5 Review of Business Performance

1.5.1 Revenues

- >> Group revenues decline by 8.2% (FX-adjusted: minus 5.8%)
- >> LED share of Group revenues rises to 79.6% (2016/17: 73.6%)
- >> Lighting Segment revenues, FX-adjusted, 7.1% lower than previous year – revenues from Zumtobel Group Services increase by 11.6%
- >> Further revenue decline in Components Segment (FX-adjusted: minus 3.7%)

Group revenues (FX-adjusted) decline by 5.8%

Revenues recorded by the Zumtobel Group fell by 8.2% year-on-year to EUR 1,196.5 million in the 2017/18 financial year (1 May 2017 to 30 April 2018) in a lighting industry environment that remained challenging (2016/17: EUR 1,303.9 million). Revenue development was influenced by strong negative currency translation effects of EUR 31.5 million, which resulted primarily from the increase in the euro versus the British pound and Swiss franc. After an adjustment for these foreign exchange effects, the decline in revenues amounted to 5.8%. The LED share of Group revenues increased from 73.6% to 79.6% within 12 months.

Segment development in EUR million	2017/18	2016/17	Change in %	FX adjusted in %
Lighting Segment	908.3	999.9	(9.2)	(7.1)
Components Segment	352.7	377.2	(6.5)	(3.7)
Reconciliation	(64.5)	(73.3)	(11.9)	
Zumtobel Group	1,196.5	1,303.9	(8.2)	(5.8)

Lighting Segment- FX-adjusted revenues 7.1% below previous year

In the Lighting Segment, the industry trend is still below original expectations. Revenue development in 2017/18 was negatively influenced, above all by significant weakness in Great Britain, the most important market for the Zumtobel Group, as well as very aggressive price competition and revenue growth that has not been realised due to internal operating challenges, especially in logistics. Revenues in the Lighting Segment fell by 9.2% to EUR 908.3 million (2016/17: EUR 999.9 million). After an adjustment for negative foreign exchange effects, revenues were 7.1% lower than the previous year. Sound development was recorded by Zumtobel Group Services, which is allocated to the Lighting Segment and bundles all project- and software-oriented services under a single roof. This business division recorded a year-on-year increase of 11.6% in revenues to EUR 179.0 million and generated 15.0% of total Group revenues.

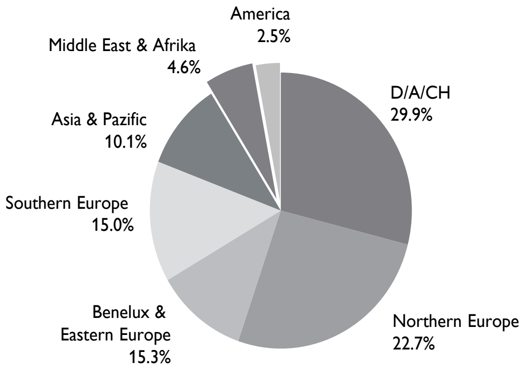
Further revenue decline in Components Segment

Revenues in the Components Segment fell by 6.5% in 2017/18 (FX-adjusted: minus 3.7%). The concentration on margins in an increasingly competitive environment obviously generates satisfactory earnings contributions, but is also accompanied by substantial revenue declines. The revenue decline in the conventional electronic ballast business was particularly high at 40%. In contrast, there has been a sound increase in the demand for intelligent, integrated LED components and Tridonic system solutions.

Distribution of regional revenues

2017/18	Revenues in EUR million	Change in %
D/A/CH	357.7	(6.3)
Northern Europe	271.8	(20.4)
Benelux & Eastern Europe	182.8	10.4
Southern Europe	178.9	(2.3)
Asia & Pacific	120.4	(5.2)
Middle East & Africa	55.3	(9.7)
Americas	29.7	(32.2)
Total	**1,196.5**	**(8.2)**

Revenues by region



Substantial declines in Great Britain and the USA

The reporting period was characterised by widely different regional developments in a generally difficult industry environment. The D/A/CH region, the largest market in the Zumtobel Group, recorded a 6.3% decline in revenues (FX-adjusted: minus 4.6%) to EUR 357.7 million. Revenues in Switzerland (FX-adjusted) were slightly higher than the previous year, but slightly lower in Austria and Germany. Above all in Switzerland, there are growing signs of an improvement during the coming months. Revenues in Northern Europe fell by 20.4% to EUR 271.8 million, also due to strong negative foreign exchange effects from the British pound. After an adjustment for these foreign exchange effects, revenues were 17.3% below the high prior year level. Lighting Segment sales in Great Britain were substantially lower, in particular due to a more difficult market environment and an exceptionally good previous year. The Benelux & Eastern Europe region continued the sound trend from previous years with an increase of 10.4% (FX-adjusted: plus 12.1%) to EUR 182.8 million in 2017/18. The Southern European region consists primarily of Italy, Spain and France. Italy and Spain continued to record solid revenue growth during the reporting year, but France remained disappointing despite a gradual easing of the negative trend. Revenues in this region fell by 2.3% to EUR 178.9 million. In the Asia & Pacific region, improved growth in Asia offset the continuing negative development in Australia and FX-adjusted revenues reached the prior year level (FX-adjusted: plus 0.2%). The Middle East & Africa region saw a slight stabilisation of the difficult political and economic environment in several Middle East countries during the past year. The substantial revenue declines in 2016/17 were followed by a decrease of 9.7% (FX-adjusted: minus 5.5%) in the reporting year. The America region reported a largely market-based decline of 32.2% (FX-adjusted: minus 27.6%) to EUR 29.7 million.

1.5.2 Earnings

- >> Adjusted Group EBIT falls to EUR 19.7 million
- >> Profitability negatively affected by substantial decline in revenues, increasingly aggressive price competition and higher warranty provisions
- >> Fixed costs favourably influenced by savings measures
- >> Net profit negative at minus EUR 46.7 million

Income statement in EUR million	2017/18	2016/17	Change in %
Revenues	1,196.5	1,303.9	(8.2)
Cost of goods sold	(822.7)	(864.0)	(4.8)
Gross profit	373.8	439.9	(15.0)
as a % of revenues	*31.2*	*33.7*	
SG&A expenses adjusted for special effects	(354.2)	(367.5)	(3.6)
Adjusted EBIT	19.7	72.4	(72.9)
as a % of revenues	*1.6*	*5.6*	
Special effects	(27.0)	(26.6)	
EBIT	(7.3)	45.8	<(100)
as a % of revenues	*(0.6)*	*3.5*	
Financial results	(16.4)	(15.7)	(4.2)
Profit/loss before tax	(23.7)	30.1	<(100)
Income taxes	(23.0)	(7.6)	<(100)
Result from discontinued operations	0.0	2.7	
Net profit/loss for the year	(46.7)	25.2	<(100)
Earnings per share (in EUR)	(1.08)	0.58	<(100)

Note: EBITDA (plus depreciation and amortisation) amounted to EUR 54.2 million in 2017/18 (2016/17: EUR 106.2 million).

Adjusted Group EBIT falls to EUR 19.7 million

Group EBIT adjusted for special effects fell to EUR 19.7 in 2017/18 (2016/17: EUR 72.4 million), and the return on sales dropped from 5.6% to 1.6%. The significant deterioration in the Group's profitability during the reporting year is, for the most part, attributable to the Lighting Segment, where adjusted EBIT declined from EUR 53.5 million to EUR 9.4 million. Adjusted EBIT in the Components Segment amounted to EUR 31.4 million (2016/17: EUR 39.6 million). The profitability in both segments was negatively influenced by substantial revenue declines and extremely aggressive price competition.

Decline in development costs

As a result, the gross profit margin (after development costs) for the Zumtobel Group declined to 31.2% in 2017/18 (2016/17: 33.7%). Development costs included in the cost of goods sold fell by EUR 7.9 million to EUR 69.5 million (2016/17: EUR 77.4 million). The central bundling of R&D activities and the reduction of R&D locations supported the realisation of additional synergy effects.

Reduction in selling and administrative expenses

Selling expenses (incl. research) amounted to EUR 313.9 million and were substantially lower than the previous year (2016/17: EUR 328.3 million) in spite of salary increases required by collective agreements. The cost reduction measures implemented during the year were reflected in a reduction of EUR 14.4 million. A similar development is visible in administrative expenses, which fell by EUR 2.8 million to EUR 49.4 million (2016/17: EUR 52.2 million). Other operating results, excluding special effects, declined to EUR 9.1 million (2016/17: EUR 13.0 million) due to lower license income from the LED business and a reduction in government grants.

Negative special effects from transformation process

Negative special effects of EUR 27.0 million were recognised during the reporting year (2016/17: EUR 26.6 million). These effects represent expenses and impairment losses related to the adjustment of the global production network, including the finalised sale of the Zumtobel Group's plant in Les Andelys (France) and restructuring measures in management and the sales organisations. Additional details are provided in section 2.6.4.3 of the notes.

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

Adjusted EBIT in EUR million	2017/18	2016/17	Change in %
Reported EBIT	(7.3)	45.8	<(100)
thereof special effects	(27.0)	(26.6)	
Adjusted EBIT	19.7	72.4	(72.9)
as a % of revenues	*1.6*	*5.6*	

Financial results below prior year

Financial results declined by EUR 0.7 million year-on-year to minus EUR 16.4 million (2016/17: minus EUR 15.7 million). Interest expense is attributable primarily to the current credit agreements and to finance leases. Other financial income and expenses totalled minus EUR 9.7 million (2016/17: minus EUR 8.5 million). The fluctuations in the fair value measurement of financial instruments reflect the high volatility on the foreign exchange market, above all in connection with the British pound, Swiss franc and US dollar. Additional details are provided in sections 2.6.4.4 and 2.6.4.5 of the notes.

Financial result in EUR million	2017/18	2016/17	Change in %
Interest expense	(6.9)	(7.3)	(6.0)
Interest income	0.4	0.4	(6.2)
Net financing costs	(6.4)	(6.8)	5.9
Other financial income and expenses	(9.7)	(8.5)	14.2
Result from companies accounted for at-equity	(0.3)	(0.4)	34.3
Financial results	(16.4)	(15.7)	(4.2)

Net profit falls to minus EUR 46.7 million

Profit before tax amounted to minus EUR 23.7 million in 2017/18 (2016/17: EUR 30.1 million), and income taxes totalled EUR 23.0 million (2016/17: EUR 7.6 million). Income taxes include current tax expense of EUR 4.9 million and deferred taxes of EUR 18.2 million. Additional information is provided in section 2.6.4.6 of the notes. Net profit for the reporting year therefore fell to minus EUR 46.7 million (2016/17: plus EUR 25.2 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled minus EUR 1.08 (2016/17: plus EUR 0.58).

1.5.3 Cash flow, financial and asset position

- >> Continued positive development of working capital
- >> Capital expenditure rises to EUR 69.0 million (2016/17: EUR 45.2 million)
- >> Free cash flow falls to minus EUR 23.9 million (2016/17: plus EUR 69.4 million)
- >> Continued secure liquidity position and solid balance sheet structure

Seasonality of the business

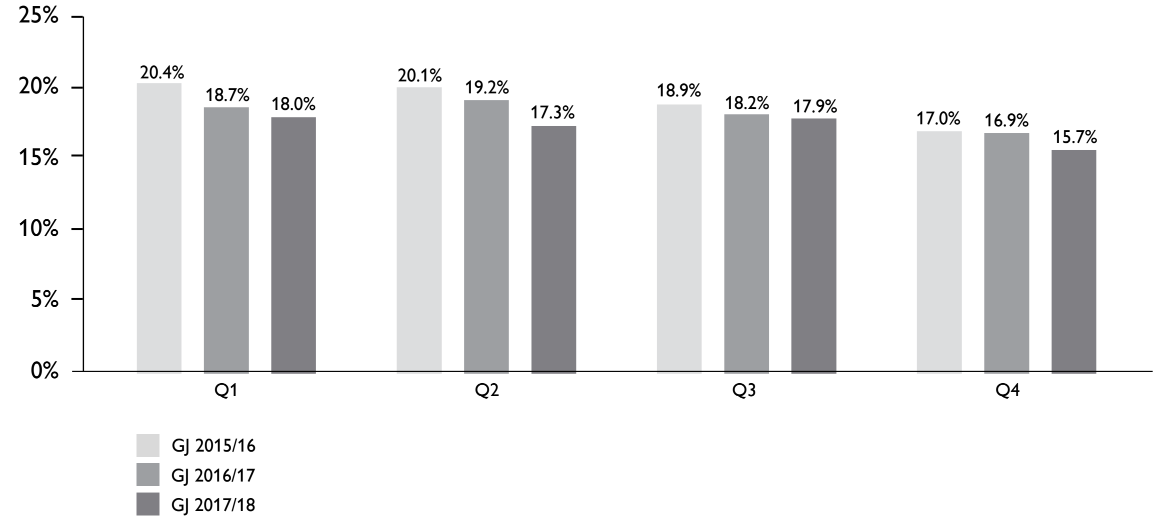
The development of business in the Zumtobel Group follows a seasonal pattern: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn and the installation of the lighting 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.

Positive development of working capital

Cash flow from operating results fell from EUR 114.1 million in the previous year to EUR 53.5 million in 2017/18 due to the substantial decline in profitability. Working capital totalled EUR 188.1 million as of 30 April 2018 and was EUR 32.1 million below the level on 30 April 2017. Working capital as a per cent of rolling 12-month revenues declined from 16.9% to 15.7% year-on-year, primarily due to the lower volume of revenues and strict receivables management. The receivables sold through a factoring agreement totalled EUR 57.9 million as of 30 April 2018 (2016/17: EUR 49.7 million). Cash outflows for other non-current and current assets and liabilities resulted from the reduction of other employee-related liabilities, in particular bonus payments related to 2016/17. Cash flow from operating activities declined from EUR 107.5 million to EUR 49.7 million in 2017/18.

Working Capital in % of rolling 12-month revenues



Increase in capital expenditure

Investments in non-current assets rose substantially to EUR 69.0 million in 2017/18 (2016/17: EUR 45.2 million). These expenditures consisted mainly of tools and equipment for new products, expansion and maintenance investments as well as capitalised research and development costs of EUR 11.2 million (2016/17: EUR 13.1 million). A total of EUR 17.4 million was spent on the new production plant in Serbia during the reporting year. In addition, the previously rented CIT building in Dornbirn (Austria) was purchased for EUR 7.1 million in May 2017. The positive effect recorded under cash inflows from the disposal of property, plant and equipment consisted chiefly of the proceeds from the sale of property in Usingen (Germany) following the termination of production at this location in 2016/17. The negative cash flow effect reported under cash outflows for the acquisition of associates resulted from the payment for 48% of the shares in Inventron AG, Switzerland. The change in cash and cash equivalents from changes in the scope of consolidation involves the reduction in liquid funds following the sale of Europhane SAS, France, which was founded for the sale of the plant in Les Andelys, France. The substantial decline in cash flow from operating activities and the increase in capital expenditure led to a decrease in free cash flow, which fell to minus EUR 23.9 million (2016/17: plus EUR 69.4 million).

Cash flow from financing activities consists primarily of the increased use of the facilities provided by the consortium credit agreement, interest paid during the reporting year and the dividend distributed to the shareholders of Zumtobel Group AG for the 2016/17 financial year.

Secure liquidity

In order to protect the ability to meet its payment obligations at any time, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Zumtobel Group can also access extensive working capital credit lines to offset liquidity fluctuations arising from business activities. In addition to the consortium credit agreement and two other bank credit agreements, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 84.5 million at its disposal as of 30 April 2018 (2016/17: EUR 88.1 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 current term ending in November 2022 and a maximum line that currently equals EUR 250 million. The amount drawn under this agreement equalled EUR 115 million as of 30 April 2018 (2016/17: EUR 60 million). The Zumtobel Group 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 2018. 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 a clause covering an increase of up to EUR 200 million. 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 2018 with a debt coverage ratio of 2.70 (2016/17: 0.86) and an equity ratio of 27.2% (2016/17: 32.8%).

Balance sheet data in EUR million	30 April 2018	30 April 2017
Total assets	986.1	1,019.6
Net debt	146.3	91.0
Debt coverage ratio	*2.70*	*0.86*
Equity	268.3	334.0
Equity ratio in %	*27.2*	*32.8*
Gearing in %	*54.5*	*27.2*
Investments	69.0	45.2
Working capital	188.1	220.1
As a % of rolling 12 month revenues	*15.7*	*16.9*

Solid balance sheet structure

The Zumtobel Group's balance sheet structure remained solid throughout the 2017/18 financial year. The equity ratio declined from 32.8% as of 30 April 2017 to 27.2% as of 30 April 2018 due to the loss recorded for the reporting year. Net debt totalled EUR 146.3 million as of 30 April 2018 (2016/17: EUR 91.0 million) and was EUR 55.3 million higher year-on-year. Gearing – the ratio of net debt to equity – deteriorated from 27.2% to 54.5%.

1.6 Non-financial Statement for the Group

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

NFI statement is based on the GRI standards

This year's consolidated group management report includes the summarised non-financial statement of the group (NFI statement) required by § 243b of the Austrian Commercial Code. The Zumtobel Group meets its reporting requirements under the Austrian Sustainability and Diversity Improvement Act ("Nachhaltigkeits- und Diversitätsverbesserungsgesetz") on environmental, social and employee issues, the respect for human rights and the fight against corruption and bribery. All of the information in this report refers equally to Zumtobel Group AG and the Group, including its subsidiaries, unless indicated otherwise. This NFI statement applies to the 2017/18 financial year and is based on the GRI standards issued by the Global Reporting Initiative (GRI). The reporting was expanded to place greater focus on the issues important to the Zumtobel Group and its stakeholders. In addition to the NFI statement, part of the required content is included in the 2017/18 group management report, the corporate governance report and the consolidated financial statements. The major risks were identified and concepts with measures and clear targets were developed for all relevant issues in agreement with the top management.

NFI statement was reviewed by the Supervisory Board

The summarised non-financial statement of the Zumtobel Group in this management report was reviewed by the Supervisory Board for agreement with legal requirements, correctness and appropriateness. The Zumtobel Group is an international lighting corporation and a leading provider of innovative lighting solutions, lighting components and related services. A detailed description of the business model is provided in the management report under "The Zumtobel Group – an Overview".

1.6.1 Strategy and management

Materiality analysis forms the basis for the NFI statement

In 2014/15 the Zumtobel Group carried out a multi-stage process with external and internal stakeholders (employees and managers) to identify the key sustainability issues. The external stakeholders were selected according to their points of contact with the Zumtobel Group: customers, business partners, suppliers, shareholders and investors, trade unions, research partners, professional associations and public authorities. Personal interviews were conducted with over 60 external national and international stakeholders to discuss their perceptions of the Group's sustainability performance and to identify the most important sustainability issues for the Zumtobel Group. The results of these interviews created the basis for the new materiality analysis which was carried out in 2017/18 in cooperation with an external consulting firm.

The starting point for this new materiality analysis was formed by a catalogue of roughly 150 subject areas. In addition to the sustainability issues from the 2014/15 materiality analysis, peer group concerns, current reporting standards (ISO 26000, GRI) and relevant industry topics and trends were also included. Overlaps in the catalogue were eliminated and the remaining points were classified under 23 potential major issues. Six specialist areas in the Zumtobel Group then carried out an internal assessment based on a structured, written questionnaire, which was used to determine the issues necessary for an understanding of the business, operating results or positioning as well as an understanding of the effects of business activities on the non-financial issues. This assessment led to the definition of nine issues through which the Zumtobel Group has significant effects on the economy, environment and society and are therefore particularly relevant for the future of the Zumtobel Group. The results were then validated by the Management Board.

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

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

Reference table for the NFI statement:

Non-financial aspect	Major issues	Page reference
Fight against corruption and bribery	● Corporate governance and compliance	34
Environmental concerns	● Sustainable products and services ● Sustainable procurement ● In-process environmental protection	33 40 41
Employee concerns	● Training and continuing education ● Work-life balance ● Health protection and occupational safety	35 36 36
Social concerns	● Sustainable and profitable growth ● Sustainable products and services	32 33
Respect for human rights	● Corporate governance and compliance ● Sustainable procurement	34 40

No risks that could result in severe negative effects

The Zumtobel Group has installed a group-wide internal risk management and control system. This non-financial group statement pursuant to § 243b of the Austrian Commercial Code takes a net view of risks, meaning the evaluation also includes risk-minimising measures. In connection with the non-financial aspects, the Zumtobel Group was unable to identify any material risks arising from its business activities or business relationships, products or services which could have a material negative effect. Additional information can be found in the management report under "Internal control system" and "Risk management".

Sustainable corporate culture

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

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

Concrete concepts for the major issues

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

Major issue	Goals	Measures	Performance indicator
1. Sustainable management			
Sustainable and profitable growth	Sustainable increase in the value of the company, taking economic, social and ecological factors into account	● Definition and implementation of corporate strategy	
	Expansion of the service business	● Significant increase in service revenues	● Revenues from services
2. Corporate governance and compliance			
Corporate governance	Further development of the compliance management system	● Revision and communication of the code of conduct of Zumtobel Group AG ● Preparation and communication of specific compliance guidelines on anti-corruption, competition and anti-trust law ● Supplements to the code of conduct to cover human rights aspects; related courses for employees as part of compliance training ● Preparation of target group-oriented content for compliance training; implementation of compliance training and on-site training via e-learning programmes ● Implementation of a whistle-blower hotline	● Per cent of employees trained ● Number and per cent of successfully completed compliance training certificates
3. Responsible employer			
Training and continuing education	Increase in employee-specific training hours	● Expanded offering for the Zumtobel Group Learning Academy with a special focus on an increase in e-learning programmes	● Ø training and education hours
	Increase in individual personal development appraisals	● Conducting of annual employee appraisals ● Identification of individual development measures	● Number of employees who receive regular performance evaluations
Health protection and occupational safety	Continuous improvement of health programme	● Development of a holistic health project with a special focus on the implementation of concrete measures for the health prevention of women in production	
	Prevention of work accidents	● Continuous improvement in TRI rate in lighting and components plants ● Implementation of pro-active training courses to prevent work accidents	● TRI rate
Work-life balance	Support for employees' work-life balance	● Increase in offering of flexible working time models ● Extension of free-time option	● Number of part-time employees ● Number of employees with a free-time option
4. Product responsibility and innovation			
Innovation	Expansion of competitive product portfolio	● Continuous product development ● Increase in technology partnerships	● Ratio of new products to revenues (in %) ● R&D ratio ● Number of registered patents
	Increase in brand reputation through research projects	● Participation in national and international research projects ● Continuation of long-term, internal research and pre-development projects	

Major issue	Goals	Measures	Performance indicator
Sustainable products and services (incl. product safety and quality)	Compliance with high safety standards through use of legal and voluntary test marks	● Internal measurements and tests ● Cooperation with external testing institutes and commissioning of external audits	
	Inclusion of sustainability aspects throughout the entire product lifecycle	● Use of energy-efficient, intelligently managed lighting technology ● Reduction of product-related resource consumption ● Continuous improvement in product efficiency	● Energy savings through energy-efficient Zumtobel Group products in MWh ● Reduction in CO_2 emissions through energy-efficient Zumtobel Group products in tonnes
	Expansion of innovative product and service offering	● Increase in share of revenues from LED products to nearly 90% in FY 2018/19 ● Significant increase in service revenues ● Development of innovative business models	● Share of revenues from LED products ● Revenues from services
Sustainable procurement	Compliance with high environmental and social standards in the supply chain	● Regular, annual sustainability audits for new and existing suppliers ● Commitment of suppliers to compliance with RoHS/REACh ● Requirement for all suppliers to maintain an environmental management system ● Bundling of suppliers to utilise synergies	● Number of sustainability audits
	Further development of supplier code of conduct (SCOC)	● Requirement for all new suppliers to sign and comply with SCOC ● Requirement for existing major suppliers to comply with SCOC	● Signing of revised SCOC by 100% of new suppliers ● Signing of revised SCOC by 95% of existing suppliers (based on procurement volume)
5. Environmental protection			
In-process environmental protection	Careful and efficient use of resources	● Certification under the expanded requirements of ISO 14001:2015 at the major locations in FY 2018/19 ● Performance of energy audits at selected locations ● Implementation of energy efficiency measures ● Further development of environmental data recording	● Number of certified locations
	Inclusion of ecological aspects throughout the entire product lifecycle	● Evaluation and monitoring of environmental data and identification of need for action (Lean Six Sigma method) ● Compliance with internal and external environmental protection guidelines	

Continuous stakeholder dialogue

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

Membership in professional associations

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

Well-known international architecture prize

A particular highlight in the active dialogue with stakeholders is the "Zumtobel Group Award – Innovations for Sustainability and Humanity in the Built Environment". This recognised, EUR 165,000 architecture prize is awarded for future-oriented concepts and developments that improve the quality of life and sustainability in the built environment and its design. The prize was awarded for the fifth time in 2017/18 by the Zumtobel Group with the support of an international jury of recognised experts.

1.6.2 Sustainable and profitable growth

Increase in the company's value, taking economic, social and ecological factors into account

Our entrepreneurial activities are based on our values – passion, performance and partnership. They determine the way we think and act. The primary goal of our entrepreneurial activities is to achieve a sustainable increase in the value of the company, while also taking ecological, social and economic factors into account. The new Management Board which was installed in spring 2018 is currently working on a new strategy for the Group which will create a stable foundation for profitable growth in the future. The interests of the organisation and the interests of our stakeholders are given equal weighting in the development of the strategy, especially with regard to the relevant issues defined by the materiality analysis.

Financial flows to stakeholders

The Zumtobel Group generated EUR 1,210.5 million of economic value in the 2017/18 financial year. After the deduction of costs incurred, payments to equity and debt providers and public authorities, the remaining economic value equals EUR 17.8 million. This presentation reflects the definition under GRI and represents the financial flows derived from the income statement and cash flow statement.

Financial flows to stakeholders in EUR million	2017/18	2016/17
Corporate revenues[1]	1.210,5	1.322,5
Operating expenses[2]	(752.4)	(777,7)
Personnel expenses	(413.6)	(446,6)
Payments to shareholders	(9.9)	(8,6)
Payments to provider of borrowed capital	(6.7)	(7,2)
Payment to public bodies [3]	(10.1)	(9,1)
Residual economic value	**17.8**	**73,2**

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

1.6.3 Sustainable products and services

Sustainability is closely related to the core business

The Zumtobel Group‘s commitment to sustainability is closely related to the core business because of the important role played by energy-efficient, intelligently managed lighting technology in conserving resources. This trend has been accelerated by the continuous increase in the efficiency (lumes/watt) of LED luminaires and a parallel decline in the cost of LED chips. Artificial lighting is responsible for roughly 19% of worldwide electricity consumption. Of this amount, nearly two-thirds are used for commercial buildings and outdoor lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group. Most of the energy consumption in the lifecycle of lights occurs during the use of the light. The Zumtobel Group identified this energy savings multiplier many years ago and is working to steadily improve the energy efficiency of its products. In support of the ecological improvement of its products, the Zumtobel Group also integrates sustainability aspects along the product life cycle.

High contribution to reducing electricity consumption

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. Conventional systems were used as the reference for the calculations, whereby the energy savings potential was based on the following main criteria: efficient LED lighting systems, dimmability and the use of electronic control devices Through its portfolio of energy-saving products, the Zumtobel Group helped to realise energy savings of 3,857,801 megawatt hours (2016/17: 3,528,516 MWh) in the reporting year. That represents the annual electricity requirements of 1,285,934 two-person households (2016/17: 1,176,172). Based on CO_2 emissions converted at an average global factor of 0.519 kg/KWh, the energy savings contribution of the Zumtobel Group amounted to approximately 2,002,199 tonnes of CO_2 in 2017/18 (2016/17: 1,831,300 tonnes).

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

Further development of innovative product and service offering

The transformation of the lighting industry has increased the importance of the LED business and led to a stronger focus on intelligent and Internet-linked lighting. The result has been a growing demand for innovative LED-based lighting solutions and comprehensive, integrated service offers. The development, production and sale of innovative, sustainable products and services therefore represent elementary cornerstones for the medium- and long-term economic sustainability of the Zumtobel Group. Clear goals have been defined to safeguard the development of an innovative product and service portfolio, among others an increase in the share of revenues from LED products to nearly 90% in 2018/19 and substantial growth in the revenues from project and software-oriented services. This will also protect the Zumtobel Group‘s high contribution to energy savings in the future.

Compliance with high quality and safety standards

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

1.6.4 Corporate governance and compliance

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

Binding code of conduct for all employees

Compliance with legal requirements represent the basic values for our entrepreneurial actions. In order to ensure the necessary compliance, we have developed a binding code of conduct for all employees in the Zumtobel Group. Management encourages employees to report possible violations of the code of conduct or legal requirements, whereby all such information is treated confidentially. The chief compliance officer of the Zumtobel Group is available for assistance in such situations.

Continuous improvement of compliance management system

The compliance management system is the focus of continuous improvement in order to optimally prepare the Zumtobel Group to deal with current and future issues. The chief compliance officer is responsible for the related activities and reports regularly to the Management Board. As part of the further development of this system, a whistleblowing procedure will be introduced in 2018/19 to allow employees and third parties to anonymously report possible compliance violations over the company's website. All reports will then be carefully examined by the Zumtobel Group. In addition, employees must attend an annual compliance training course with a follow-up test starting in 2018/19. The Zumtobel Group also intends to prepare binding compliance guidelines on the subjects of anti-corruption, competition and anti-trust law for communication throughout the Group.

No violations of legal requirements were reported or identified during the 2017/18 financial year. This also applies to incidents or proceedings related to violations of human rights, discrimination, competitive or anti-trust behaviour, corruption or environmental regulations.

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

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

1.6.5 Responsible employer

With its wide-ranging product portfolio and open, growth-oriented corporate culture, the Zumtobel Group offers attractive career opportunities. 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 advancement 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 most important sustainability issues in the personnel area at the Group level are training and continuing education, the work-life balance and health protection and occupational safety.

Training and continuing education

Annual employee review forms the basis for training measures

The limited number of competent specialists also creates major challenges for the international Zumtobel Group to attract qualified applicants and recruit the right people for the right jobs. Systematic professional advancement and development therefore represent a key element for sustainable business success. The annual employee review is an important building block in the interaction between employees and their supervisors and forms the basis for the identification of targeted, individualised training and continuing education measures. In this structured discussion, managers and their staff define goals and develop a common understanding for the values and the importance of the corporate strategy for the specific job responsibilities. Mutual expectations are coordinated and development opportunities are systematically identified. Training measures are also defined depending on the employee's individual needs. Annual reviews were held with nearly 4,700 employees in 2017/18 (2016/17: approx. 4,400).

Extensive training offering – Zumtobel Group Learning Academy

In addition to external training opportunities, the Zumtobel Group offers an extensive range of internal training programmes for specialised and personal development in line with the skills, know-how and needs of the respective persons. The range of programmes offered by the Zumtobel Group Global Learning Academy was further expanded during the reporting year. This led to an increase in the average number of training hours per employee to 12.0 hours in 2017/18, in particular through a greater number of online training options. Training measures during the past year focused on product know-how, applications and sales skills. The Zumtobel Group intends to continue the expansion of the Learning Academy programmes and increase the number of training hours over the coming years.

Average trainings hours per employee	2017/18	2016/17
White-collar workers	15	11,0
Blue-collar workers	8	n/a
Total employees	**12,0**	**n/a**

Targeted talent management

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

Continuation and further development of apprenticeship training

The Zumtobel Group views training for young people as part of its social responsibility. As of 30 April 2018, 106 (2016/17: 113) young men and women were in apprenticeship programmes with the Zumtobel Group. This company-based professional education is an important instrument to actively deal with the growing shortage of skilled workers that has resulted from demographic shifts. The apprentices are currently training in the following fields: electrical engineering, electronics, plastics engineering, mechatronics and IT engineering.

Work-life balance

Support for employees‘ work-life balance

An effective work-life balance for employees is an important factor for positioning the Zumtobel Group as an attractive employer. The key points in this context are the fundamentally changing demands of new generations on the labour market and measures to support the reconciliation of career and family life for working parents. The Zumtobel Group helps to improve the work-life balance by continually increasing the offering of flexible working time models. Part-time employment, educational leave, sabbaticals, home office options or other models are arranged where needed and permitted by the respective position. The number of part-time employees rose from 6.6% of the total full-time equivalent workforce in the previous year to 6.9% in 2017/18. A works agreement also provides for a free-time option under which employees can reduce their working hours – for personal reasons and without changing to part-time status – in exchange for waiving part or the entire amount of their salary or wage increase and arrange for paid time-off (for example, for age-based work, educational programmes or to accumulate longer free-time periods over several years). This free-time option has since been elected by more than 270 employees. At the end of 2017/18, 89 employees in Austria were on parental leave. Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Health protection and occupational safety

Prevention of work accidents

Accident prevention and health protection for employees have high priority for the member companies of the Zumtobel Group and are the subject of regularly discussions in employer-employee committees. Local officers monitor compliance with specific environmental, health and safety guidelines at all locations. Measures are implemented on a continuous basis to increase workplace safety and include employee training, improvements to protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries: number of work accidents / total number of hours worked x 1,000,000) is monitored monthly at all plants. The most frequent injuries involve cuts. In 2017/18 the Group's accident prevention efforts were rewarded with a substantial decline in the TRI rate to 1.2 (2016/17: 3.9) in the components plants, while the TRI rate in the lighting plants reflected the prior year level at 11.9 (2016/17: 11.4). There were no fatal accidents in 2017/18, similar to the previous years. The company's goal is to further reduce the TRI rate over the coming years and to develop a pronounced safety culture, for example through an increase in training on the prevention of work accidents.

Occupational safety	2017/18	2016/17
Total recorded injuries Lighting Plants (TRI-rate)	11,9	11,4
Total recorded injuries Components Plants (TRI-rate)	1,2	3,9
Number of fatal accidents	0	0

Continuous improvement of health programme

An evaluation of the Group's age structure and age trends confirms the demographic development in our society. Healthcare and prevention measures, combined with the maintenance and promotion of employees' fitness for work, have high priority and are the responsibility of "Health & Age", a special unit in the human resources department. Worker protection legislation, presence management, workplace health promotion, leadership and management behaviour, integration management and generation management are the primary elements of the Zumtobel Group's health management programme. Various programmes in these areas have been implemented by the local Group companies in line with the specific needs of their employees. The Zumtobel Group's efforts to protect and promote health, to support age-appropriate workplaces and the maintenance of work fitness were again recognised in 2017 with the "Salvus in Gold" quality seal from the province of Vorarlberg (Austria) and from the European Agency for Safety and Health at Work Agency with the "Healthy Workplace Good Practice Award in the area of promoting a sustainable working life".

Presence management represented the focal point for 2017/18. A report covering the last three calendar years was prepared together with the social security carrier as the basis for a detailed analysis of the reasons for employee absences. The evaluation of the age structure and trends, work ability and absences identified a significant need for action in the area of health prevention for women in production. In cooperation with a well-known external medical expert, the necessary framework was defined for a holistic health project in the production area. Fifteen highly motivated ambassadors who were selected from the focus group "women in production" came together in February 2018 to develop specific suggestions for improvement in the areas of nutrition, exercise, regeneration and age-appropriate work. The implementation of the resulting measures is planned for 2018/19.

Employee rights and remuneration

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

As an employer with a strong corporate culture that has grown over many decades, the Zumtobel Group is well aware of its social responsibility for the employees in its many companies throughout the world and remains focused on the further development of responsible working conditions. The Zumtobel Group believes in and promotes the open and regular exchange of information between the Management Board, employees and their representatives. Compliance with the legal participation rights of employees and the principles and standards defined by the International Labour Organisation (ILO) represent an integral part of the code of conduct, which is mandatory for all companies in the Zumtobel Group. Collective agreements cover 55% of the worldwide workforce. A follow-up survey of the Group's employees, which rated employee satisfaction based on various criteria, was carried out together with an experienced cooperation partner during 2017 and resulted in a return rate of roughly 70%. The results were communicated to all employees and measures were introduced to increase employee satisfaction.

Equal opportunity & diversity

Diversity among the workforce is an important factor for protecting the Group's competitive ability and creating an innovative working climate. The men and women employed by the Zumtobel Group come from 80 different nations, whereby the staff at the corporate headquarters in Dornbirn, Austria, represent roughly 50 nations. The Zumtobel Group believes in equal opportunity regardless of gender, ethnic origin etc. This policy is also part of the Group's code of conduct, which prohibits all forms of discrimination. Accordingly, the personnel decisions in all corporate areas and at all management levels are based on experience, qualifications and performance. The share of women in the Zumtobel Group's workforce currently equals 35.8% (2016/17: 35.7%). There is no specific target for the appointment of women to management positions, but internal and external recruiting and personnel development measures are increasingly aimed in this direction.

Employee awards

The Dr Walter Zumtobel Value Award, which carries the name of the Group's founder, was also presented in 2017/18. It is given to persons who demonstrate the corporate values in their everyday actions and, in this way, keep the founder's values alive. The Zumtobel Group values personal initiative, commitment, entrepreneurship and an interest in making new discoveries. Reliability, team spirit, solidarity, and honesty, as well as a positive approach to change are also key elements of our corporate culture.

Performance-based remuneration schemes

The Zumtobel Group follows a uniform remuneration scheme that promotes high transparency and ensures performance-based compensation. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. Internal and external comparisons are used to confirm that wages and salaries reflect the market level wherever possible. In countries with low-wage standards, the Zumtobel Group also pays compensation that generally exceeds the legal minimum. Detailed position descriptions and function evaluations ("job mapping") allow for the systematic classification of remuneration and ensure that the salary or wage reflects the employee's qualifications and is also fair and appropriate. This focus on the functional content also limits any gender-specific irregularities.

Long-term salary component to strengthen sustainability

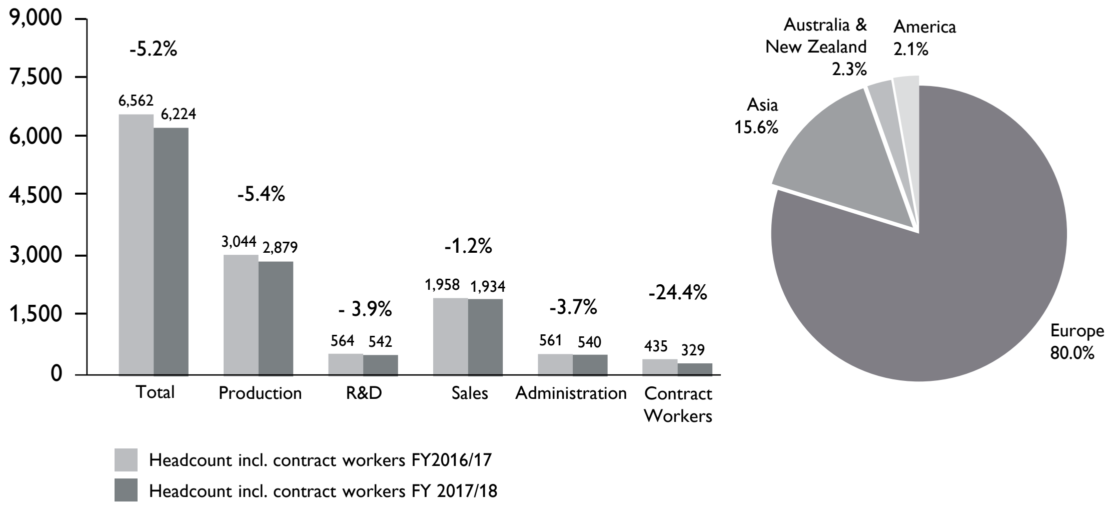
The common performance indicator for all employees eligible for bonuses is the total shareholder return of Zumtobel Group AG compared with the total shareholder return for a clearly defined, relevant peer group. For upper management, this base performance indicator is generally supplemented by individual goals which can lead to positive or negative variances from the goal attainment 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.

Workforce development

Further restructuring measures lead to workforce reduction

The adjustment of personnel capacity to reflect the difficult market environment and the related necessary restructuring measures have led to a decline in workforce during 2017/18 and in previous years. The Zumtobel Group had 6,224 full-time employees (including contract workers) as of 30 April 2018, whereby the year-on-year reduction of 338 was based primarily in the production area. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



Labour productivity – calculated as adjusted EBIT in relation to personnel expenses – fell from 16.2% in the previous year to 4.8% in 2017/18 due to the substantial decline in operating results. Average revenues per employee (including contract workers) declined slightly from EUR 194,800 to EUR 192,200. The average length of service with the Zumtobel Group equalled 10.3 years in 2017/18.

The classification of employees by gender, age group, type of employment and employment relationship is shown in the following table (excluding contract workers):

	Percentage in FY 2017/18	Percentage in FY 2016/17
Men	64.2	64.3
Women	35.8	35.7
Total	**100.0**	**100.0**
< 30 years old	16.2	16.4
30-45 years	45.8	41.8
45-55 years	25.9	27.9
> 55 years old	12.1	13.9
Total	**100.0**	**100.0**
White-collar workers	60.6	58.8
Blue-collar workers	34.2	35.2
Contract workers	5.2	6.0
Total	**100.0**	**100.0**
Full-time	93.1	93.4
Part-time	6.9	6.6
Total	**100.0**	**100.0**

1.6.6 Sustainable procurement

Procurement concept includes economic, ecological and social aspects

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

Central bundling of procurement activities

The Zumtobel Group's procurement organisation is globally positioned, and the procurement volumes from all plants are bundled under designated commodity managers. External procurement volumes for direct materials totalled approximately EUR 400 million in 2017/18 (2016/17: EUR 446 million). The Zumtobel Group works with roughly 750 suppliers from over 30 countries and attempts to purchase most of the raw materials, merchandise and services in the regions where its plants are located. Key raw materials like steel, copper, aluminium and plastic granulate are purchased in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers are located. The share of the procurement volume from Asia amounted to over 68% in the Components Segment (2016/17: 72%) and nearly 10% in the Lighting Segment during 2017/18 (2016/17: 6%). The consolidation of suppliers and components continued during the reporting year and led to a reduction of nearly 5.5% in this network (2016/17: 6%). The goal is to reduce the total number of suppliers by 5% annually over the medium-term through increased standardisation. At least two suppliers are always approved and available for high-revenue procurement articles (multi-sourcing strategy). This approach protects supply security and strengthens the Group's negotiating position towards suppliers which, in turn, creates greater synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). However, it also creates the basis for helping preferred suppliers strengthen their focus on sustainability and continuity.

Further development of code of conduct for suppliers

The Zumtobel Group also works to implement its high ecological, social and ethical standards in its business relations with suppliers. The most important instrument in this respect is the code of conduct for suppliers, which was revised and improved during the reporting year. It combines major international standards and conventions, like compliance with the core norms of the International Labour Organisation (ILO), and addresses important issues like compliance, the environment, health protection and human rights. All key suppliers with which the Zumtobel Group operates are required to observe the revised code of conduct. That covers 95% of the current suppliers based on procurement volumes.

Systematic supplier approval process

All new suppliers undergo a Group-wide qualification process and, among others, must confirm compliance with the Zumtobel Group's code of conduct in writing. A release audit is also carried out to review and document the availability of a verifiable quality management system, compliance with environmental and energy management standards and the fulfilment of legal requirements that include RoHS (limitations on the use of hazardous substances) and REACh (EU directive on chemicals). The supplier approval process was expanded several years ago, in 2015/16, to also include explicit questions on the avoidance of conflict materials.

Regular evaluation and audits of existing suppliers

An important instrument for the joint development of suppliers is the standardised process for the regular, annual evaluation of all existing suppliers. In addition to the recognised success factors of supplier reliability, quality and service, ecological and social responsibility aspects are also evaluated. Sustainability audits with various focal points are scheduled for selected suppliers each year. In 2017/18 76 audits (2016/17: 52 audits) covered sustainability in the areas of occupational safety and environmental management. Violations of the code of conduct or environmental standards by business partners are documented and corrective measures are implemented where necessary. If these measures are not implemented within an appropriate period of time, legal steps are taken and the business relationship is terminated. Recommendations are also made, which allow the Zumtobel Group to encourage all its suppliers to implement an environmental management system.

1.6.7 In-process environmental protection

Environmental management concept based on three supporting elements

Environmental protection is of great importance for the Zumtobel Group, not only with respect to the development of energy-efficient, environmentally friendly products but also in connection with efforts to make 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 in the Zumtobel Group is based on three supporting elements: environmental management systems that are certified according to international standards (ISO 14001 and ISO 50001), strict compliance with internal and external guidelines and the application of the Lean Six Sigma method. Activities in the area of in-process environmental protection during the reporting year included the conversion to certification under the new and expanded requirements of ISO 14001:2015. In addition, the application of the Lean Six Sigma method will be extended to include the collection of environmental data.

Environmental management certified under ISO 14001

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

Energy management certified under ISO 50001

Production processes are, of course, responsible for the highest energy consumption in the Zumtobel Group. The primary goal of an energy management system certified under ISO 50001 is the continuous improvement of a company's energy performance, which is defined as the result of the efficient use of energy, the effective use of energy and energy consumption. Regular energy audits are carried out at selected locations to identify opportunities for savings and develop measures for improvement. The continuous implementation of energy efficiency measures supports the efficient use of energy. Four major production facilities – the components plants in Dornbirn (Austria), Jennersdorf (Austria) and Spennymoor (Great Britain) as well as the lighting plant in Dornbirn (Austria) – are certified under the international ISO 50001 standard for energy management systems.

Training in environmental protection

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

Waste management

Activities in support of environmental protection also cover the economical use of resources and the recycling of materials. Key factors include the efficient use of materials, the minimisation of production scrap and waste as well as the recycling of valuable materials. The Zumtobel Group recorded roughly 7,625 tonnes of waste from the production process in 2017/18 (2016/17: 9,379 tonnes), including 411 tonnes (2016/17: 394 tonnes) which were classified as hazardous waste. The production process results, above all, in the following hazardous waste: waste oil, cooling materials and lubricants from metal processing, residual adhesives and waste from the lacquering processes. Over 80% of the waste resulting from production was recycled during the reporting year.

Waste Disposal in Production in tonnes	2017/18	2016/16
Recycable Waste	6,171	7,582
Residual Waste	1,043	1,403
Hazardous Waste	411	394
Total	**7,625**	**9,379**

Water consumption

Water is required in only limited volumes and hardly polluted in the production processes used by the Zumtobel Group. However, the responsible and economical use of water is a primary concern. The Zumtobel Group ensures that contaminated water is cleaned, where necessary, before transfer to local treatment plants. In 2017/18 the Zumtobel Group used approximately 104,026 cubic metres of water in production, compared with 109,976 cubic metres in the previous year. This water was drawn primarily from municipal supplies.

Energy consumption

The Zumtobel Group is working to minimise energy consumption in production. An analysis by production step shows the highest energy consumption in the Lighting Segment‘s plastic injection moulding and lacquering process and in the Components Segment‘s soldering and hardening process. Most of the energy in production is used in Europe (85%). The share of renewable energy in Europe equals 50%. The various energy sources and consumption in production are shown in the following table:

Production Process Energy Consumption in MWh	2017/18	2016/16
Process Energy		
Electricity	48,792	54,515
Gas	15,378	18,687
District Heating	293	291
Oil	0	180
Heating Energy		
Gas	7,496	13,715
District Heating	3,458	2,101
Total	**75,417**	**89,489**

The changes in energy consumption resulted primarily from the start of work to convert heat supplies in the Dornbirn lighting plant from natural gas to district heating and the sale of the lighting plant in France.

Greenhouse gas emissions

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

CO_2-Emissions in Production in tonnes	2017/18	2016/16
Oil CO_2-Equivalent	0	47
Gas CO_2-Equivalent	7,297	8,684
Electricity CO_2-Equivalent	12,946	13,815
District Heating CO_2-Equivalent	590	560
Total	**20,833**	**23,106**

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 which are combined into action programmes and implemented in structured form.

1.7 Research and Development

Innovation is a decisive success factor

Research and development (R&D) remains a decisive factor for the success and economic sustainability of the Zumtobel Group through its role in the development of new products and systems and the application of new technologies. The goal of R&D is to protect and expand the competitive product portfolio by further strengthening the Zumtobel Group's outstanding technology position and innovative power with research and development investments that reflect industry levels as well as an extensive portfolio of patents, consistent product development and extensive cooperation with external research partners. The central management of R&D activities and the reduction of R&D locations supported the realisation of additional synergy effects and led to a decrease of 10.9% in R&D costs to EUR 73.4 million in 2017/18.

Research and Development in EUR million	2017/18	2016/17	Change in %
Development costs	69.5	77.4	(10.2)
Research costs	3.9	5.0	(21.3)
R&D total	73.4	82.4	(10.9)
as a % of revenues	6.1	6.3	
Headcount (full-time equivalent) R&D	542	564	(3.9)

Wide-ranging patent portfolio and high new product rate

The Zumtobel Group's innovative strength is closely linked to R&D. An extensive patent portfolio, also in the area of new technologies, gives the Zumtobel Group a competitive advantage as well as access to strategic cooperation with other companies and the opportunity to conclude cross-licensing agreements with key market players. In 2017/18 the Lighting Segment registered 33 patents (2016/17: 65) and the Components Segment 95 patents (2016/17: 96), which underscore the growing importance of intelligent components. The number of active commercial property rights – currently 8,128, including 4,728 patents – speak for the company's innovative strength. Statistics on the share of revenues generated with new products (products not older than three years) are compiled each year: in 2017/18 the Lighting Segment recorded 40.4% (2016/17: 55.7%) and the Components Segment 69.5% (2016/17: 68.6%) of their revenues with new products. The Zumtobel Group is also placing a greater focus on the expansion of technology partnerships as a means of protecting its competitive product portfolio. The participation in national and international research projects allows the Zumtobel Group to continuously demonstrate its innovative strength and increase its brand reputation.

Focus on energy efficiency, light quality, connectivity and ecosystems

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

R&D is still influenced by technological change

R&D is still significantly influenced not only by the further development of LED technology, but also by the increasing intelligence of systems and the need for higher performance interfaces. In addition, the importance of software as a differentiation element is growing. Luminaires and, consequently, their components are becoming part of the Internet of Things (IoT). However, the required interfaces have not yet been defined or are still incomplete, and competing interfaces have already entered the market. The Zumtobel Group is contributing to the development of industry standards for these interfaces through its participation in numerous committees and in the OpenAIS EU research project (open architecture for future intelligent lighting systems) which will be completed in mid-2018. Initial pilot projects in the Internet of Things are also in progress with various technologies and partners, which help the Group to gain experience and realise the first installations.

Cooperation with universities and industry on research

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

1.8 Internal Control System

ICS structure and focus

The internal control system in the Zumtobel Group (abbreviated in the following as "ICS") supports the attainment of corporate goals. The ICS is defined as the total of all process-based monitoring and management measures 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.

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 adapted where necessary to reflect the Group's business model. The scope of the design and formalisation of the ICS follows a strict risk orientation (benefits), which is critically compared with the expected added expense (costs).

ICS responsibility

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

ICS monitoring

In addition to the quality assurance units in the specialist departments and corporate integrity, 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 elements

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 in financial reporting

The corporate policy on internal controls includes a comprehensive description of the processes and systems used for financial reporting in the Zumtobel Group. 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 continuous improvement of the ICS in business processes, the following major improvements were realised during the reporting year:

- Introduction of an internal control policy for financial accounting, which supplements and more precisely defines a number of accounting-related ICS rules based on the corporate ICS policy
- Increase in controls and the related documentation for the release of electronic banking payments to address the changing threat scenarios caused by cybercrime
- Implementation of regular reviews for material and structured documentation for unusual financial transactions and events within the framework of the monthly closing process
- Start of implementation for a new, standardised organisational concept for the Group's financial accounting departments to reflect the changing corporate structures. This will be accompanied by stronger integration with the SAP authorisation concept which was introduced during the reporting year.

1.9 Risk Management

Risk policy approach

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 1.8).

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. 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

Reporting plays a central role in the monitoring and management of economic risks. The operating units provide the Management Board with regular information on the current and expected development of business as well as the existing risks and available opportunities. In addition, the Audit Committee of the Supervisory Board receives semi-annual reports on the Group's major risks and opportunities. The tools and processes used by the Group to identify and evaluate 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 in detail under "The Zumtobel Group – An Overview". The major risks and countermeasures are discussed in the following sections:

Market and competitive risks in the lighting industry

The uncertain macroeconomic environment – above all in Great Britain, the company's most important market – represents a major risk for the development of business in the Zumtobel Group. Economic weakness could lead to a significant decline in incoming orders as well as the postponement or cancellation of existing orders. Another possible result is increased pressure on prices. More stringent austerity measures in the public sector or increased destocking by wholesalers could also have a negative effect on revenues.

Macroeconomic risks

Restructuring risks

Necessary measures to bring structural costs and capacity in line with a more difficult market environment or the strategic reorientation of the Zumtobel Group could lead to additional restructuring costs and thereby have a negative effect on earnings. The adjustment of plant capacity and the shift of products to the new plant in Serbia could also lead to temporary inefficiencies in production and logistics.

Technology risks

In addition to the larger variety of products and shorter innovation and product lifecycles, the increasing complexity of lighting systems – and here especially the growing role of software – represents a major 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 risks

The weak economic climate in the lighting industry has also led to an increase in competition and, in turn, to more intense price competition among the European lighting suppliers. Aggressive and established competitors, above all the Asian LED chip producers, are also 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.

Business risks

Access to global decision-making networks

Access to a global network of opinion leaders and decision-makers is an important success factor for the project business of the Thorn, Zumtobel, ZGS 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 exit of Great Britain from the European Union ("Brexit") could lead to a deterioration of the market environment in this key selling region for the Zumtobel Group.

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.

Procurement risks

Uninterrupted supply capability is protected by efficient disposition and the timely involvement of suppliers as well as dual and multi-sourcing. The Zumtobel Group is well known as a manufacturer of quality products and sets the same high standards for its suppliers. Regular supplier audits and improvements help to identify quality risks at an early point in time and allow the Group to implement appropriate measures. In addition, professional communications and cooperation with suppliers support the identification and elimination of possible risks. Additional details can be found under "Sustainable procurement".

IT risks

The Group uses state-of-the-art hardware and software, and has concluded appropriate maintenance contracts to minimise IT risks. Multistage firewalls and virus protection software have also been installed 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.

Asset risks

A policy that calls for regular maintenance and replacement investments reduces the risk of interruptions in production. Investments in key equipment are linked to maintenance contracts. A resident fire brigade at the main production locations as well as the regular review of technical safety standards by external experts minimises the risk of damage and business interruption. In addition, the Zumtobel Group has concluded comprehensive all-risk insurance that will generally provide compensation for substantial damage to assets. Risk management also works closely with the insurance department to identify other risks that can be insured and arrange for appropriate coverage.

Inventory valuation risks

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

Product liability risks

Product liability risks, meaning the risks of regress claims and subsequent damage to the Group's image as a result of quality defects, can be caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. The Zumtobel Group also carries product liability insurance. The lighting industry has seen a trend towards longer guarantee periods in recent quarters – especially in the area of road lighting projects – which can lead to higher guarantee costs and warranty provisions.

Legal risks

Legal risks can arise, among others, from changes in laws or administrative practice, from political risks, legal disputes or changes in environmental regulations. The Zumtobel Group's legal department regularly reviews the legal environment in the core markets and evaluates all pending proceedings to ensure that appropriate actions are taken at the required time. The Group's intellectual property is considered a major competitive factor and is therefore monitored and protected. Third party property rights are systematically respected. In connection with its business activities, the Zumtobel Group is a party to numerous proceedings with administrative authorities, courts and arbitration bodies – which is typical for a company of this size and complexity. Appropriate provisions are recognised for specific cases as required. However, it cannot be excluded that these provisions are insufficient, e.g. when the outcome of proceedings is completely unexpected.

Financial risks

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

Financing risk

In order to protect its ability to meet financial obligations at all times, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset liquidity fluctuations arising from business activities. Liquidity reserves as of 30 April 2018 included the consortium credit agreement with a current maximum line of EUR 250 million, two other long-term bank credit agreements of EUR 40 million each and short-term, unsecured lines of credit totalling EUR 84.5 million (2016/17: EUR 88.1 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

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 2018 with a debt coverage ratio of 2.70 (2016/17: 0.86) and an equity ratio of 27.2% (2016/17: 32.8%). A deterioration or improvement in these financial indicators could lead to a gradual increase or decrease in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

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

Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The Group's asset and earnings positions are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from acquisitions, the valuation of capitalised development costs and inventories, and the valuation of the pension fund in Great Britain. Detailed information on goodwill is provided in 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

Pension obligation risks

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

Variable remuneration based on Total Shareholder Return

The variable remuneration for all employees eligible for bonuses has been based since 2014/15, among others, on the total shareholder return of Zumtobel Group AG compared with the total shareholder return of specific comparable companies (peer group). The above-average positive development of the share price of Zumtobel Group AG in relation to this peer group would result in a higher addition to the provision for variable remuneration bonuses and reduce operating earnings in the respective financial year. In contrast, the above-average negative development of the share price of Zumtobel Group AG would have a positive effect on operating earnings in the respective financial year. The total shareholder return for a particular financial year can only be calculated after the end of the fourth quarter. Details on the bonus system used by Zumtobel Group AG are provided in the remuneration report for 2017/18.

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 these risks.

Overall risk evaluation of the Zumtobel Group

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

A general analysis of the above factors shows a concentration on market risks, which reflects the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. The technological transformation process is connected with risks in the form of 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. Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

1.10 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2018 which would have led to a change in the asset, financial or earnings position of Zumtobel Group AG.

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

1. The share capital of Zumtobel Group AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.50 each in share capital. All of the 43,500,000 shares are securitised in a collective certificate, which is deposited with Österreichische Kontrollbank (OeKB). All of the company's shares are listed under ISIN AT0000837307 and were admitted to trading on the Vienna Stock Exchange as of 30 April 2018. As of 30 April 2018 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 (4,255,752 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 (5,800 shares), Caroline Zumtobel (5,450 shares), Isabel Zumtobel (6,048 shares), Karin Zumtobel-Chammah (13,398 shares) and Jürg Zumtobel (144,248 shares) (together: "the syndicate") are parties to a syndicate contract.

This syndicate contract requires the parties to agree on a course of action for each point on the agenda prior to an annual general meeting and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate. The Management Board is not familiar with any additional information on the syndicate contract.

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

3. The syndicate held 35.5% of the company's share capital as of 30 April 2018. Institutional investors held the following stakes as of 30 April 2018: Lazard Freres Gestion SAS held an investment of over 5% and Erste Asset Management GmbH, Wellington Management Group LLP and SYZ Asset Management (OYSTER SIVAV) each held an investment of over 4%.

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 following three to five years. In the event of a (successful) public takeover bid, the buyer must assume responsibility for any outstanding LTI payments to the members of the Management Board and/or employees.

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 current term extending to November 2022 and a maximum line that currently equals EUR 250 million. As of the balance sheet date on 30 April 2018, the amount drawn by the Zumtobel Group under the credit agreement totalled EUR 115 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 a clause covering an increase of up to EUR 200 million. 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 2018.

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 management report under "Internal Control System" and "Risk Management".

1.12 Outlook and Goals

Cautious optimism for the 2018/19 financial year

Disappointing operating development requires extensive strategic adjustments

The disappointing development of business in the Zumtobel Group during 2017/18 clearly showed that the status quo was no longer viable and that significant strategic and organisational changes and adjustments would be required to successfully position the Zumtobel Group for the future. The new Management Board which was installed in spring 2018 has introduced numerous operating measures in recent months to stabilise the business and – with a substantially leaner management team – worked intensively on the development of a future-oriented strategy for the Zumtobel Group. All structures and corporate processes as well as business areas, markets, brands and product portfolios are analysed in an open discussion based on the underlying goal to strengthen the focus on customers while reducing complexity and costs. The Zumtobel Group will present the new strategy for the company's management as well as revised medium-term goals, at the latest, in connection with the announcement of results for the first quarter of 2018/19 on 4 September 2018.

2018/19 will be a year of transition

We see 2018/19 as a year of transition in which we must do everything in our power to stabilise the operating business and, at the same time, re-establish a stable foundation for profitable growth in the future. This will require fundamental organisational and strategic changes together with concrete restructuring and cost reduction measures in all functional areas. Specific actions will be defined during the current strategy development process. The strategic reorientation of the Zumtobel Group will receive our full attention and commitment, but it will take several quarters for the planned extensive changes to be visibly reflected in revenues and earnings.

The forecast for revenues and earnings in the 2018/19 financial year is connected with substantial uncertainty due to the upcoming major changes in the company, the generally aggressive price competition in the lighting industry and the noticeable deterioration in the operating environment in Great Britain, the Zumtobel Group's most important market. We expect a further decline in revenues, especially during the first half-year. For the full 2018/19 financial year, the Management Board has set a goal to generate a slight year-on-year improvement in adjusted Group EBIT (FY 2017/18: EUR 19.7 million). Further non-recurring charges from the strategic reorientation are also highly probable in the coming quarters.

Dornbirn, 15 June 2018

The Management Board

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

2. Consolidated Financial Statements

Contents

2. Consolidated Financial Statements

2.1 Consolidated Income Statement

in TEUR	Notes	2017/18	2016/17	Change in %
Revenues	2.6.4.1	1,196,516	1,303,884	(8.2)
Cost of goods sold	2.6.4.2	(822,673)	(863,962)	(4.8)
Gross profit		**373,843**	**439,922**	**(15.0)**
as a % of revenues		31.2	33.7	
Selling expenses	2.6.4.2	(313,852)	(328,279)	(4.4)
Administrative expenses	2.6.4.2	(49,432)	(52,248)	(5.4)
Other operating income	2.6.4.3	9,914	18,483	(46.4)
thereof special effects		284	4,397	(93.5)
Other operating expenses	2.6.4.3	(27,769)	(32,087)	(13.5)
thereof special effects		(27,235)	(31,010)	(12.2)
Operating profit/loss		**(7,296)**	**45,791**	**<(100)**
as a % of revenues		(0.6)	3.5	
Interest expense	2.6.4.4	(6,855)	(7,289)	(6.0)
Interest income	2.6.4.4	420	448	(6.3)
Other financial income and expenses	2.6.4.5	(9,666)	(8,464)	14.2
Result from companies accounted for at-equity	2.6.6.4	(273)	(416)	(34.4)
Financial results		**(16,374)**	**(15,721)**	**(4.2)**
as a % of revenues		(1.4)	(1.2)	
Profit/loss before tax		**(23,670)**	**30,070**	**<(100)**
Income taxes	2.6.4.6	(23,038)	(7,589)	<(100)
Profit/Loss from continuing operations		**(46,708)**	**22,481**	**<(100)**
Result from discontinued operations	**2.6.4.7**	**0**	**2,715**	**(100.0)**
Net profit/loss for the year		**(46,708)**	**25,196**	**<(100)**
as a % of revenues		(3.9)	1.9	
thereof due to non-controlling interests	2.6.6.5	(18)	(208)	91.4
thereof due to shareholders of the parent company		(46,690)	25,404	<(100)
Average number of shares outstanding – basic (in 1,000 pcs.)		43,147	43,147	
Average diluting effect (stock options) (in 1,000 pcs.)		0	0	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,147	43,147	
Earnings per share (in EUR)	**2.6.4.7**			
Earnings per share (diluted and basic)		(1.08)	0.58	
Earnings per share from continuing operations (in EUR)				
Earnings per share (diluted and basic)		(1.08)	0.52	
Earnings per share from discontinued operations (in EUR)				
Earnings per share (diluted and basic)		0.00	0.06	

2.2 Consolidated Statement of Comprehensive Income

in TEUR	Notes	2017/18	2016/17	Change in %
Net profit/loss for the year		**(46,708)**	**25,196**	**<(100)**
Actuarial loss/gain	2.6.5.3	7,033	(11,168)	>100
Deferred taxes due to actuarial gain/loss	2.6.5.4	(249)	(31)	<(100)
Total of items that will not be reclassified ("recycled") subsequently to the income statement		**6,784**	**(11,199)**	**>100**
Currency differences	2.6.5.1	(12,372)	370	<(100)
Currency differences arising from loans	2.6.5.2	(3,478)	(4,604)	24.5
Hedge accounting	2.6.5.4	753	1,339	(43.8)
Deferred taxes due to hedge accounting	2.6.5.5	(145)	(333)	56.4
Total of items that will be reclassified ("recycled") subsequently to the income statement		**(15,242)**	**(3,228)**	**<(100)**
Subtotal other comprehensive income		**(8,458)**	**(14,427)**	**(41.4)**
thereof due to non-controlling interests	*2.6.6.5*	*(282)*	*18*	*<(100)*
thereof due to shareholders of the parent company		*(8,176)*	*(14,445)*	*(43.4)*
Total comprehensive income		**(55,166)**	**10,769**	**<(100)**
thereof due to non-controlling interests		*(300)*	*(190)*	*(57.7)*
thereof due to shareholders of the parent company		*(54,866)*	*10,959*	*<(100)*

2.3 Consolidated Balance Sheet

in TEUR	Notes	30 April 2018	in %	30 April 2017	in %
Goodwill	2.6.6.1	187,895	19.1	197,810	19.4
Other intangible assets	2.6.6.2	47,824	4.8	52,947	5.2
Property, plant and equipment	2.6.6.3	222,159	22.4	203,526	20.0
Financial assets accounted for at equity	2.6.6.4	3,807	0.4	1,818	0.2
Financial assets	2.6.6.6	1,012	0.1	1,243	0.1
Other assets	2.6.6.7	4,468	0.5	4,875	0.5
Deferred taxes	2.6.6.8	25,597	2.6	42,707	4.2
Non-current assets		**492,762**	**49.9**	**504,926**	**49.6**
Inventories	2.6.6.9	198,735	20.2	197,012	19.3
Trade receivables	2.6.6.10	157,694	16.0	198,230	19.4
Financial assets	2.6.6.6	1,664	0.2	1,590	0.2
Other assets	2.6.6.7	50,161	5.1	35,016	3.4
Liquid funds	2.6.6.11	85,090	8.6	81,352	8.0
Available-for-sale assets	2.6.6.12	0	0.0	1,503	0.1
Current assets		**493,344**	**50.1**	**514,703**	**50.4**
ASSETS		**986,106**	**100.0**	**1,019,629**	**100.0**
Share capital	2.6.8.1	108,750	11.0	108,750	10.7
Additional paid-in capital	2.6.8.2	335,316	34.0	335,316	32.9
Reserves	2.6.8.3	(132,835)	(13.5)	(140,139)	(13.7)
Net profit/loss for the year		(46,690)	(4.7)	25,404	2.4
Capital attributed to shareholders of the parent company		264,541	26.8	329,331	32.3
Capital attributed to non-controlling interests	2.6.6.5	3,802	0.4	4,659	0.5
Equity	**2.6.8**	**268,343**	**27.2**	**333,990**	**32.8**
Provisions for pensions	2.6.6.13	83,313	8.4	93,805	9.2
Provisions for severance compensation	2.6.6.13	49,330	5.0	47,801	4.7
Provisions for other employee benefits	2.6.6.13	9,534	1.0	10,266	1.0
Other provisions	2.6.6.15	8,717	0.9	646	0.1
Borrowings	2.6.6.16	175,656	17.8	168,267	16.5
Other liabilities	2.6.6.19	2,544	0.3	4,628	0.4
Deferred taxes	2.6.6.8	3,087	0.3	547	0.1
Non-current liabilities		**332,181**	**33.7**	**325,960**	**32.0**
Provisions for taxes		22,096	2.2	23,093	2.3
Other provisions	2.6.6.15	39,996	4.1	38,753	3.8
Borrowings	2.6.6.16	55,763	5.7	4,539	0.4
Trade payables		153,758	15.6	157,074	15.4
Other liabilities	2.6.6.19	113,969	11.5	126,795	12.4
Liabilities held for sale	2.6.6.12	0	0.0	9,425	0.9
Current liabilities		**385,582**	**39.1**	**359,679**	**35.2**
EQUITY AND LIABILITIES		**986,106**	**100.0**	**1,019,629**	**100.0**

2.4 Consolidated Cash Flow Statement

in TEUR	Notes	2017/18	2016/17
Profit/loss before tax	2.1	(23,670)	30,070
Depreciation and amortisation	2.6.4.2	49,754	60,296
Impairment of property, plant and equipment and intangible assets	2.6.4.2	11,702	144
Gain/loss on the disposal of property, plant and equipment and intangible assets		(625)	(1,367)
Other non-cash financial results	**2.6.4.5**	9,666	8,464
Interest income/ Interest expense	2.6.4.4	6,435	6,841
Share of profit or loss in companies accounted for at equity	2.6.6.4	273	416
Results from assets held for sale		0	9,218
Cash flow from operating results		**53,535**	**114,082**
Inventories		1,998	(19,697)
Trade receivables		34,280	21,531
Trade payables		(15,727)	17,127
Prepayments received		(1,735)	(12,434)
Change in working capital		**18,816**	**6,527**
Non-current provisions		(2,257)	(4,455)
Current provisions		(587)	(16,501)
Other current and non-current assets and liabilities		(14,004)	12,912
Change in other operating items		**(16,848)**	**(8,044)**
Income taxes paid		**(5,797)**	**(5,051)**
Cash flow from operating activities		**49,706**	**107,514**
Cash inflows from the disposal of property, plant and equipment and other intangible assets		4,164	5,022
Cash inflows from the sale of associates		500	0
Cash outflows for the purchase of property, plant and equipment and other intangible assets		(68,975)	(45,201)
Cash outflows for the acquisition of associates		(3,462)	0
Change in non-current and current financial assets		(2,651)	2,058
Change in liquid funds from changes in the consolidation range		(3,179)	0
Cash flow from investing activities		**(73,603)**	**(38,121)**
FREE CASH FLOW		**(23,897)**	**69,393**
Cash proceeds from non-current and current borrowings		56,262	2,115
Cash repayments of non-current and current borrowings	2.6.7.2	(16,002)	(53,411)
Dividend paid to shareholders of the parent	2.6.8.4	(9,924)	(8,629)
Dividend paid to non-controlling interests	2.6.6.5	(557)	0
Interest paid		(6,727)	(7,202)
Interest received		420	447
Cash flow from financing activities		**23,472**	**(66,680)**
CHANGE IN CASH AND CASH EQUIVALENTS		**(425)**	**2,713**
Cash and cash equivalents at the beginning of the year	2.6.7.1	77,205	75,305
Cash and cash equivalents at the end of the year	2.6.7.1	72,446	77,205
Effects of exchange rate changes on cash and cash equivalents		(4,334)	(813)
Change absolute		**(425)**	**2,713**

2.5 Consolidated Statement of Changes in Equity

2017/18 Financial Year

in TEUR	Notes	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity
		Attributed to shareholders of the parent company								
30 April 2017		**108,750**	**335,316**	**45,714**	**(27,419)**	**(1,040)**	**(131,990)**	**329,331**	**4,659**	**333,990**
+/- Net profit/loss for the year	2.1	0	0	(46,690)	0	0	0	(46,690)	(18)	(46,708)
+/- Other comprehensive income	2.2	0	0	0	(15,568)	608	6,784	(8,176)	(282)	(8,458)
+/- Total comprehensive income		**0**	**0**	**(46,690)**	**(15,568)**	**608**	**6,784**	**(54,866)**	**(300)**	**(55,166)**
+/- Dividends	2.6.8.4	0	0	(9,924)	0	0	0	(9,924)	(557)	(10,481)
+/- Change in non-controlling interests	2.6.6.5	0	0	0	0	0	0	0	0	0
30 April 2018		**108,750**	**335,316**	**(10,900)**	**(42,987)**	**(432)**	**(125,206)**	**264,541**	**3,802**	**268,343**

2016/17 Financial Year

in TEUR	Notes	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity
		Attributed to shareholders of the parent company								
30 April 2016		**108,750**	**335,316**	**30,210**	**(23,167)**	**(2,046)**	**(120,791)**	**328,272**	**4,973**	**333,245**
+/- Net profit/loss for the year	2.1	0	0	25,404	0	0	0	25,404	(208)	25,196
+/- Other comprehensive income	2.2	0	0	0	(4,252)	1,006	(11,199)	(14,445)	18	(14,427)
+/- Total comprehensive income		**0**	**0**	**25,404**	**(4,252)**	**1,006**	**(11,199)**	**10,959**	**(190)**	**10,769**
+/- Dividends	2.6.8.4	0	0	(8,629)	0	0	0	(8,629)	0	(8,629)
+/- Change in non-controlling interests	2.6.6.5	0	0	(1,271)	0	0	0	(1,271)	(124)	(1,395)
30 April 2017		**108,750**	**335,316**	**45,714**	**(27,419)**	**(1,040)**	**(131,990)**	**329,331**	**4,659**	**333,990**

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 Group AG comply with all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2017/18 financial year.

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 15 June 2018. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether or not it approves the consolidated financial statements. The relevant Supervisory Board meeting is scheduled for 26 June 2018 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 2017 to 30 April 2018. 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 2017/18 include 96 (2016/17: 95) fully consolidated companies which are controlled by Zumtobel Group AG. In accordance with IFRS 10, control exists when Zumtobel has the power of disposition over the subsidiary and can therefore determine the subsidiary's financial and business policies. Three companies were included in the consolidation at equity (2016/17: two). Nine companies (2016/17: 10) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial. An overview of the Group companies is provided in a list at the end of the notes.

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

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

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

	Consolidation Method		
	full	at equity	Total
30 April 2017	**95**	**2**	**97**
Included during reporting year for first time	2	2	4
thereof newly founded	*2*	*1*	*3*
thereof acquisition	0	1	1
Sold during reporting year	(1)	(1)	(2)
30 April 2018	**96**	**3**	**99**

An investment of 48% in the Swiss Inventron AG was acquired during August 2017.This investment was consolidated at equity.

In September 2017, 90% of the shares in Europhane SAS, France, were sold and the company was subsequently deconsolidated. Europhane SAS was founded in the previous financial year for the sale of the plant in Les Andelys, France. The deconsolidation results of TEUR 284 are reported under other operating income. The Zumtobel Group still has significant influence over the company based on contractual agreements and purchase obligations for most of the annual production, and the remaining 10% investment has therefore been included in the consolidated financial statements at equity since October 2017.

The newly founded Zumtobel Lighting Ltd, Thailand, was initially consolidated as of October 2017. This company is a 100% subsidiary.

Staff Iberica, a Spanish company which was included at equity, was sold in December 2017. The result from sale of TEUR 699 is included in other financial income and expenses as part of losses on sale/impairment.

Tridonic Serbia d.o.o. was founded in February 2017 for the new Tridonic plant in Serbia, which started operations in May 2018. Tridonic GmbH & Co KG, Dornbirn, holds 100% of the shares in this company.

2.6.2.2 Consolidation methods

Basis of consolidation

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

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

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

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

Other consolidation principles

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

Foreign currency translation

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

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

	Average exchange rate: Income Statement		Closing rate: Balance Sheet	
1 EUR equals	30 April 2018	30 April 2017	30 April 2018	30 April 2017
AUD	1.5263	1.4537	1.6013	1.4629
CHF	1.1450	1.0821	1.1968	1.0831
USD	1.1833	1.0929	1.2079	1.0930
SEK	9.8143	9.5432	10.4993	9.6318
NOK	9.5222	9.1491	9.6620	9.3243
GBP	0.8843	0.8458	0.8796	0.8447

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 2017/18:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IAS 7	Disclosure initiative	1 January 2017
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Various	Improvements to IFRS Cycle 2014–2016	1 January 2017

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

The following new or revised IAS/IFRS/IFRIC interpretations were not applied prematurely. These standards and interpretations were published, but do not yet require mandatory application and/or were not yet adopted by the European Union through its endorsement process. Consequently, they were not applied by the Zumtobel Group in 2017/18:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IAS 40	Investment Property: Changes	1 January 2018
IFIRC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 2	Share-based Payment – Changes	1 January 2018
IFRS 4	Application of IFRS 9 with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Various	Improvements to IFRS Cycle 2015–2017	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IAS 19	Changes to IAS 19: Plan amendments, curtailments or settlments	1 January 2019
Various	Changes in the Framework Concept	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Various	Changes to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Still open

IFRS 9 – Financial Instruments
The IASB issued IFRS 9 "Financial Instruments" in July 2014 as a replacement for IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes, among others, a comprehensive model for classification and the determination of the valuation method (including impairment losses) applied to financial instruments. IFRS 9 also includes rules for general hedge accounting. The application of IFRS 9 requires additional disclosures in the notes which result from the adjustment of IFRS 7 "Financial Instruments: Disclosures".

In the future, all equity instruments must principally be recognised at fair value through profit or loss or at fair value through comprehensive income. Any changes in the value recorded through other comprehensive income are no longer reclassified to profit or loss when the related instruments are sold. Possible effects could include stronger fluctuations in balance sheet carrying amounts as well as fluctuations on the income statement and statement of comprehensive income. Additional effects could arise from the option which permits the exclusion of certain derivative components from the designation as hedges and the recording of changes in the fair value of these components without recognition through profit or loss. This change concerns, for example, the fair values of options whose increases or decreases in value are regularly recognised to profit or loss during the option term in accordance with IAS 39.

IFRS 9 includes a new classification and measurement approach for financial assets which reflects the business model in which the assets are held as well as the characteristics of their cash flows. The standard includes three important classification categories for financial assets: at amortised cost, at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVoCI). It eliminates the following categories defined by IAS 39: held to maturity, loans and receivables and available for sale. Currently it is assumed that the previously applied valuation benchmark can be retained for most of the financial assets under the new classification requirements of IFRS 9.

Certain trade receivables subject to factoring agreements are held within the context of a business model whose goal is the retention and sale of assets. Accordingly, these receivables are measure at fair value and any changes in the value of these financial assets are recognised in other comprehensive income. An analysis of the effects indicated that the fair value generally reflects measurement at amortised cost in accordance with IAS 39.

The initial application of IFRS 9 will lead to changes in the subsequent measurement of financial assets. These effects will result, in particular, from the new requirements for the recognition of impairment charges on expected future losses (expected loss model). In contrast, IAS 39 only requires the recognition of losses to reflect actual impairment (incurred loss model).

The Zumtobel Group expects the application of the new impairment model with its focus on expected future losses will lead to a reduction of TEUR 300 to TEUR 900 in the provision for credit risks. The fair value measurement of investments previously carried at amortised cost will not result in any material effects.

The Zumtobel Group will initially apply IFRS 9 in the financial year beginning on 1 May 2018. In agreement with the transition guidance, the prior year data will not be adjusted. All existing hedge accounting relationships are also expected to meet the IFRS 9 criteria for hedge accounting.The changed requirements for the presentation of hedges will be applied prospectively.

IFRS 15 – Revenue from Contracts with Customers

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

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

IFRS 15 will be applied at the beginning of the 2018/19 financial year. An option is provided for the initial application which offers a choice between full retrospective application and modified retrospective application. The Zumtobel Group has decided in favour of modified retrospective application, which means the comparable data for 2017/18 will not be adjusted in connection with the initial application in 2018/19.

Revenues recorded by the Zumtobel Group in 2017/18 resulted from the sale of lighting (74%), the sale of components (24%) and the provision of services (2%).

Extensive analyses of the effects of IFRS 15 in connection with the sale of lighting and components were carried out during the past year, which included an evaluation of all material contract forms to determine their effects.

The Zumtobel Group currently recognises revenues in agreement with IAS 18 when the significant risks and rewards of ownership of the lighting and components are transferred to the customer. IFRS 15 requires the recognition of revenues when the customer obtains control over the products. In this connection, consignment stocks and return rights underwent a detailed analysis. The Zumtobel Group concluded that IFRS 15 will not have a material effect on the Group's asset, financial or earnings position because there are no material consignment stocks and no material contracts with return rights.

The Group also evaluated whether warranties and guarantees must be classified as separate performance obligations. The Zumtobel Group's contracts with customers define a specific guarantee period, which reflects the specifications in the respective project tenderas well as standard industry practice. As a rule, customers are not entitles to purchase the warranty separately. Consequently, there are also no effects from IFRS 15 in this area at the present time.

In cases where an extended guarantee is sold separately to the customer, this service is invoiced monthly or accrued and released in line with the performance. No subsidies are provided for product or service transactions which would require an adjustment of the transaction price for revenue recognition. Therefore, IFRS 15 will also have no effect on the sale of services for the Group.

IFRS 16 – Leases
The IASB issued IFRS 16 "Leases" in January 2016. It is intended, among others, to replace IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease". IFRS 16 changes the previous classification of leases for lessees and eliminates the designation as operating leases or finance leases. As a replacement, it introduces a standard accounting model which requires lessees to recognise assets for the usage right and corresponding liabilities for leases with a term of more than 12 months.

The application of IFRS 16 will result in the recognition of leases that were previously not recognised – generally in line with the current accounting treatment applied to finance leases. The accounting rules for lessors were transferred nearly unchanged from IAS 17 to IFRS 16. IFRS 16 is applicable to financial years beginning on or after 1 January 2019. Premature application is permitted when IFRS 15 is also applied.

The effects of the application of IFRS 16 on the consolidated financial statements are currently under evaluation, and a detailed assessment is still in progress. The actual effects of the application of IFRS 16 on the consolidated financial statements as of the initial application date will depend on future economic conditions, the composition of the lease portfolio at that time, the Group's estimates for the exercise of extension options and the extent to which the Group decides to use the exceptions and exemptions.

The most important effect identified to date is that the Group will be required to recognise new assets and liabilities for the operating leases which cover land, buildings and motor vehicles. Section 2.6.6.18 of the notes provides information on the obligations existing as of 30 April 2018 for future minimum lease payments on non-cancellable operating leases recorded in accordance with IAS 17 (on an undiscounted basis).

The type of expenses connected with these leases will also change because IFRS 16 replaces the straight-line expenses for operating leases with depreciation expense for the usage rights and interest expense for liabilities arising from the lease.

No material effects are expected on the Group's finance leases. A decision has not yet been taken as to whether the exception rules provided by IFRS 16 will be used at the time of initial application.

The Zumtobel Group will initially apply IFRS 16 in the financial year which begins on 1 May 2019.

2.6.3.2 Major accounting and valuation methods

Goodwill

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

Other intangible assets

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

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

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

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

Property, plant and equipment

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

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

Straight-line depreciation	Depreciation rate per year
Buildings	2 - 3,3%
Technical equipment and machinery	6,7 - 25%
Other equipment, furniture, fixtures and office equipment	6,7 - 33,3%

Leases

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

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

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

Inventories

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

Financial instruments

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

- Securities and similar rights
- Trade receivables and trade payables
- Other liabilities and receivables
- Loans received and originated
- Finance leases
- Derivatives held for trading
- Derivatives (hedge accounting)
- Liquid funds

>> Securities and similar rights

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

>> Trade receivables and trade payables

Receivables are generally carried at amortised cost, whereby recognisable risks are reflected in bad debt allowances. Liabilities are recognised at the applicable settlement amount. Receivables and liabilities denominated in a foreign currency are initially recognised at the exchange rate in effect on the date of origin and translated on the balance sheet date at the average spot exchange rate.

>> 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 amortised cost.

>> 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 and options are used to reduce transaction risks. Net investments in foreign operations are hedged, in part, with cross-currency swaps. All derivative financial instruments are measured and recognised at fair value as of the balance sheet date in accordance with IFRS 13 "Fair Value Measurement"; this fair value also includes – if substantial – 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. No listed derivative financial instruments are used. 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. The effective portion of the changes in the fair value of derivative instruments that qualify for hedge accounting as defined in IAS 39 (cash flow hedges) are credited or charged to other comprehensive income. Any 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.

Derivative instruments concluded to hedge a net investment in a foreign operation in the sense of IAS 21 "The Effects of Changes in Foreign Exchange Rates" 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 these hedges are recorded under equity without recognition through profit or loss. The ineffective portion of the changes in fair value is recognised immediately to profit or loss. The gain or loss on the foreign currency translation of the hedged investment is recorded on the statement of comprehensive income and reported under the currency reserve.

>> 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 a non-current receivable 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 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 1,628, 2016/17: TEUR 1,086; negative market values: TEUR –4,046, 2016/17: TEUR –9,098; also see section 2.6.10).

The consolidated financial statements 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.

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

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

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

- Other long-term employee benefits consist primarily of the provisions for service anniversary bonuses and partial retirement in 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 are offset against the present value of the pension obligation. The pension obligations are valued each year by certified actuaries.

  Defined benefit plans are measured as of each valuation date based on current best assumptions, which may change from one valuation date to the next. The actuarial gains and losses arising from changes in actuarial assumptions or differences between earlier actuarial assumptions and actual developments are recognised as incurred under other comprehensive income after the deduction of deferred taxes. 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 pension benefit fund. These contributions are recognised as personnel expenses in the period incurred.

Income taxes
The calculation of tax expense for the current period is based on taxable income for the financial year. Taxable income differs from net profit on the income statement because it excludes income and expenses that will become taxable in later years, or never become taxable or deductible for tax purposes. The Group's obligations 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.

The calculation of deferred taxes is based on the balance sheet-oriented liability method. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

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

Revenue recognition

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.

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

In 2017/18 impairment tests were carried out on development projects in progress and the goodwill allocated to the cash-generating unit "Lighting" ("CGU Lighting"). Evidence of impairment also led to the write-down of assets in an English company which is part of the Zumtobel Group. The impairment of this English company resulted from a negative earnings and financial position. It also reflected the inability to carry out the planned integration of this corporate group by 2017/18 and the decision not to pursue this integration further at the present time.

The recoverable amount of the development projects in progress was determined on the basis of the value in use. The expected future cash flows from the development projects were discounted for this calculation at country-specific discount rates (Austria 6.93%, Germany 7.08%, Great Britain 6.74%).

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

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

The valuation period is based on a detailed forecast period of four years plus a transition year and a perpetual annuity. The forecasts are based on external projections, past experience and estimates by the Management Board for the development of the market environment and earnings. The assumptions correspond to the assumptions which would be made by a market participant. The average EBIT margin for the planning period equals 4.5%.

A long-term growth rate of 1.6% for the lighting industry was applied to the years after the detailed forecast period (2016/17: 2.0%).

The discount rate represents an after-tax rate which was estimated on the basis of the historical weighted average cost of capital for the industry. The after-tax WACC applied to the CGU Lighting in 2017/18 equalled 7.47% (2016/17: 7.07%).

The estimated recoverable amount of the CGU Lighting exceeds the carrying amount by nearly EUR 134 million. The recoverable amount of the CGU Lighting would equal the carrying amount if the discount rate (WACC) increased from 7.47% to 8.84% or if the forecasted cash flows declined by 20%.

>> Provisions for employee benefits

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

>> Other provisions

The provisions for guarantees and (extended) warranties include the estimated future costs for repairs and replacements and are calculated on the basis of past experience. The determination of provisions for restructuring involves estimates for workforce reductions and the resulting costs as well as the expenses connected with contract cancellations. The provisions for legal proceedings are based on management's estimates of the possible outcome of these proceedings. These assumptions are connected with uncertainty, and actual payments may vary from the estimates.

>> Deferred tax assets

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

>> Assets and liabilities held for sale
Assets and liabilities held for sale are measured at the lower of their carrying amount and the applicable fair value less costs to sell. The assumptions underlying this valuation are connected with uncertainty. The selling price realisable in the future and the selling costs incurred in the future can deviate from these estimates.

>> Uncertainties connected with the Brexit
In Great Britain, the most important market for the Zumtobel Group, the development of revenues in 2017/18 was significantly influenced by negative currency translation effects, above all from the appreciation of the euro versus the British pound. However, the Zumtobel Group operates two plants in Great Britain and the weakness of the British pound has also brought cost advantages for the production area.

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

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 47,858 (2016/17: TEUR 55,289) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,244,374 (2016/17: TEUR 1,359,173).

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:

2017/18 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(525,965)	(6,071)	(71)	(3)	(532,110)
Personnel expenses	(194,813)	(175,733)	(37,622)	(5,383)	(413,551)
Depreciation	(42,094)	(6,320)	(1,225)	(11,817)	(61,456)
Other expenses	(83,673)	(122,704)	(17,221)	(10,566)	(234,164)
Own work capitalised	13,076	453	36	0	13,565
Internal charges	484	(6,751)	6,267	0	0
Total expenses	**(832,986)**	**(317,126)**	**(49,836)**	**(27,769)**	**(1,227,717)**
Other income	**10,313**	**3,274**	**404**	**9,914**	**23,905**
Total	**(822,673)**	**(313,852)**	**(49,432)**	**(17,855)**	**(1,203,812)**

2016/17 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(537,854)	(6,993)	(64)	(4)	(544,915)
Personnel expenses	(210,960)	(187,512)	(39,265)	(8,868)	(446,605)
Depreciation	(50,832)	(7,864)	(1,309)	(435)	(60,440)
Other expenses	(85,362)	(127,242)	(15,754)	(22,780)	(251,138)
Own work capitalised	13,373	457	103	0	13,933
Internal charges	3,859	(7,819)	3,960	0	0
Total expenses	**(867,777)**	**(336,973)**	**(52,329)**	**(32,087)**	**(1,289,166)**
Other income	**3,815**	**8,694**	**81**	**18,483**	**31,073**
Total	**(863,962)**	**(328,279)**	**(52,248)**	**(13,604)**	**(1,258,093)**

The cost of materials includes TEUR 20,112 (2016/17: TEUR 21,534) of third party services.

Other income includes government grants of TEUR 5,588 (2016/17: TEUR 7,464), which were provided primarily for research activities. Of this total, TEUR 5,321 (2016/17: TEUR 7,232) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 69,493 (2016/17: TEUR 77,387). Development costs capitalised during the reporting year equalled TEUR 11,163 (2016/17: TEUR 13,123), and the related amortisation and impairment charges amounted to TEUR 13,740 (2016/17: TEUR 17,406).

Selling expenses include research costs of TEUR 3,926 (2016/17: TEUR 4,987).

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2017/18:

In TEUR	2017/18	2016/17
Total fees	568	277
thereof audit and related activities	*228*	*224*
thereof other services	*340*	*53*

The fees for other services involve audit-related consulting. The fees agreed with the member companies of the KPMG network for auditing services in the Zumtobel Group totalled TEUR 1,300 (2016/17: TEUR 1,310).

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

in TEUR	2017/18	2016/17
Wages	(62,383)	(70,198)
Salaries	(249,141)	(264,765)
Expenses for severance compensation	(4,346)	(5,125)
Expenses for pensions	(4,668)	(4,893)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(62,895)	(66,031)
Other employee benefits	(11,596)	(11,070)
Contract workers	(13,478)	(15,779)
Expenses from restructuring	(5,045)	(8,744)
Personnel expenses	**(413,552)**	**(446,605)**

2.6.4.3 Other operating results

in TEUR	2017/18	2016/17
Government grants	5,321	7,232
License revenues	3,263	5,925
Gains on sale	0	4,005
Changes in the scope of consolidation	284	392
Other income	1,046	929
Other operating income	**9,914**	**18,483**
Impairment charges to non-current assets	(11,702)	(144)
Restructuring	(15,068)	(23,641)
Litigation	0	(6,901)
Losses on sale	(19)	0
Impairment charges to current assets	(447)	(324)
Other expenses	(534)	(1,077)
Other operating expenses	**(27,769)**	**(32,087)**

As in the prior year, the government grants received in 2017/18 represent subsidies that were recognised to profit or loss.

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

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

The special effects in other operating results consist of the following:

in TEUR	2017/18	2016/17
Gains on sale	0	4,005
Changes in the scope of consolidation	284	392
Income due to special effects	**284**	**4,397**
Impairment charges to non-current assets	(11,702)	(144)
Restructuring	(15,068)	(23,641)
Litigation	0	(6,901)
Losses on sale	(19)	0
Impairment charges to current assets	(447)	(324)
Expenses due to special effects	**(27,235)**	**(31,010)**
Special effects	**(26,951)**	**(26,613)**

The special effects reported in 2017/18 include TEUR 447 for the cost of materials, TEUR 5,045 for personnel expenses, TEUR 11,702 for impairment charges and TEUR 9,758 for other expenses.

Special effects recorded in accordance with IAS 1 "Presentation of Financial Statements" include the following major items:

The impairment charges recorded comprised TEUR 9,654 attributable to the Lighting Segment and TEUR 2,048 attributable to the Components Segment. The impairment charges in the Lighting Segment consisted of the following: TEUR 6,863 for write-downs to a subsidiary in Great Britain, TEUR 535 for the write-off of equipment on a production line whose products were discontinued and TEUR 156 related to the shutdown of the plant in Usingen, Germany. The impairment charges in the Components Segment included TEUR 1,009 for the write-off of a development project and TEUR 1,039 of write-downs to property, plant and equipment in connection with the relocation of production facilities in Shenzen, China.

The impairment charges of TEUR 144 recorded in 2016/17 to non-current assets included TEUR 55 attributable to the Lighting Segment, which were related primarily to the shutdown of the plant in Usingen, Germany. The impairment charges in the Components Segment amounted to TEUR 89 and were related to the sale of property in Ennenda, Switzerland.

The restructuring costs reported in 2017/18 consist of TEUR 11,890 for the Lighting Segment, TEUR 886 for the Components Segment and TEUR 2,292 for Zumtobel Group AG.

The impairment charges of TEUR 11,890 in the Lighting Segment consisted mainly of the following: TEUR 5,774 for the sale of the plant in Les Andelys, France, TEUR 691 for the shutdown of the plant in Usingen, Germany, TEUR 1,095 for the restructuring of the plant in Guangzhou, China, and TEUR 793 for the reorganisation of the plant in Lemgo, Germany. The streamlining of management resulted in expenses of TEUR 3,132.

Restructuring costs in the Components Segment included TEUR 532 for management redundancies. A further TEUR 418 were related to the mothballing of a production line in Jennersdorf, Austria. Moreover, expenses of TEUR 290 were incurred for the relocation of the plant in Shenzen, China. A contrary positive effect of TEUR 354 was related to the release of employee-related provisions at a Swiss location.

The restructuring costs recorded by Zumtobel Group AG consist primarily of expenses for the premature termination of Management Board contracts as well as personnel reductions at the management level.

The restructuring costs reported in 2016/17 include TEUR 22,964 for the Lighting Segment, TEUR 336 for the Components Segment and TEUR 341 for Zumtobel Group AG.

The expenses charged in the Lighting Segment totalled TEUR 22,964. The main component of TEUR 11,781 was related to the sale of the plant in Les Andelys, France, whereby TEUR 9,218 resulted from reclassification in accordance with IFRS 5 (also see section 2.6.6.12). A further TEUR 9,448 are attributable to the shutdown of the plant in Usingen, Germany. Expenses of TEUR 2,217 were recognised in connection with the restructuring of the global research and development departments.

Most of the restructuring expenses in the Components Segment (TEUR 214) were also related to global research and development.

The income reported under gains/losses on sale in 2016/17 included TEUR 2,631 from the sale of property in Ennenda, Switzerland, and TEUR 1,374 from the sale of tangible assets from the plant in Usingen, Germany.

Impairment charges to current assets in 2017/18 included TEUR 325 for the Lighting Segment and TEUR 122 for the Components Segment.

The impairment charges to current assets in the Lighting Segment were related chiefly to the write-off of inventories in connection with the sale of Europhane SAS in France. The comparable position for the Components Segment includes the write-down of inventories in connection with the mothballing of a production line.

The impairment charges to current assets recognised in 2016/17 are attributable entirely to the Lighting Segment. The main component of TEUR 1,237 is related to the relocation of production from Landskrona, Sweden, to Spennymoor, Great Britain. In contrast, the sale of current assets from the closed plant in Usingen, Germany, resulted in revaluation gains of TEUR 989.

The costs of TEUR 6,901 reported under litigation resulted from an unexpected arbitration judgment in the proceedings initiated by Lledó Iluminatión S.A., Spain, against Zumtobel Lighting GmbH, Austria, in connection with the termination of a distributor contract in 2008. These costs also include the related legal and consulting expenses.

"Changes in the scope of consolidation" for the reporting year represent a positive effect of TEUR 284 from the deconsolidation of Europhane SAS, the French plant which was sold during the second quarter.

In 2016/17, the "changes in the scope of consolidation" include a positive effect of TEUR 423 from the deconsolidation of the liquidated Australian company ATCO Industrial Pty Limited as well as expenses of TEUR 26 from the liquidation of Thorn Lighting (Mauritius) Holdings Ltd. and TEUR 5 from the liquidation of acdc lighting systems limited.

2.6.4.4 Interest income and expenses

Interest expense consists mainly of interest and fees for the current consortium credit agreement as well as the interest component of the lease for the plant in England (TEUR 1,674; 2016/17: TEUR 1,768).

2.6.4.5 Other financial income and expenses

in TEUR	2017/18	2016/17
Interest component as per IAS 19 less income on plan assets	(3,314)	(3,570)
Foreign exchange gains and losses	(7,081)	(3,394)
Market valuation of financial instruments	3,919	(1,497)
Losses on sale/Impairment	(3,190)	(3)
Total	**(9,666)**	**(8,464)**

Foreign exchange gains and losses are composed mainly of realised and unrealised gains and losses 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 negative change as of 30 April 2017 resulted from the measurement of financial instruments whose fair value declined during the reporting period (primarily USD forward exchange contracts) and from the realisation of foreign currency derivatives with a previous positive fair value (in particular, forward exchange contracts in British pounds).

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

2.6.4.6 Income taxes

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

in TEUR	2017/18	2016/17
Current taxes	(4,869)	(7,016)
thereof current year	*(4,858)*	*(6,901)*
thereof prior years	*(11)*	*(115)*
Deferred taxes	(18,169)	(573)
Income taxes	**(23,038)**	**(7,589)**

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to -97.3% for the 2017/18 financial year (2016/17: 25.2%). Deferred taxes of TEUR 18,169 resulted primarily from temporary accounting differences in financial assets and higher valuation discounts for deferred taxes on loss carryforwards.

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

Difference between calculated and actual income tax expense

in TEUR	2017/18	2016/17
Profit/loss before tax	**(23,670)**	**30,070**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**5,918**	**(7,517)**
Difference between calculated/actual tax expense	**(28,956)**	**(72)**
Non-deductible expenses	(6,821)	(3,714)
Foreign tax rates	(116)	1,883
Adjustments to valuation discounts for deferred taxes	(52,628)	5,109
Tax-free income	1,957	2,283
Effects from changes in loss carryforwards	26,271	(8,781)
Other items	2,381	3,148
Total tax expense	**(23,038)**	**(7,589)**

The position "other items" mainly consists of tax effects due to tax rate changes. Deferred taxes of TEUR 16,149 (2016/17: TEUR 8,162) 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 owed by the entire group for the respective financial year. If the group member records a tax loss, the participating corporation or the head of the group holds this loss on record as an internal loss carryforward for the offset of future profit generated by the respective group member. The obligation of the group member to pay a tax charge is waived to the extent previous tax losses can be offset against taxable profit. A group member with a tax loss is obliged to pay the minimum corporate income tax to the participating corporation or the head of the group. Pre-group losses and external group losses as defined in § 9 of the Austrian Corporate Tax Act are offset against the taxable profit of the respective group member or the head of the group in accordance with any carryforward and/or transfer limits.

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

2.6.4.7 Earnings per share

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

The distribution to shareholders from reserves and annual results may not exceed the total profit – reduced by the deferred taxes which are excluded from distribution – reported on the individual financial statements of Zumtobel Group AG, which are prepared in accordance with Austrian corporate law (TEUR 0; 2016/17: TEUR 81,962).

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 -5,884 (2016/17: TEUR -2,884) of currency-related adjustments to goodwill. The currency reserve under equity also includes a foreign exchange-related effect of TEUR –282 (2016/17: TEUR 18) from non-controlling interests. The deconsolidation of a Group company whose functional currency is not the euro involves the reclassification of the related amounts from the currency reserve to the income statement and the inclusion of these amounts in deconsolidation results.

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR –3,478 (2016/17: TEUR –4,604) from loans result from long-term loans granted by the Group in GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and must therefore be reported under other comprehensive income. This position also includes foreign exchange differences from an interest rate hedge.

2.6.5.3 Actuarial gain/loss

The total actuarial gains of TEUR 7,033 recorded in 2017/18 (2016/17: actuarial loss of TEUR 11,168) included gains of TEUR 2,507 (2016/17: loss of TEUR 17,651) for pension plans which were recorded mainly in the following countries: TEUR 1,000 (2016/17: loss of TEUR 17,278) in Great Britain, TEUR 968 (2016/17: TEUR 272) in Switzerland and TEUR 459 (2016/17: loss of TEUR 1,027) in Germany. These gains resulted primarily from the increase in interest rates. In addition, positive foreign exchange effects of TEUR 3,990 (2016/17: TEUR 7,705) resulted chiefly from the plan assets for a pension plan in Great Britain.

2.6.5.4 Hedge accounting

The amount of TEUR 753 (2016/17: TEUR 1,339) reported under hedge accounting resulted from a change in the market value of the derivatives which qualify for hedge accounting and were concluded to hedge interest rate risks.

2.6.5.5 Deferred taxes

The deferred taxes of TEUR –394 reported on the statement of comprehensive income in 2017/18 (2016/17: TEUR –364) include TEUR –249 (2016/17: TEUR –31) related to the provisions for pension and severance compensation, which resulted from actuarial gains/losses as defined in IAS 19 "Employee Benefits", and TEUR –145 (2016/17: TEUR –333) related to the hedge accounting reserve.

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

The goodwill arising from the acquisition of the Thorn Lighting Group is allocated to the CGU Lighting to reflect the organisational structure and tested for impairment at the level of the entire Lighting Segment. The CGU Lighting represents the operating Lighting Segment in the sense of IFRS 8.5.

in TEUR	Lighting Segment	Components Segment	Total
30 April 2016	**207,033**	**2,057**	**209,090**
FX effects	(2,884)	0	(2,884)
Adjustment goodwill	(8,396)	0	(8,396)
30 April 2017	**195,753**	**2,057**	**197,810**
FX effects	(5,884)	0	(5,884)
Impairment of goodwill	(4,031)	0	(4,031)
30 April 2018	**185,838**	**2,057**	**187,895**

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR -5,884 to goodwill in 2017/18 (2016/17: TEUR -2,884), which was not recognised through profit or loss. These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

Additional details on the impairment charges of TEUR 4,031 are provided in section 2.6.3.2.

2.6.6.2 Other intangible assets

2017/18 Financial Year

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

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38 "Intangible Assets". The additions to acquisition costs, including transfers, contain capitalised development expenses of TEUR 11.136 (2016/17: TEUR 13,123). Most of these additions involve development work on luminaires and lighting components, whereby TEUR 8,386 (2016/17: TEUR 10,165) were not available for use as of the balance sheet date.

2016/17 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2016	**52,881**	**150,928**	**203,809**
Foreign currency translation	109	(434)	(325)
Additions	3,810	13,123	16,933
Disposals	(2,240)	(1,144)	(3,384)
Transfers	18	0	18
30 April 2017	**54,578**	**162,473**	**217,051**
Accumulated amortisation			
30 April 2016	**(40,969)**	**(104,487)**	**(145,456)**
Foreign currency translation	0	397	397
Scheduled depreciation	(3,877)	(17,406)	(21,283)
Disposals	2,239	0	2,239
30 April 2017	**(42,607)**	**(121,496)**	**(164,103)**
Net carrying amount 30 April 2016	**11,912**	**46,441**	**58,353**
Net carrying amount 30 April 2017	**11,971**	**40,977**	**52,948**

2.6.6.3 Property, plant and equipment

2017/18 Financial Year

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

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

The Group has incurred obligations of TEUR 5,728 (2016/17: TEUR 3,400) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 682 (2016/17: TEUR 593), plant and machinery at TEUR 4,490 (2016/17: TEUR 2,428) and other non-current assets at TEUR 556 (2016/17: TEUR 379).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 18,943 (2016/17: TEUR 283), plant and machinery at TEUR 13,016 (2016/17: TEUR 7,762) and other non-current assets at TEUR 128 (2016/17: TEUR 165).

2016/17 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2016	**244,973**	**365,782**	**107,658**	**7,827**	**726,240**
Foreign currency translation	(3,149)	(5,401)	(72)	(65)	(8,687)
Changes in the scope of consolidation	0	0	(273)	0	(273)
Additions	3,131	6,921	5,075	13,141	28,268
Disposals	(7,277)	(20,563)	(4,036)	0	(31,876)
Transfers	(12,475)	(9,058)	(288)	(12,574)	(34,395)
30 April 2017	**225,203**	**337,681**	**108,064**	**8,329**	**679,277**
Accumulated amortisation					
30 April 2016	**(126,864)**	**(289,271)**	**(86,297)**	**0**	**(502,432)**
Foreign currency translation	1,220	4,063	(9)	0	5,274
Changes in the scope of consolidation	0	0	273	0	273
Scheduled depreciation	(10,288)	(21,379)	(7,346)	0	(39,013)
Impairment	(89)	(55)	0	0	(144)
Disposals	5,936	19,593	3,717	0	29,246
Transfers	11,402	18,240	1,403	0	31,045
30 April 2017	**(118,683)**	**(268,809)**	**(88,259)**	**0**	**(475,751)**
Net carrying amount 30 April 2016	**118,109**	**76,511**	**21,361**	**7,827**	**223,808**
Net carrying amount 30 April 2017	**106,520**	**68,872**	**19,805**	**8,329**	**203,526**

The transfers reported under acquisition costs and depreciation were related mainly to the sale of the plant in Les Andelys, France, which was valued in accordance with IFRS 5 (also see section 2.6.6.12).

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in three (2016/17: 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 2018:

LEXEDIS Lighting GmbH, Austria, is classified at equity in accordance with IAS 28 "Investments in Associates". The valuation at equity was discontinued due to the accumulated losses. This company develops, produces and sells LED products (light-emitting diodes). The profit generated in 2017/18 was offset against previous losses. Valuation will be resumed when profits exceed the accumulated losses of TEUR 4,197. A participation right (risk capital) was granted in the past to finance the company, but this right was written off because of the accumulated losses.

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

Europhane SAS, France, in which the Zumtobel Group holds an investment of 10%, is considered an associate in the sense of IAS 28 "Investments in Associates" based on agreements under company law which create significant influence; the company is consequently accounted for at equity. The company's business involves the production and sale of lighting. In accordance with IAS 28.40, an impairment charge was recognised during the reporting year to reflect the negative outlook for future earnings.

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

in TEUR	LEXEDIS Lighting GmbH	Inventron AG	Europhane SAS
30 April 2018			
Assets	**2,626**	**8,574**	**16,942**
Non-current assets	0	5,110	4,425
Current assets	2,626	3,464	12,517
Liabilities	**4,216**	**642**	**8,119**
Non-current liabilities	3,500	0	2,355
Current liabilities	716	642	5,764
Equity	**(1,590)**	**7,932**	**8,823**
thereof group share	*0*	*3,807*	*0*
Revenues	**11,580**	**5,618**	**17,081**
Net profit/loss for the year	**144**	**740**	**21**

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

Detailed information on receivables and liabilities due from/to associated companies is provided in section 2.6.15. Deferred taxes related to investments in associates were not recognised in accordance with IAS 12.39 "Income Taxes".

2.6.6.5 Non-controlling interests

The following companies have non-controlling interests:

Company	Country	Operating Segment	30 April 2018	30 April 2017
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 Thorn Gulf LCC, UAE and Thorn Lighting Limited Liability, Qatar, in the sense of IFRS 10 "Consolidated Financial Statements". These two companies are therefore included through full consolidation.

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

Balance Sheet	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
in TEUR	30 April 2018			30 April 2017		
Non-current assets	177	75	252	275	128	403
Current assets	6,141	4,255	10,396	6,820	4,740	11,560
Assets	**6,318**	**4,330**	**10,648**	**7,095**	**4,868**	**11,963**
Non-current liabilities	25	0	25	40	0	40
Current liabilities	2,758	2,849	5,607	1,671	3,154	4,825
Equity	3,535	1,481	5,015	5,384	1,714	7,098
Equity and Liabilities	**6,318**	**4,330**	**10,648**	**7,095**	**4,868**	**11,963**
Dividends	(1,392)					

Statement of Comprehensive Income	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
in TEUR	2017/18			2016/17		
Revenues	11,483	4,827	16,310	6,937	5,575	12,512
Net profit/loss for the year	49	(74)	(25)	(133)	443	310
thereof due to non-controlling interests	*19*	*(37)*	*(18)*	*(53)*	*222*	*169*
Subtotal other comprehensive income	(505)	(159)	(664)	229	47	277
thereof due to non-controlling interests	(202)	(80)	(282)	92	24	116
Dividends paid to non-controlling interests	(557)		(557)			

Cash Flow Statement	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
in TEUR	2017/18			2016/17		
Cash flow from operating activities	(44)	(783)	(827)	131	1,061	1,192
Cash flow from investing activities	(14)	0	(14)	(181)	(2)	(183)
Cash flow from financing activities	(1,473)	(71)	(1,544)	(48)	141	93
Net increase/decrease in cash and cash equivalents	**(1,531)**	**(854)**	**(2,385)**	**(98)**	**1,200**	**1,102**

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; 2016/17: TEUR 467) and positive market values from hedged positions (TEUR 1,628; 2016/17: TEUR 1,086).

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 2018	30 April 2017
Coverage capital for Group life insurance	3,344	3,440
Other	1,124	1,435
Other non-current assets	**4,468**	**4,875**
Prepaid expenses and deferred charges	10,412	8,087
Amounts due from tax authorities	26,469	13,691
Prepayments made	862	871
Other	12,418	12,367
Other current assets	**50,161**	**35,016**

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

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

The position "other" consists mainly of the following: accrued research receivables of TEUR 4,419 (2016/17: TEUR 3,637), receivables of TEUR 532 (2016/17: TEUR 980) arising from partial retirement in Germany and advance contributions of TEUR 1,188 (2016/17: TEUR 1,113) to pension plans in Switzerland.

2.6.6.8 Deferred taxes

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

	30 April 2018		30 April 2017	
in TEUR	Assets	Liabilities	Assets	Liabilities
Other intangible assets	115	9,517	104	10,149
Property, plant and equipment	4,623	1,745	1,833	2,172
Financial assets	0	26,125	7	0
Inventories	2,744	45	5,823	80
Trade receivables	518	645	1,022	648
Other receivables	10	3,124	31	3,998
Reclassification of deferred taxes on assets held for sale	0	0	326	0
Non-current provisions	19,180	3	19,898	0
Other provisions	1,281	600	1,253	870
Trade payables	1,789	133	3,353	340
Loss carryforwards	170,209	0	132,874	0
Deferred tax credits or liabilities	**200,469**	**41,937**	**166,524**	**18,257**
Adjustments to valuation discounts for deferred taxes	(136,022)		(106,107)	
Offset of tax credits and liabilities due from/to the same taxation authority	(38,850)	(38,850)	(17,710)	(17,710)
Deferred taxes	**25,597**	**3,087**	**42,707**	**547**

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 544,383 (2016/17: TEUR 424,429) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 4,869 (2016/17: TEUR 14,947) 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 taxes on the difference between the book value for tax purposes and the IFRS equity equal TEUR 18,385 (2016/17: TEUR 24,055). 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 –394 were recognised under other comprehensive income during the reporting year (2016/17: TEUR –364). This amount includes TEUR –249 (2016/17: TEUR –31) related to actuarial gains/losses on the provisions for pensions and severance compensation as required by IAS 19 "Employee Benefits" as well as TEUR –145 (2016/17: TEUR –333) for the hedge accounting reserve.

2.6.6.9 Inventories

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

in TEUR	30 April 2018	30 April 2017
Raw materials	**66,138**	**60,143**
Gross value	78,916	71,576
Impairment charges	(12,778)	(11,433)
Work in process	**2,739**	**3,329**
Semi-finished goods	**9,885**	**10,393**
Gross value	11,081	11,683
Impairment charges	(1,196)	(1,290)
Merchandise	**30,915**	**30,553**
Gross value	36,928	35,390
Impairment charges	(6,013)	(4,837)
Finished goods	**89,058**	**92,594**
Gross value	105,880	108,846
Impairment charges	(16,822)	(16,252)
Inventories	**198,735**	**197,012**

Income was reduced by valuation adjustments of TEUR –2,997 to inventories during the reporting year (2016/17: TEUR –286). The main component of TEUR 1,910 involved valuation adjustments to inventories at the plant in Dornbirn, Austria.

Impairment charges of TEUR 325 were recognised in the Lighting Segment during the reporting year. They are related chiefly to the write-down of materials held at the plant in Spennymoor, Great Britain, as a safety measure in the event of a crisis.

Impairment charges of TEUR 122 were recognised in the Components Segment to reflect the write-off of raw materials for terminated products.

The impairment charges of TEUR 1,237 recognised to current assets in 2016/17 were still related to the relocation of production from Landskrona, Sweden, to Spennymoor, Great Britain. In contrast, the sale of current assets from the closed plant in Usingen, Germany, resulted in write-ups of TEUR 989.

2.6.6.10 Trade receivables

in TEUR	30 April 2018	30 April 2017
Trade receivables gross	**184,607**	**227,755**
Valuation adjustments to receivables	(9,839)	(10,764)
Provision for customer bonuses and discounts	(17,074)	(18,761)
Trade receivables	**157,694**	**198,230**

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through a factoring contract totalled TEUR 57,938 as of 30 April 2018 (2016/17: TEUR 49,662). The amounts received from factoring were deducted from the gross receivables shown in the above table. These receivables were derecognised, since the requirements of IAS 39.18 (a) in connection with IAS 39.20 (c) ii were met.

2.6.6.11 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 260 (2016/17: TEUR 375) 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 view of plans announced in the previous year to sell the plant in Les Andelys, France, the related assets and liabilities were measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and reported as current as of 30 April 2017. 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 9,218 in 2016/17. The disposal group was carried at fair value less costs to sell as of 30 April 2017 and included the following assets and liabilities:

in TEUR	30 April 2017
Property, plant and equipment	0
Inventories/Other current assets	1,503
Available-for-sale assets	**1,503**
Provisions for severance compensation/Provisions for other employee benefits	2,554
Trade payables	5,117
Other current liabilities	1,754
Liabilities held for sale	**9,425**

The plant in Les Andelys, France, was initially spun off to Europhane SAS, a French company, in the first half of 2017/18. Negotiations with Active'Invest SAS, France, were concluded in September 2017 as planned and 90% of the shares in the company were sold.

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 of the present values is as follows:

	Post-employment benefits					
Defined benefit plans as per IAS 19	Pensions		Severance compensation		Other	
in TEUR	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Beginning balance, net liability	**93,805**	**79,740**	**47,801**	**48,717**	**10,266**	**11,527**
Foreign currency translation & reclassification	(3,269)	(2,862)	0	0	(98)	20
reclassification consistent with IFRS 5	0	0	0	(2,151)	0	(212)
Changes recognised through profit or loss	3,614	3,935	2,196	2,324	766	1,157
thereof service cost	*1,146*	*1,400*	*1,403*	*1,424*	*684*	*684*
thereof past service cost	*0*	*0*	*0*	*0*	*0*	*115*
thereof plan reductions and settlements	*0*	*0*	*54*	*0*	*0*	*0*
thereof interest expense	*6,313*	*7,044*	*739*	*900*	*109*	*136*
thereof expected income from plan assets	*(3,845)*	*(4,509)*	*0*	*0*	*0*	*0*
thereof actuarial gain/loss	*0*	*0*	*0*	*0*	*(27)*	*222*
Actuarial gain/loss recognised to other comprehensive income	(2,507)	17,651	680	467	0	0
thereof financial adjustments	*(16)*	*(399)*	*18*	*0*	*0*	*0*
thereof demographic adjustments	*(11,794)*	*45,152*	*(142)*	*2,396*	*0*	*0*
thereof experience related adjustments	*9,303*	*(27,102)*	*804*	*(1,929)*	*0*	*0*
Payments	(8,330)	(4,659)	(1,347)	(1,556)	(1,400)	(2,226)
thereof to salaried employees	*(8,330)*	*(4,659)*	*(1,347)*	*(1,556)*	*(1,343)*	*(2,226)*
Ending balance, net liability	**83,313**	**93,805**	**49,330**	**47,801**	**9,534**	**10,266**

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

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

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

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Germany	1.8%	1.6%	-	-	3.0%	3.0%	1.6%	1.5%	1)	1)
Great Britain	2.6%	2.5%	2.6%	2.5%	-	-	3.1%	3.3%	65/65	65/65
Switzerland	0.9%	0.6%	0.6%	0.6%	1.5%	1.5%	-	-	64/65	64/65
Sweden	1.8%	1.8%	-	-	-	-	1.8%	1.8%	65/65	65/65
Austria	1.5%	1.5%	-	-	3.0%	3.0%	-	-	2)	2)
France	1.4%	1.3%	-	-	1.5%	1.0%	-	-	3)	3)
Italy	1.7%	1.4%	-	-	1.0%	1.0%	-	-	60/65	60/65
Serbia	5.0%	-	-	-	3.0%	-	-	-	4)	4)

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 partial retirement 57 years.

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

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

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

Pension obligations

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

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

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

Two major steps were taken to remedy the shortage of assets in this plan. An agreement was reached with the plan trustee to reduce the deficit by 2046 at the latest through annual contributions by the involved British companies. In addition, the trustee developed and presented an investment strategy in the form of a "statement of investment principles" (SIP), which should support the generation of a portfolio return that exceeds the discount factor.

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

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

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

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

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value it as defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 614 in 2017/18 (2016/17: TEUR 546). The asset coverage calculated in accordance with Swedish law equalled 152% (2016/17: 152%) for all plan participants. This coverage represents the difference between the insurance obligations and the fair value of the relevant assets, which was determined on the basis of information provided by the pension fund programme.

The Norwegian pension plan was financed entirely by employer contributions, with the assets held by an insurance company. This pension plan was closed in 2016/17.

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

in TEUR	30 April 2018	30 April 2017
Obligations not financed through funds	29,343	31,108
Obligations financed through funds	253,416	278,598
Present value of defined benefit obligation (DBO)	**282,759**	**309,706**
Fair value of plan assets	(199,446)	(215,901)
Net liability as per balance sheet	**83,313**	**93,805**

The provision for pensions is classified by country as follows:

in TEUR	30 April 2018	30 April 2017
Germany	27,369	28,755
Great Britain	45,204	52,056
Switzerland	8,767	10,640
Other	1,973	2,354
Net liability as per balance sheet	**83,313**	**93,805**

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

	2017/18		2016/17	
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2017	**309,706**	**215,901**	**282,313**	**202,573**
Foreign currency translation	(13,633)	(10,364)	(15,371)	(12,509)
Service cost	1,146	0	1,400	0
Plan reductions and settlements	0	0	0	0
Past service cost	0	0	(75)	(75)
Interest expense / income	6,313	3,845	7,044	4,509
Actuarial gain/loss recognised to other comprehensive income	(11,498)	(8,991)	44,665	27,014
thereof demographic adjustments	*(16)*	*0*	*(399)*	*0*
thereof financial adjustments	*(11,794)*	*0*	*45,152*	*0*
thereof experience-related adjustments	*312*	*(8,991)*	*(88)*	*27,014*
Payments	(9,275)	(945)	(10,270)	(5,611)
thereof payments	*(9,275)*	*(945)*	*(10,270)*	*(5,611)*
thereof payments due to settlements	*0*	*0*	*0*	*0*
30 April 2018	**282,759**	**199,446**	**309,706**	**215,901**

The actual payments from the pension plans totalled TEUR 9,274 in 2017/18 (2016/17: TEUR 10,270).

Plan assets comprised the following as of 30 April 2018:

in TEUR	30 April 2018	thereof quoted on an active market
Liquid funds	1,071	992
Equity instruments	51,930	48,496
Debt instruments	90,814	90,094
Assets held by insurance companies	30,659	0
Other	24,972	23,106
Plan assets	**199,446**	**162,688**

The plan assets resulted in expenses of TEUR 5,147 in 2017/18 (2016/17: income of TEUR 28,965).

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

in TEUR	30 April 2018	30 April 2017
Present value	282,759	309,706
Plan assets	(199,446)	(215,901)
Deficit	**83,313**	**93,805**

Severance compensation obligations

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

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

The obligations relate to the following countries:

in TEUR	30 April 2018	30 April 2017
Austria	45,581	44,315
France	1,680	1,552
Italy	2,069	1,934
Severance compensation obligation	**49,330**	**47,801**

IAS 19 Reserve

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

in TEUR	Pensions	Severance compensation	Total
30 April 2016	**107,658**	**13,133**	**120,791**
Actuarial gain/loss	17,651	467	18,118
Foreign currency translation	(6,950)	0	(6,950)
Deferred taxes	169	(138)	31
30 April 2017	**118,528**	**13,462**	**131,990**
Actuarial gain/loss	(2,507)	680	(1,827)
Foreign currency translation	(5,206)	0	(5,206)
Deferred taxes	418	(169)	249
30 April 2018	**111,233**	**13,973**	**125,206**

Deferred taxes of TEUR -249 were recorded directly in equity during the reporting year (2016/17: TEUR -31). Deferred taxes were not recognised for IAS 19 differences in Great Britain because their utilisation is not sufficiently certain.

The total actuarial gains of TEUR 7,033 recorded in 2017/18 (2016/17: actuarial loss of TEUR 11,168) included gains of TEUR 2,507 (2016/17: loss of TEUR 17,651) for pension plans which were recorded mainly in the following countries: TEUR 1,000 (2016/17: loss of TEUR 17,278) in Great Britain, TEUR 968 (2016/17: TEUR 272) in Switzerland and TEUR 459 (2016/17: loss of TEUR 1,027) in Germany. These gains resulted primarily from the increase in interest rates.

These gains resulted primarily from an increase in the interest rate from 2.5% to 2.6% in Great Britain and from 0.6% to 0.9% in Switzerland. In addition, positive foreign exchange effects of TEUR 3,990 (2016/17: TEUR 7,705) resulted chiefly from the plan assets for a pension plan in Great Britain.

Sensitivity analysis

Effects on the DBO as of 30 April 2018:

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

Effects on the DBO as of 30 April 2017:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(26,612)	28,866	193	(238)	19,289	(18,987)
Severance compensation	(2,045)	3,882	3,716	(1,926)	0	0

Weighted average term of the obligation in years

	30 April 2018	30 April 2017
Pension plans	15	15
Severance compensation	13	13

In 2018/19 the contributions to pension plans are expected to total TEUR 5,122 and severance compensation payments are expected to equal TEUR 1,632.

Other long-term employee benefits

These obligations totalled TEUR 9,534 for the reporting year (2016/17: TEUR 10,266) and consisted mainly of the following provisions: TEUR 6,991 (2016/17: TEUR 6,706) for service anniversary bonuses in Austria, TEUR 1,052 (2016/17: TEUR 2,074) for partial retirement in Germany, TEUR 1,057 (2016/17: TEUR 1,135) for special leave in Australia and TEUR 434 (2016/17: TEUR 351) 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 5,692 were made by various group companies in 2017/18 (2016/17: TEUR 6,144). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

2.6.6.15 Other provisions

2017/18 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2017	**20,124**	**7,818**	**1,122**	**245**	**10,090**	**39,399**
Addition	20,842	9,740	858	45	12,165	43,650
Utilisation	(13,635)	(6,158)	(692)	(182)	(5,783)	(26,450)
Reversal	(3,488)	(730)	(295)	0	(2,962)	(7,475)
Foreign currency translation	(102)	(151)	0	(11)	(147)	(411)
30 April 2018	**23,741**	**10,519**	**993**	**97**	**13,363**	**48,713**
thereof current	*16,043*	*10,519*	*993*	*97*	*12,344*	*39,996*
thereof non-current	*7,698*	*0*	*0*	*0*	*1,019*	*8,717*

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 13,184 (2016/17: TEUR 16,920) for individual items as well as experience-based provisions of TEUR 2,859 (2016/17: TEUR 3,204) for cases not recognised individually or not known. These provisions are created for cases not recognised individually or not known in connection with the voluntary extension of the guarantee to five years for Zumtobel products sold in the EU or EFTA countries. The respective calculations include the application of separate percentage rates for the various product groups to product revenues for the respective period. In addition, provisions of TEUR 7,698 were recognised for expanded guarantee commitments in connection with road lighting projects in Great Britain.

Provisions for restructuring
The decline in the provisions for restructuring resulted from the restructuring measures which are described in section 2.6.4.3 and were still in progress as of 30 April 2018.

Provisions for legal proceedings
The provisions for legal proceedings as of 30 April 2018 were related primarily to litigation risks and the related legal costs for ZG Lighting France S.A., France.

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

2.6.6.16 Financial liabilities

in TEUR	30 April 2018	30 April 2017
Loans from financial institutions	40,414	109
Finance leases	946	610
Loans from public authorities	812	0
Loans from other third parties	1,207	49
Working capital credits	12,384	3,771
Current borrowings	**55,763**	**4,539**
Loans from financial institutions	155,604	145,205
Finance leases	16,736	18,321
Loans from public authorities	2,697	4,097
Loans from other third parties	619	644
Non-current borrowings	**175,656**	**168,267**
Borrowings	**231,419**	**172,806**

The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 250 million. As of the balance sheet date on 30 April 2018, the amount drawn under this credit agreement totalled EUR 115 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 2018 (also see section 2.6.9 Capital management).

2.6.6.17 Finance leases

2017/18 Financial Year

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

2016/17 Financial Year

	Minimum lease payments				
	Future payments				
in TEUR	< 1 year	1 - 5 years	> 5 years	Total Liability	Net carrying amount assets
Total minimum lease payments	**2,363**	**10,511**	**20,294**	**33,168**	**8,593**
Less: finance charge = Interest expense	1,753	6,351	6,133	14,237	
Present value of net minimum lease payments	**610**	**4,160**	**14,161**	**18,931**	

There are no conditional lease payments for finance leases.

In 2008/09 a 15.7 million GBP 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 17,682 as of 30 April 2018 (2016/17: TEUR 18,931). The year-on-year change in the net present value of the minimum lease payments resulted primarily from foreign exchange translation effects.

Minimum lease payments of TEUR 2,161 (2016/17: TEUR 2,196) with a net present value of TEUR 487 (2016/17: TEUR 428) were made in 2017/18.

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 to profit or loss:

in TEUR	30 April 2018	30 April 2017
not exceeding 1 year	14,773	14,479
1 to 5 years	30,088	23,755
more than 5 years	1,697	7,686
Future net minimum lease payments to third parties	**46,558**	**45,920**

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.

Minimum lease payments of TEUR 17,636 were made in 2017/18 (2016/17: TEUR 22,697).

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

in TEUR	30 April 2018	30 April 2017
not exceeding 1 year	492	492
1 to 5 years	1,312	1,804
more than 5 years	0	0
Future minimum lease payments from third parties	**1,804**	**2,296**

2.6.6.19 Other liabilities

The components of other current liabilities are as follows:

in TEUR	30 April 2018	30 April 2017
Vacations, comp. in free time, special payments to employees	38,764	50,440
Amounts due to employees	8,430	7,914
Miscellaneous taxes	29,017	23,486
Social security	5,749	5,818
Prepayments received	14,615	18,048
Accrued interest	97	99
Deferred income	3,748	2,157
Derivatives (hedge accounting)	3,825	7,105
Derivatives held for trading	221	1,993
Customs	2,082	2,513
Other liabilities	7,421	7,222
Other current liabilities	**113,969**	**126,795**

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

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

The decrease in other non-current liabilities from TEUR 4,628 to TEUR 2,544 resulted chiefly from the reduction of the incentive programme.

2.6.7 Notes to the Cash Flow Statement

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

In agreement with the indirect method, profit before tax is adjusted for the effects of non-cash transactions (e.g. depreciation and amortisation) as well as income and expenses that relate to investing or financing activities.

Cash flow from operating activities fell by TEUR 57,808 to TEUR 49,706 in 2017/18 due to the decline in profitability (2016/17: TEUR 107,514). As of 30 April 2018 working capital amounted to TEUR 188,056 and was TEUR -32.063 lower than the comparable prior year value (TEUR 220,119). This reduction resulted, above all from the lower revenues and from strict receivables management and an increase in factoring.

The cash outflows reported under "other current and non-current assets and liabilities" are attributable to a decrease in other employee-related liabilities, in particular due to bonuses related to the 2016/17 financial year.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects, maintenance and capitalised research and development costs. Investments in non-current assets increased to TEUR 68,975 in 2017/18 (2016/17: TEUR 45,201) and included investments of TEUR 17,386 for the new plant in Serbia and TEUR 7,147 for the purchase of a previously rented building. The negative cash flow effect reported under "cash outflows for the acquisition of associates" resulted from payments for the purchase of a 48% stake in Inventron AG, Switzerland. The cash flow effects included under this position in the previous year resulted, above all, from realised gains on foreign currency hedges.

The sale of property in Usingen, Germany, after the termination of production in 2016/17 led to cash inflows of TEUR 3,626, which are reported under "cash inflows from the disposal of property, plant and equipment and other intangible assets". The "change in liquid funds from changes in the consolidation range" represents the reduction in liquid funds through the sale of Europhane SAS, France, a company which was founded for the sale of the plant in Les Andelys, France.

Cash flow from financing activities consists primarily of the increased draw-down from existing credit lines (TEUR 40,260), the dividend payment to the shareholders of Zumtobel Group AG for the 2016/17 financial year (TEUR 9,924) and interest payments (TEUR 6,727).

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 2018	30 April 2017
Liquid funds	85,090	81,352
Not available for disposal	(260)	(375)
Overdrafts	(12,384)	(3,772)
Cash and cash equivalents	**72,446**	**77,205**

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

2.6.7.2 Reconciliation to financial liabilities

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

2.6.8 Notes to the Statement of Changes in Equity

2.6.8.1 Share capital

Share capital amounts to EUR 108,750,000 and is divided into 43,500,000 bearer shares with zero par value. Zumtobel Group AG shares are traded in the Prime Market segment of the Vienna Stock Exchange. The stock market abbreviation is ZAG, and the international security identification number (ISIN) is 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 2018 (2016/17: 43,146,657). The company held 353,343 treasury shares (2016/17: 353,343 shares).

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, profit for the year and the reserve from the expired stock option programme.

Currency translation reserve
This reserve includes the currency differences resulting from the application of the historical exchange rate on the date of initial consolidation and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (also see 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.

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

2.6.8.4 Dividend

The annual general meeting on 21 July 2017 authorised the payment of a EUR 0.23 dividend per share for the 2016/17 financial year. The resulting amount of TEUR 9,924 for the 43,146,657 shares outstanding as of 31 July 2017 (43,500,000 less 353,343 treasury shares) was distributed to shareholders on 2 August 2017.

In view of the substantially weaker operating development and the balance sheet result of EUR 0 recorded by Zumtobel Group AG, a distribution is not planned for the 2017/18 financial year.

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 ("going concern") and to optimise the return for shareholders by creating the best possible balance between the use of equity and debt. The capital structure is monitored continuously, including the cost and the risks connected with each type of capital. The main instruments used for capital management include an increase in or reduction of financial liabilities as well as dividend payments, new issues and share buybacks.

The financial framework for the Group's actions is defined, above all, by the consortium credit agreement concluded on 1 December 2015 with seven banks, which has a term extending to November 2022 and a maximum line of EUR 250 million. As of 30 April 2018, the amount drawn by the Zumtobel Group under this credit agreement totalled EUR 115 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 a clause covering an increase of up to EUR 200 million. In addition to the consortium credit agreement, the Zumtobel Group concluded two long-term bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020; both credits were fully drawn as of 30 April 2018. 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 2018 with a debt coverage ratio of 2.70 (2016717: 0.86) and an equity ratio of 27.3% (2016717: 32.8%). 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 following table shows the carrying amounts and fair values of financial assets and financial liabilities as well as their classification in the fair value hierarchy. It does not include any information on the fair value of financial assets and financial liabilities that are not carried at fair value the carrying amount represents an approximation of fair value.

2017/18 Financial Year

Assets

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

Liabilities

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

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

In the Zumtobel Group, the calculation of fair value is based primarily on input factors 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 1,628; 2016/17: TEUR 1,086; negative market values: TEUR –4,046; 2016/17: TEUR –9,098). 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 355 (2016/17: TEUR 355) represent obligations arising from the call/put option for the purchase of the remaining 40% of acdc in 2020. The purchase price for the remaining interest is linked to the future development of acdc's revenues, whereby the valuation of this obligation is based on acdc's forecasted revenues.

The consolidated financial statements also include an immaterial amount of financial instruments whose valuation is not based on quoted prices or input factors that can be 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 2017. Dividends of TEUR 22 were received during the reporting year.

2016/17 Financial Year

Assets

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	L&R	Cash	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	1,243	577	-	666	-				
Securities and similar rights	577	577	-	-	-	577			577
Loans originated and other receivables	666	-	-	666	-				
Current financial assets	1,591	-	1,086	505	-				
Loans originated and other receivables	37	-	-	37	-				
Positive market values of derivatives held for trading	1,086	-	1,086	-	-	1,086		1,086	
Other	468	-	-	468	-				
Trade receivables	198,225	-	-	198,225	-				
Liquid funds	81,352	-	-	-	81,352				
Total	**282,411**	**577**	**1,086**	**199,396**	**81,352**				

Liabilities

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	at amortised cost	Hedge Accounting	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	168,267	-	-	168,267	-				
Loans received	149,946	-	-	149,946	-	156,054			
Finance leases	18,321	-	-	18,321	-				
Other non-current liabilities	355	355	-	-	-	355			355
Current borrowings	4,539	-	-	4,539	-	-			
Loans received	3,929	-	-	3,929	-	-			
Finance leases	610	-	-	610	-	-			
Trade payables	157,074	-	-	157,074	-	-			
Other current liabilities	9,197	-	1,993	99	7,105				
Negative market values of derivatives held for trading	1,993	-	1,993	-	-	1,993		1,993	
Negative market values of derivatives (hedge accounting)	7,105	-	-	-	7,105	7,105		7,105	
Other	99	-	-	99	-				
Total	**339,432**	**355**	**1,993**	**329,979**	**7,105**				

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

in TEUR	2017/18	2016/17
Net gains or net losses	**(6,352)**	**(4,893)**
Financial instruments measured at amortised cost	(7,081)	(3,394)
Held for trading	3,129	(1,209)
Net investment hedge – ineffective portion of changes in fair value	1,080	62
Realised gains/losses from the hedge of a net position	(290)	(349)
Losses on sale/Impairment	(3,190)	(3)
Interest expense	**(6,855)**	**(7,289)**
Interest expense for financial assets measured at amortised cost	(5,959)	(5,833)
Interest expense hedge accounting	(896)	(1,456)
Interest income	**420**	**448**
Interest income at amortised cost	420	448
Interest income hedge accounting	0	0
Valuation adjustments to loans and receivables	**175**	**(308)**

Other financial income and expenses (TEUR –9,666; 2016/17: TEUR –8,464) include the net income or expense (TEUR –6,352; 2016/17: TEUR –4,893) as well as the interest component as defined in IAS 19 "Employee Benefits" after the deduction of income on plan assets (TEUR –3,314; 2016/17: TEUR –3,570).

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

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 the provision for customer default cases in connection with the valuation method applied to Group receivables.

2.6.11 Information on Risk Management

The use of financial instruments exposes the Zumtobel Group, in particular, to the following risks:

- Credit risk
- Liquidity risk
- Market risk

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

2.6.11.1 Credit risk

>> Trade receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts reported under assets therefore represent the maximum credit and default risk. However, this risk is considered to be low because it is distributed over a large number of customers and financial institutions. Losses on receivables, i.e. derecognised receivables, totalled 0.07% of Group revenues in 2017/18 (2016/17: 0.1%). The ten largest customers were responsible for 25% of Group revenues in 2017/18 (2016/17: 25%).

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 2017. 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 2018	30 April 2017
Beginning balance	**10,764**	**10,598**
Foreign currency translation	(240)	22
Addition	2,357	2,447
Utilisation	(1,563)	(693)
Reversal	(1,479)	(1,610)
Ending balance	**9,839**	**10,764**

Individual valuation adjustments were recognised in connection with possible default cases. These individual charges are based on the classification of receivables into doubtful and non-doubtful. 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:

	30 April 2018		30 April 2017	
in TEUR	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	159,557	2,202	196,267	1,932
Overdue 1-60 days	15,232	24	19,545	66
Overdue 61-90 days	1,679	720	2,343	609
Overdue 91-120 days	1,005	297	694	166
Overdue 121-180 days	610	215	1,021	577
Overdue > 180 days	6,525	6,381	7,885	7,414
Total	**184,608**	**9,839**	**227,755**	**10,764**

The nominal value of trade receivables included TEUR 7,839 (2016/17: TEUR 8,068) that were classified as doubtful. These doubtful receivables were written off in full.

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

>> Outstanding credit risk
The maximum risk represents the carrying amount of financial instruments and totalled TEUR 245,460 as of 30 April 2018 (2016/17: TEUR 282,411). This amount consists primarily of trade receivables and liquid funds (also see section 2.6.10.1).

In accordance with the Group's credit management policy, trade receivables overdue between 1 and 60 days are not written down because the Zumtobel Group has good business relationships with these customers and monitors their credit standing regularly.

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 2018 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 84,479 (2016/17: TEUR 88,107). 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 2018 will result in the following payments.

30 April 2018

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

30 April 2017

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	172,806	194,372	9,949	159,285	25,138
Loans from financial institutions	*145,314*	*152,577*	*2,007*	*145,726*	*4,844*
Loans from public authorities	*4,097*	*4,156*	*1,789*	*2,367*	*0*
Loans from other third parties	*693*	*700*	*19*	*681*	*0*
Finance leases	*18,931*	*33,168*	*2,363*	*10,511*	*20,294*
Working capital credits	*3,771*	*3,771*	*3,771*	*0*	*0*
Trade payables	157,074	157,074	157,074	0	0
Other liabilities	131,423	131,666	125,076	6,590	0
Derivatives held for trading	*1,993*	*1,860*	*1,860*	*0*	*0*
thereof outflows of forward exchange contracts		*117,480*	*117,480*	*0*	*0*
thereof inflows of forward exchange contracts		*116,154*	*116,154*	*0*	*0*
thereof conditional derivatives (options)		*534*	*534*	*0*	*0*
Derivatives (hedge accounting)	7,105	7,481	1,246	6,235	0
Other financial instruments	454	454	99	355	0
Liabilities Non-FI	121,871	121,871	121,871	0	0
Liquidity risk	**461,303**	**483,112**	**292,099**	**165,875**	**25,138**

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

30 April 2018			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Financial assets	1,628	1,819	1,819	0	0
Derivatives held for trading	*1,628*	*1,819*	*1,819*	*0*	*0*
thereof outflows of forward exchange contracts		*88,146*	*88,147*	*0*	*0*
thereof inflows of forward exchange contracts		*89,929*	*89,929*	*0*	*0*
thereof conditional derivatives (options)		*37*	*37*	*0*	*0*

30 April 2017			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Financial assets	1,086	1,064	1,064	0	0
Derivatives held for trading	*1,086*	*1,064*	*1,064*	*0*	*0*
thereof outflows of forward exchange contracts		*42,870*	*42,870*	*0*	*0*
thereof inflows of forward exchange contracts		*43,503*	*43,503*	*0*	*0*
thereof conditional derivatives (options)		*431*	*431*	*0*	*0*

No securities were pledged as collateral.

2.6.11.3 Market risk

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

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

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

Interest rate risk

Interest rate risk represents the possible fluctuation in the value of a financial instrument due to an increase or decrease in market interest rates or 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 115,000) is considered long-term because of its maturity date on 30 November 2022. However, this credit carries a variable interest rate (EURIBOR-based money market rate). The two long-term loans concluded on a bilateral basis (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, EUR-interest rate swaps were concluded with various banks – under the assumption that the average outstanding balance would equal at least TEUR 80,000 – for a current effective nominal volume of TEUR 60,000. These interest rate instruments are structured over various terms (up to June 2021 at the latest) and convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 1.446%. The EUR-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39 "Financial Instruments: Recognition and Measurement". The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The Zumtobel Group also concluded a EUR/CHF-cross-currency swap with payment obligations in Swiss francs. The foreign exchange component of this cross-currency swap meets the requirements for a hedge of a net investment in a foreign operation as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates", and the market value is reported under derivatives (hedge accounting).

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2017/18	Fair value in TEUR 2016/17
EUR	60,000	(580)	(1,334)
CHF	23,228	(3,245)	(5,771)
Negative market values of interest rate hedging instrument (hedge accounting)		**(3,825)**	**(7,105)**

The reduction in the negative market value of the EUR-CHF cross currency swap to TEUR -3,245 (2016/17: TEUR -5,771) was based on two factors: the amortisation of the nominal amounts by TCHF 2,000 through profit or loss at the historical exchange rate of 1.4364 (TEUR 1,392) and the appreciation of the euro versus the Swiss franc (CHF) by roughly 10.5% (30 April 2018: EUR/CHF 1.1968/previous year: 1.0831).

>> 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 2018	30 April 2017
Borrowings	(103,417)	(108,390)
Fixed rate instruments	**(103,417)**	**(108,390)**
Financial assets	2,676	2,833
Liquid funds	85,090	81,352
Borrowings	(128,002)	(64,416)
Variable rate instruments	**(40,236)**	**19,769**
Total	**(143,653)**	**(88,621)**

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 325 (2016/17: TEUR 165) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, an increase or decrease in the interest rate would not lead to any valuation effects on the income statement or in equity.

For the 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 299 (2016/17: TEUR 447).

Foreign exchange risk

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

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

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

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

>> Sensitivity analysis

The following information describes the sensitivity of a change in the EUR exchange rate versus other currencies from the Group's point of view. The calculations cover all financial instruments reported on the balance sheet as of 30 April 2018 (including internal financial instruments).

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

A 10% increase or decrease in the value of the euro versus the respective foreign currency as of 30 April 2018 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

	EUR decrease of 10%		EUR increase of 10%	
in TEUR	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
EUR - GBP	(2,886)	(10,402)	2,886	10,402
EUR - USD	2,412	(373)	(2,412)	373
EUR - AUD	775	(187)	(775)	187

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

in TEUR	Fair value	EUR decrease of 10%	EUR increase of 10%
EUR - USD	756	3,694	(3,418)
EUR - CHF	294	(1,192)	1,084
EUR - GBP	(3)	(1,894)	1,722
EUR - AUD	11	(274)	249
EUR - NOK	6	(129)	118

Raw material price risk

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

2.6.12 Segment Reporting

2.6.12.1 Operating segments

The Zumtobel Group has two operating segments which form the basis for corporate management: the Lighting Segment and the Components Segment. The Lighting Segment covers the Indoor and Outdoor business areas as well as Zumtobel Group Services 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 -273 (2016/17: TEUR -416) for the Lighting Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR –11,702 (2016/17: TEUR –144) of impairment charges, whereby TEUR –2,048 (2016/17: TEUR –90) are attributable to the Components Segment and TEUR –9,654 (2016/17: TEUR –54) to the Lighting Segment. The elimination of inter-segment revenues is included in the reconciliation column.

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Net revenues	**908,315**	**999,899**	**1,028,413**	**352,733**	**377,245**	**410,353**	**(64,532)**	**(73,260)**	**(82,222)**	**1,196,516**	**1,303,884**	**1,356,544**
External revenues	*908,155*	*999,627*	*1,027,665*	*288,310*	*304,226*	*328,799*	*51*	*31*	*80*	*1,196,516*	*1,303,884*	*1,356,544*
Inter-company revenues	*160*	*272*	*748*	*64,423*	*73,019*	*81,554*	*(64,583)*	*(73,291)*	*(82,302)*	*0*	*0*	*0*
Adjusted EBIT	**9,443**	**53,472**	**48,220**	**31,375**	**39,630**	**34,978**	**(21,163)**	**(20,698)**	**(24,521)**	**19,655**	**72,404**	**58,677**
Special effects	(21,603)	(28,904)	(37,624)	(3,056)	2,632	3,282	(2,292)	(341)	(515)	(26,951)	(26,613)	(34,857)
Operating profit/loss	**(12,160)**	**24,568**	**10,596**	**28,319**	**42,262**	**38,260**	**(23,455)**	**(21,039)**	**(25,036)**	**(7,296)**	**45,791**	**23,820**
Investments	**49,889**	**26,425**	**33,858**	**12,720**	**13,015**	**20,091**	**14,493**	**5,761**	**4,417**	**77,103**	**45,201**	**58,366**
Depreciation	**(41,633)**	**(36,190)**	**(38,937)**	**(12,406)**	**(19,532)**	**(24,596)**	**(7,416)**	**(4,718)**	**(3,998)**	**(61,456)**	**(60,440)**	**(67,531)**

in TEUR	30 April 2018	30 April 2017	30 April 2016	30 April 2018	30 April 2017	30 April 2016	30 April 2018	30 April 2017	30 April 2016	30 April 2018	30 April 2017	30 April 2016
Assets	646,377	690,327	736,685	173,640	172,920	173,395	166,089	156,382	158,568	986,106	1,019,629	1,068,648

	30 April 2018	30 April 2017	30 April 2016	30 April 2018	30 April 2017	30 April 2016	30 April 2018	30 April 2017	30 April 2016	30 April 2018	30 April 2017	30 April 2016
Headcount (full-time equivalent)	4,325	4,767	4,913	1,690	1,590	1,638	209	205	210	6,224	6,562	6,761

The reconciliation column comprises the following:

in TEUR	2017/18	2016/17
Group parent companies	(23,852)	(21,529)
Group entries	397	490
Operating profit/loss	**(23,455)**	**(21,039)**

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 2018	30 April 2017
Assets used by more than one segment	148,108	149,044
Group parent companies	48,664	46,634
Group entries	(30,683)	(39,296)
Assets	**166,089**	**156,382**

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

2.6.12.2 Regional segments

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

	External revenues		Assets	
in TEUR	2017/18	2016/17	30 April 2018	30 April 2017
D/A/CH	357,698	381,882	466,398	479,191
thereof Austria	94,403	99,267	401,380	392,327
Northern Europe	271,796	341,422	104,385	133,372
Southern Europe	178,885	183,031	39,978	50,842
Benelux & Eastern Europe	182,839	165,659	55,032	29,296
Middle East & Africa	55,282	61,194	14,362	14,853
Asia & Pacific	120,365	126,957	56,881	60,471
Americas	29,650	43,739	10,297	16,841
Reconciliation	0	0	238,772	234,763
Total	**1,196,516**	**1,303,884**	**986,106**	**1,019,629**

Reconciliation of regions:

in TEUR	30 April 2018	30 April 2017
Assets used by more than one segment	234,817	246,246
Group entries	3,955	(11,483)
Assets	**238,772**	**234,763**

2.6.13 Contingent Liabilities and Guarantees

The Zumtobel Group has accepted liabilities of TEUR 7,331 (2016/17: TEUR 7,042) for bank guarantees.

2.6.14 Subsequent Events

No subsequent events occurred after the balance sheet date on 30 April 2018.

2.6.15 Related Party Transactions

Closely related persons are persons in key positions at Zumtobel Group AG (active members of the Management Board and Supervisory Board of Zumtobel Group AG) and their close family relatives. In 2017/18, the fees for consulting services provided by management in key positions totalled TEUR 15 and expenses of TEUR 23 were reimbursed. The sale of goods to management in key positions resulted in revenues of TEUR 14. Management in key positions received remuneration of TEUR 10 from subsidiaries. No loans or advances were granted to members of the Board of Management or the Supervisory Board. Key management staff accept positions in other companies which allow them to exercise control or significant over the respective company's financial and business policies. Transactions with these companies amounted to TEUR 51 in 2017/18. Former members of management in key positions received bonuses of TEUR 138. Moreover, there were no transactions with unconsolidated companies and no transactions with owners.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (also see section 2.6.6.4). Revenues from the sale of materials and services to associated companies totalled TEUR 10,446 in 2017/18 (2016/17: TEUR 14,450), and the expenses for products purchased by associated companies equalled TEUR 39,715 (2016/17: TEUR 12,652). Trade receivables due from associated companies amounted to TEUR 1,182 as of 30 April 2018 (2016/17: TEUR 1,157) and trade payables equalled TEUR 3,627 (2016/17: TEUR 3,211). No trade receivables due from associated companies were derecognised due to failed collection in 2017/18, and no receivables due from associated companies were classified as uncollectible as of 30 April 2018. A provision of TEUR 3,696 was created for an onerous purchase obligation.

As of 30 April 2018 a financial liability of TEUR 1,207 was due to an associated company (2016/17: financial receivable of TEUR 467). Impairment charges of TEUR 2,000 were recognised to a financial receivable in 2017/18.

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2017/18	2016/17
Total remuneration for the Management Board	**2,014**	**2,643**
thereof fixed component	1,926	1,520
thereof short-term variable component	26	283
thereof long-term variable component	61	840
Settlement payment	235	0

in TEUR	2017/18	2016/17
Alfred Felder (as of 1 April 2016)	**515**	**786**
thereof fixed component	515	470
thereof short-term variable component	0	95
thereof long-term variable component	0	221
Bernhard Motzko (as of 1 February 2018)	**343**	**0**
thereof fixed component	255	0
thereof short-term variable component	26	0
thereof long-term variable component	61	0
Thomas Tschol (as of 1 April 2018)*	**50**	**0**
thereof fixed component	50	0
thereof short-term variable component	0	0
thereof long-term variable component	0	0
* Remuneration is provided as part of a management service agreement		
Ulrich Schumacher (until 1 February 2018)	**703**	**1,190**
thereof fixed component	703	650
thereof short-term variable component	0	108
thereof long-term variable component	0	432
Karin Sonnenmoser (until 9 March 2018)	**403**	**667**
thereof fixed component	403	400
thereof short-term variable component	0	80
thereof long-term variable component	0	187
Settlement payment	235	0

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	2017/18	2016/17
Total Supervisory Board remuneration	**453**	**516**
thereof fixed remuneration	*382*	*420*
thereof variable remuneration	*50*	*75*
thereof expense allowances and reimbursements	*21*	*21*

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	2017/18		2016/17	
	Average	Balance sheet date	Average	Balance sheet date
Production	2,836	2,879	3,171	3,044
R&D	546	542	577	564
Sales	1,942	1,934	1,937	1,958
Administration	543	540	558	561
Miscellaneous	346	329	451	435
Total	**6,213**	**6,224**	**6,694**	**6,562**

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 2017/18:

Name	Function	Initially appointed/ Delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	14 years
Stephan Hutter	First Vice-Chairman (until 31 January 2018)	2010	2020	7 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	7 years
Fritz Zumtobel	Member	1996	2020	21 years
Volkhard Hofmann	Member (since 21 July 2017)	2017	2020	1 year
Rüdiger Kapitza	Member (until 5 June 2017)	2015	2020	2 years
Hans-Peter Metzler	Member (until 31 January 2018)	2010	2020	7 years
Dietmar Dünser	Delegated by the Employees' Council	2015		2 years
Richard Apnar	Delegated by the Employees' Council	2012		5 years
Kai Arbinger	Delegated by the Employees' Council	2016		1 year

The following persons served as members of the Management Board in 2017/18:

Name	Function	Initially appointed on	Term ends on	Service time to date
Alfred Felder	President of the Management Board since 1 February 2018, formerly COO	1. April 2016	30. April 2019	> 2 years
Bernard Motzko	COO (Chief Operating Officer)	1. February 2018	30. April 2021	< 1 year
Thomas Tschol	CFO (Chief Financial Officer)	1. April 2018	30. April 2020	< 1 year
Ulrich Schumacher	CEO (Chief Executive Officer)	1. October 2013	1. February 2018	< 5 years
Karin Sonnenmoser	CFO (Chief Financial Officer)	1. May 2014	9. March 2018	< 4 years

2.7 Scope of Consolidation

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

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

88	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
89	Tridonic AG	Switzerland	100	full	30 April	CHF
90	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
91	Inventron AG	Switzerland	48	equity	30 April	CHF
92	ZG Lighting (Thailand) Ltd	Thailand	100	full	30 April	THB
93	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
94	Thorn Gulf LCC	UAE	49	full	31 December	AED
95	Tridonic (ME) FZE	UAE	100	full	30 April	AED
96	acdc Corp.	USA	100	full	31 December	USD
97	Tridonic Inc., US	USA	100	full	30 April	USD
98	Lemgo Realty Corp.	USA	100	full	30 April	USD
99	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

The following companies were deconsolidated in 2017/18:

1	Europhane SAS	France	100	full	30 April	EUR
2	Staff Iberica S.A.	Spain	50	equity	30 April	EUR

The following companies were not included in the consolidation range:

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

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

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

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

Dornbirn, 15 June 2018

The Management Board

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

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Zumtobel Group AG,
Dornbirn, Austria,

and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 30 April 2018, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flows Statement for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 April 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

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

Key Audit Matters

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

We have identified the following key audit matters:

1. Recoverability of goodwill allocated to Lighting Segment

2. Recoverablitiy of deferred tax assets

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

Recoverability of goodwill allocated to Lighting Segment

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

Risk for the Consolidated Financial Statements

The book value of goodwill recorded in the consolidated financial statements, amounting to EUR 187.895k, mainly relates to the goodwill allocated to and tested for recoverability at the level of the Lighting Segment in the amount of EUR 185.838k. This goodwill arose in particular from the acquisition of Thorn Lighting Group in the fiscal year 1999/2000. In accordance with the internal organization structure, the goodwill has been allocated to the Lighting Segment as cash generating unit and is subject to recoverability testing (impairment test) at least once a year.

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

Our Response

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

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

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

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

Recoverability of deferred tax assets

Refer to notes section 2.6.3.2 and 2.6.6.8 / management report chapter 1.9

Risk for the Consolidated Financial Statements

The consolidated financial statements as at 30 April 2018 include deferred tax assets before offsetting amounting to EUR 64.446k (thereof EUR 34.187k from tax losses carryforwards and seven-year amortization of participations pursuant to section 12para. 3 No. 2 Austrian Corporate Tax Act). The recognition of deferred tax assets is based, on the one hand, on existing deferred tax liabilities and, on the other hand, on the expected realization of future taxable income. The evidence of sufficient future taxable results is based on corporate and tax planning calculations, which are highly dependent on the estimates and assumptions made by the management regarding company development.

There is a risk that future taxable profit will not be sufficient for deferred tax assets recognized in the consolidated financial statements.

Our Response

We examined the extent to which recognized deferred tax assets are covered by existing deferred tax liabilities at the level of the respective taxable entity and at the level of the existing tax group pursuant to section 9 Austrian Corporate Tax Act.

We analyzed the consistency of assumptions and key parameters used for forecasting the future taxable results with the assumptions made by the management for business planning and verified the mathematical accuracy of the tax planning calculations for further deferred tax assets recognized,. Additionally, we critically dealt with the regulations on the allocation methodology provided for in the Group and Tax Compensation Agreement and their presentation in the tax planning calculations.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities

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

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

Moreover:

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

— We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

Report on Other Legal Requirements

Group Management Report

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

Management is responsible for the preparation of the group management report in accordance with the Austrian Generally Accepted Accounting Principles.

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

Opinion

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

Statement

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

Other Information

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

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

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

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 21 July 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 10 April 2018. We have been the Group's auditors from the year ended 30 April 2007, without interruption.

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

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

Engagement Partner

The engagement partner is Mr. Mag. Thomas Smrekar.

Vienna, 15 June 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

3. Corporate Governance Report 2017/18

Contents

3. Corporate Governance Report

3.1 Commitment to the Austrian Corporate Governance Code

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

As in previous years, Zumtobel Group AG complied with nearly all provisions of the code during the 2017/18 financial year. The Group‘s actions deviated from only one C-Rule of the 83 Rules in the code, and the difference is described below.

3.1.1 Comply or Explain

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

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

3.1.2 External evaluation of compliance with the Corporate Governance Code

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

3.1.3 Compliance management in Zumtobel Group AG

Efforts to strengthen the efficiency and effectiveness of the corporate governance system in order to meet the changes in the operating environment continued during 2017/18. The corporate integrity department was responsible for pursuing the measures defined in previous years to develop and expand the compliance management system. These efforts were characterised by close cooperation between corporate identity and the legal department, internal audit, risk management, human resources management and IT. The chief compliance officer reports regularly on current compliance issues as well as planning and progress on the development and expansion of the CMS at the Management Board meetings. The new compliance officer will also hold personal meetings with the chairman of the Audit Committee at least twice each year and report to the Audit Committee twice each year on the status of and major developments in the area of compliance. Additional information can be found in the management report under "Corporate Governance und Compliance".

3.2 The Corporate Bodies and Committees of Zumtobel Group AG

In accordance with Austrian law, the organisation of Zumtobel Group AG is based on three independent corporate bodies: the annual general meeting, the supervisory board and the management board. The Management Board of Zumtobel Group AG is responsible for the direction of the company. The Supervisory Board, a 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 boards at the same time. The cooperation between these three bodies is defined by the articles of association as well as the rules of procedure for the Management and Supervisory Boards. The articles of association are published on the website of the Zumtobel Group (*www.zumtobelgroup.com*).

3.2.1 Shareholders and the annual general meeting

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

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

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

3.2.2 The Management Board

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

Name	Function	Appointed on	Term ends on	Service time
Alfred Felder	Acting President of the Management Board since 1 February 2018, previously COO	01.04.2016	30.04.2019	> 2 years
Thomas Tschol	CFO (Chief Financial Officer)	01.04.2018	30.04.2020	< 1 year
Bernard Motzko	COO (Chief Operating Officer)	01.02.2018	30.04.2021	< 1 year
Karin Sonnenmoser	CFO (Chief Financial Officer) up to 9 March 2018	01.05.2014	09.03.2018	< 4 years
Ulrich Schumacher	CEO (Chief Executive Officer) up to 1 February 2018	01.10.2013	01.02.2018	< 5 years

Alfred Felder – Acting President of the Management Board

Alfred Felder was appointed acting president of the Management Board as of 1 February 2018. He previously served as COO of Zumtobel Group AG since 1 April 2016. His term of office extends to 30 April 2019. Mr. Felder was born in 1963 in South Tyrol (Italy) and studied electrical engineering at the Vienna University of Technology. He joined the Siemens Group in 1990 where he held various research and development functions in Germany and, starting in 1995, was the technology manager for Siemen's Infineon subsidiary in Japan. In 2003 he transferred to OSRAM, a former Siemens subsidiary, and was responsible for various management functions in the areas of optoelectronic semiconductors and general lighting in the USA and China. Alfred Felder served as the managing director of the Zumtobel Group's Tridonic components subsidiary beginning in November 2012.

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

Bernard Motzko - COO

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

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

Thomas Tschol – CFO

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

Additional functions or inter-company relations outside the Zumtobel Group: member of the Supervisory Board of Wolford AG (Austria) up to 4 May 2018.

Ulrich Schumacher – CEO (up to 1 February 2018)

Ulrich Schumacher was appointed CEO of Zumtobel Group AG as of 1 October 2013. His operating activities as CEO of Zumtobel Group AG ended on 1 February 2018, and his employment contract was terminated as of 26 February 2018.

Additional functions or inter-company relations outside the Zumtobel Group: (as of 30 April 2017): member of the supervisory board of ASM International N.V., Almere (Netherlands) since May 2008.

Karin Sonnenmoser – CFO (up to 9 March 2018)

Karin Sonnenmoser was appointed CFO of Zumtobel Group AG as of 1 May 2014 and left the company as of 9 March 2018.

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; substitute member of the supervisory board of Schweizer Electronic AG, Schramberg (Germany) since 1 July 2016.

Distribution of duties on the Management Board

As a corporate body, the Management Board is responsible for jointly directing the business activities of the Zumtobel Group. Its members share the responsibility for the Group's success and long-term orientation. To facilitate daily work processes, individual board members were defined as the contact partners for specific functions and activities.

The distribution of duties as of 30 April 2018 is as follows:

Alfred Felder Acting president of the Management Board	Thomas Tschol CFO	Bernard Motzko COO
- Corporate strategy, mergers & acquisitions, business processes - Business divisions - Sales, marketing & communication - Technology & development - Human resources - Investor relations - Legal	- Accounting & tax - Finance & controlling - Treasury - Risk management - Compliance - Internal audit - Insurance	- Plant network (Operations) - Logistics & supply chain management - Quality - IT - Procurement

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).

3.2.3 The Supervisory Board

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

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	15 years
Stephan Hutter (up to 31 January 2018)	First Vice-Chairman	2010		8 years
Volkhard Hofmann (member as of 21 July 2017, First Vice-Chairman since 1 February 2018)	First Vice-Chairman	2017	2020	1 year
Johannes Burtscher	Second Vice-Chairman	2010	2020	8 years
Fritz Zumtobel	Member	1996	2020	21 years
Rüdiger Kapitza (up to 5 June 2017)	Member	2015		2 years
Hans-Peter Metzler (up to 31 January 2018)	Member	2010		8 years
Dietmar Dünser	Delegated by the Employees' Council	2015		3 years
Richard Apnar	Delegated by the Employees' Council	2012		6 years
Kai Arbinger	Delegated by the Employees' Council	2016		2 years

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 at a meeting on 29 September 2006. On 26 June 2009 the Supervisory Board approved an amended version of these criteria, which more closely reflects the guidelines of the Austrian Corporate Governance Code. These criteria, which have been in effect since 2009, were updated by the Supervisory Board of Zumtobel Group AG in a meeting on 25 June 2013 to reflect a formal, immaterial adjustment. In accordance with these criteria, a member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the Zumtobel Group or the Management Board of Zumtobel Group AG. Such relations include, among others, significant customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the Zumtobel Group's website (*www.zumtobelgroup.com*).

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Two members of the Supervisory Board – Volkhard Hofmann and Johannes Burtscher – are independent and neither shareholders nor representatives of shareholders with an investment of more than 10%. Accordingly, Rule 54 is also met in full.

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

3.2.4 The Supervisory Board | committees

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

Audit Committee

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

Duties: The Audit Committee is responsible for the audit of and preparations for the approval of the separate financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2017/18 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: Stephan Hutter (Chairman, resigned as of 31 January 2018), Jürg Zumtobel (Vice-Chairman, as of 1 February 2018 Chairman), Rüdiger Kapitza (resigned as of 5 June 2017), Volkhard Hofmann (as of 1 February 2018 Vice-Chairman), Johannes Burtscher (as of 1 February 2018)

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

Strategy Committee

Members: Jürg Zumtobel (Chairman, as of 1 February 2018 Vice-Chairman), Stephan Hutter (Vice-Chairman, resigned as of 31 January 2018), Rüdiger Kapitza (resigned as of 5 June 2017), Hans-Peter Metzler (resigned as of 31 January 2018), Volkhard Hofmann (as of 1 February 2018 Chairman), Johannes Burtscher (as of 1 February 2018)

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

3.2.4.1 The Supervisory Board | shareholder representatives

Jürg Zumtobel

Jürg Zumtobel has been chairman of the Supervisory Board of Zumtobel Group AG since 1 September 2003. His term of office extends until the annual general meeting for the 2019/20 financial year. Born in 1936 in Frauenfeld (Switzerland), Jürg Zumtobel joined the Zumtobel Group in 1963 and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel Group AG.

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

Volkhard Hoffmann (since 21 July 2017)

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

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

Johannes Burtscher

Johannes Burtscher joined the Supervisory Board of Zumtobel Group AG as a member and second vice-chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2019/20 financial year. Mr. Burtscher was born in Egg (Austria) in 1969 and is a licentiate and doctor of economics at the University of St. Gallen (HSG). From 1996 to 2007 Johannes Burtscher held various positions in the Zumtobel Group, first as the assistant to Jürg Zumtobel on the headquarters staff for strategy and organisation. He then served as Group controller. Following the acquisition of Thorn Lighting, Mr. Burtscher was appointed CFO of the British subsidiary in London. He also managed the luminaire business in Asia from his base in Hong Kong. Mr. Burtscher was CFO of the Munich-based Rodenstock Group from 2007 to 2011 and has served as the CFO of Novem, an automobile industry subcontractor, since July 2012.

Additional functions or inter-company relations outside the Zumtobel Group: member of the administrative board of Kunststoff Schwanden AG, Schwanden, Switzerland.

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel Group AG since 1996. He served as vice-chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2019/20 financial year. Fritz Zumtobel was born in 1939 in Frauenfeld, Switzerland. He joined the Zumtobel Group in 1965 and held various positions during his career, mainly in the technical field. He was a member of the Management Board of Zumtobel Group AG from 1974 to 1996.

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

Stephan Hutter (up to 31 January 2018)

Stephan Hutter was elected to the Supervisory Board of Zumtobel Group AG on 23 July 2010 and served as first vice-chairman beginning in 24 July 2015. His last term of office extended up to the annual general meeting for the 2019/20 financial year, but he resigned as of 31 January 2018. 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. He serves as an advisor, above all, on international capital markets law as well as international acquisitions and bank financing. Stephan Hutter started his legal career with Shearman & Sterling in New York in 1986 and 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 and Rheinland-Palatinate (Germany).

Hans-Peter Metzler (up to 31 January 2018)

Hans-Peter Metzler was elected to the Supervisory Board of Zumtobel Group AG on 23 July 2010. His term of office extended up to the annual general meeting for the 2019/20 financial year, but he resigned as of 31 January 2018. Mr. Metzler was born in Bregenz (Austria) in 1959. After completing university studies in mathematics and theoretical physics, he joined the group research department of Siemens AG, Munich, in 1984. In 1992 he became managing director and head of research & development for Siemens Components, Asia Pacific, and in 1996 general manager of the microcontroller business of Siemens AG in Munich. Mr. Metzler founded NewLogic Technologies in 1997, Photeon Technologies in 2000 and Interclick in 2008.

Additional functions or inter-company relations outside the Zumtobel Group: president of the administrative board of CCS Group Holding AG, Lyss (Switzerland), member of the supervisory board of Aquin & Cie AG, Munich (Germany), member of the supervisory board of Dornbirner Sparkasse Bank AG, Dornbirn (Austria), president of Bregenzer Festspiele Privatstiftung, Bregenz (Austria), member of the management board of Freundesverein des Kunsthaus Bregenz, Bregenz (Austria) and chairman of the advisory board of Heliatek GmbH, Dresden (Germany).

Rüdiger Kapitza (up to 5 June 2017)

Mr. Kapitza was elected to the Supervisory Board of Zumtobel Group AG on 24 July 2015. His term of office extended to the annual general meeting for the 2019/20 financial year, but he resigned as of 5 June 2017. 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: member of the managment board of Deutscher Werkzeugmaschinenfabriken e.V. (VDW), member of Hauptverbandes des Verbandes Deutscher Maschinen- und Anlagenbau e.V. (VDMA).

3.2.4.2 The Supervisory Board | employee representatives

Dietmar Dünser

Mr. Dünser was delegated to the Supervisory Board of Zumtobel Group AG by the Employees' Council for Salaried Employees in July 2015. He was born in Bludenz, Austria, in 1966 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. In January 2016 Mr. Dünser became the full-time, independent representative for salaried employees in the above-mentioned companies.

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.

Kai Arbinger

Mr. Arbinger was delegated to the Supervisory Board of Zumtobel Group AG by the Central Employees' Council of Tridonic in May 2016. He was born in Bregenz, Austria, in 1959 and joined the Zumtobel Group's development department in 1985. In December 2015, Mr. Arbinger was elected chairman of the Employees' Council for Salaried Employees at Tridonic GmbH & Co KG.

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

3.3 Diversity on the Supervisory and Management Boards

The members of the Supervisory and Management Boards are selected on the basis of their technical qualifications and personal expertise in order to achieve a balance of educational and professional backgrounds. Support for diversity with regard to generations and genders are included in selecting new appointments to the Supervisory Board and Management Board. The following table shows the structure of the Management Board and Supervisory Board of Zumtobel Group AG as of 30 April 2018:

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

The Management Board of the Zumtobel Group does not include any women, following the resignation of the former CFO in spring 2018. An analysis of the age distribution, internationality and professional background shows a balanced picture. The members of the Management Board are between 48 and 56 years old, come from three different nations and have extensive international management experience in various companies and business areas. The Supervisory Board did not include any women in 2017/18, as in the previous year. The members of the Supervisory Board, as a whole, cover the entire spectrum of areas important to the company, such as engineering, telecommunications and electronics. Business knowledge and many years of management experience complement the profile. The Zumtobel Group is working to increase the share of women in its management and control bodies and gives special attention to the evaluation of female talents in succession planning.

3.4 Diversity Concept and Measures to Support Women

Diversity has high priority for the Zumtobel Group – it is an important factor in protecting the competitive position and creating an innovative working climate. The workforce includes men and women from nearly 80 nations. The Group believes in equal opportunity, regardless of gender, age, ethnic origin etc. This commitment is reflected in the code of conduct, which prohibits any form of discrimination in the company. Experience, qualifications and performance represent the basis for personnel decisions in all areas and all management levels of the Zumtobel Group. All employees are entitled to fair and performance-based remuneration, regardless of their gender. A wide range of measures has been initiated and successfully implemented to promote diversity throughout the Group. Equal opportunity and diversity are also covered in various corporate programmes to increase the employees' awareness for these important issues. In addition, diversity and the promotion of talents with different backgrounds are also integrated in the management development programmes.

The share of women in the Zumtobel Group's workforce currently equals 35.8% (2016/17: 35.7%). There is no specific target for the appointment of women to management positions, but internal and external recruiting and personnel development measures are increasingly aimed in this direction. The share of women in management positions reflected the previous year at 17.5% as of 30 April 2018 (2016/17: 17.0%). The goal is to achieve the best possible diversity in the upper management levels and gradually increase the share of women over the coming years. However, the limited number of qualified specialists in the branch creates major challenges for attracting qualified applicants and recruiting the right people for the right jobs. A technical education is the prerequisite for many of the key positions in the company. The Zumtobel Group still, unfortunately, receives few applications from women for these positions, 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. In January and November 2017 the Zumtobel Group's apprenticeship workshop opened its doors for an all-night event. The "Amazone" association, which works to promote equal access to apprenticeships for young men and women, was represented with an information stand for the fourth time. Apprentices in the Zumtobel Group are trained in the following professions: electrical engineering, electronics, plastics engineering, mechatronics and IT engineering.

The Zumtobel Group helps employees to achieve a balance between career and family by continuously expanding the offering of flexible working time models. Part-time employment, educational leave, sabbaticals, home office options or other models are arranged where needed and permitted by the respective position. Part-time employees represented 6.9% of the total full-time equivalent workforce during the reporting year (2016/17: 6.6%). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

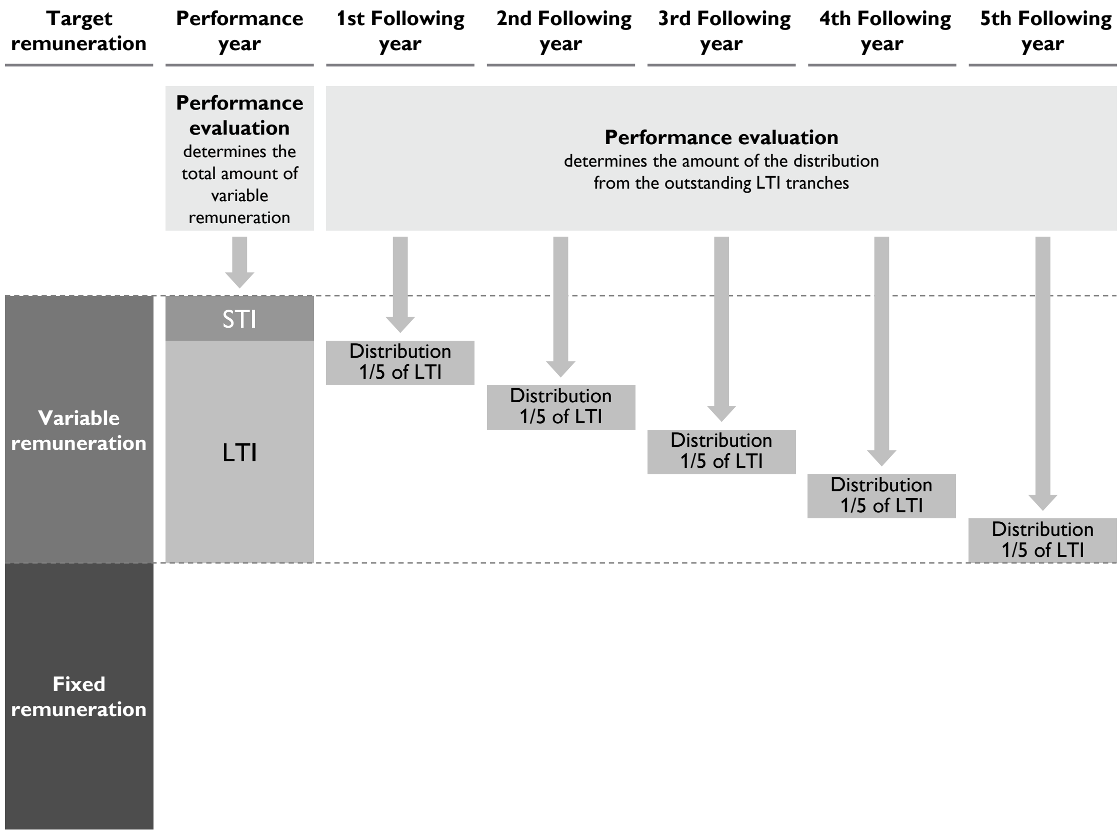
3.5 Remuneration Report

3.5.1 Management Board remuneration

The remuneration system for the Management Board and key management of Zumtobel Group AG is based on performance. Accordingly, above-average performance has a positive and below-average performance a negative effect on the amount of remuneration. The remuneration system is also linked to sustainable actions with a long-term orientation. The effectiveness of the remuneration system was clearly confirmed in 2017/18. Most of the Management Board and upper-level management did not receive any variable remuneration for the reporting year due to the disappointing operating development of the Zumtobel Group.

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 years[1], whereby the amount of the individual payments is based on a performance evaluation at the time of distribution. The valuation of the individual LTI segments ensures that not only the short-term effects of management decisions, but also their long-term impact on the development of the company are reflected in remuneration.

The performance evaluation assesses the achievements of the Management Board based on a relative performance indicator at the time the variable remuneration is distributed and at the time the LTI segments are paid. The relative performance indicator 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[2]). This peer group has a broad distribution, both from a geographical and industrial perspective. The composition of the peer group changed slightly from 2016/17 to 2017/18: one company was removed from the peer group following the sale of the relevant division, and another company was removed following a merger and subsequent delisting. The weighting of the remaining companies was adjusted accordingly. The proportional adjustment of the weighting for the remaining companies in the peer group led to a change in the percentage distribution of the industrial sectors in 2017/18:

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

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

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

The variable remuneration for the members of the Management Board is generally determined solely on the basis of goal attainment in relation to the relative performance indicator. However, variable remuneration determined on the basis of this goal attainment can vary by up to 20% above or below the respective target in justified cases[3]. This discretionary component can 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 C-27.

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 firm[4].

The performance evaluation for the 2017/18 financial year resulted in the following remuneration for the members of the Management Board[5] (*disclosure pursuant to Rules C-29, C-30 and C-31)*:

[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
[5] Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2017/18 irrespective of the payment date.

	Total		Fixed	Variable			
In TEUR	Target remuneration[6]	Remuneration[7]	Basic salary	STI	LTI[8]	LTI payments from prior periods	Severance compensation[9]
Total Management Board remuneration							
2017/18	3.784	2.014	1.926	26	61	0	235
2016/17	2.871	2.643	1.520	283	840	463	0
Alfred Felder, CEO (since 1 April 2016 on the Management Board as COO, Acting president of the Management Board as of 1 February 2018)							
2017/18[10]	963	515	515	0	0	0	0
2016/17[11]	850	786	470	95	221	1	0
Bernard Motzko, COO (since 1 February 2018 on the Management Board)							
2017/18[12]	343	343	255	26	61	0	0
2016/17	-	-	- -	-	-	-	-
Thomas Tschol, CFO (since 1 April 2018 on the Management Board)							
2017/18[13]	-	50	50	-	-	0	0
2016/17	-	-	- -	-	-	-	-

[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 (CEO); the LTI payout period for the Management Board covers five years for all of the current board members.

[9] Severance compensation for Ms. Sonnenmoser in connection with the termination of her contract as of 9 March 2018; this amount covers all entitlements arising from her employment contract.

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

[11] The target remuneration and actual remuneration for Alfred Felder in 2016/17 include the contractually agreed compensation for the function of COO and additional compensation for his double function as business unit leader of Tridonic (1 May 2016 – 31 October 2016). Mr. Felder receives LTI payments from prior periods for his activities as the Tridonic business unit leader (these payments are not included here) and for his COO activities during the period from 1 April 2016 to 30 April 2016.

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

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

Ulrich Schumacher, CEO (up to 1 February 2018 on the Management Board)							
2017/18[14]	1.407	703	703	0	0	0	0
2016/17[15]	1.300	1.190	650	108	432	257	0
Karin Sonnenmoser, CFO (up to 9 March 2018 on the Management Board)							
2017/18[16]	729	403	403	0	0	0	235
2016/17	721	667	400	80	187	67	0
Martin Brandt, COO (up to 31 July 2014 on the Management Board)							
2017/18[17]	0	0	0	0	0	0	0
2016/17	0	0	0	0	0	138	0

The operating activities of Ulrich Schumacher as CEO of Zumtobel Group AG ended on 1 February 2018, and his employment contract was terminated as of 26 February. Alfred Felder, who has served as COO since 1 April 2016, was appointed acting president of the Management Board (interim CEO) and successor to Ulrich Schumacher on 1 February 2018. On 8 June 2018 he was appointed President of the Management Board of Zumtobel Group AG (CEO).His function as COO was subsequently filled by Bernhard Motzko as of 1 February 2018. CFO Karin Sonnenmoser left the Zumtobel Group by mutual agreement as of 9 March 2018 and was followed by Thomas Tschol who joined the company as CFO on 1 April 2018.

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.

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

[15] The target remuneration and actual remuneration for Ulrich Schumacher in 2016/17 include the contractually agreed compensation for the functions of CEO; an additional bonus was not paid in 2016/17.

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

[17] The allocated LTI segment from 2014/15 remains within the respective distribution scheme up to 2017/18.

3.5.2 Supervisory Board remuneration

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

Total Supervisory Board remuneration:[18]

In TEUR	2017/18	2016/17
Total remuneration of the Supervisory Board	433	516
thereof fixed remuneration	382	420
thereof variable remuneration	50	75
thereof expense allowances and reimbursements	1	21

Remuneration of the individual Supervisory Board members[19]
Disclosures in accordance with Rule 51:

In TEUR	2017/18	2016/17
Jürg Zumtobel	130	135
Johannes Burtscher	90	90
Fritz Zumtobel	70	70
Volkhard Hofmann	47	0
Rüdiger Kapitza	5	65
Stephan Hutter	45	75
Hans-Peter Metzler	45	60

3.6 Other Information

3.6.1 Auditor's fees

The annual general meeting on 21 July 2017 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and separate financial statements of Zumtobel Group AG for the 2017/18 financial year. KPMG also performs tax and financial consulting services for the Zumtobel Group through its partner offices.

[18] 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.
[19] Excl. expense allowances and reimbursements

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG during the reporting year:

In TEUR	2017/18	2016/17
Total fees	568	277
thereof audit and audit related services	228	224
thereof other services	340	53

The fees for other services involve audit-related consulting and tax advising. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,300 (2016/17: TEUR 1,310).

3.6.2 Contracts with members of the Supervisory Board

Supervisory Board member Volkhard Hofmann invoiced services totalling TEUR 17 (including expenses) for consultancy services on behalf of the Zumtobel Group in 2017/18.

3.6.3 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 most important results of its work. The internal audit charter approved by the Management Board creates the foundation for all internal audit activities. This charter and the entire audit process in the Zumtobel Group are based on the international standards defined by the Institute of Internal Auditors (IIA). Compliance with these standards is reviewed and confirmed at least every five years by an external specialist, 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 risk trends and efficiency in operating processes as well as the monitoring of compliance with legal regulations and internal guidelines. The activities of corporate internal audit also include ad hoc audits at the request of the Management Board and, depending on the team's available expertise, consulting projects. In accordance with § 243a (2) of the Austrian Commercial Code and Rules 69 and 70 of the Austrian Corporate Governance Code, the management report must include a description of the key features of the internal control system and the risk management system related to the accounting process.

Dornbirn, 15 June 2018

The Management Board

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

3.7 Report of the Supervisory Board

Dear Shareholders,

The 2017/18 financial year was characterised by the disappointing operating development of the Zumtobel Group, by a loss of confidence on the part of key stakeholders like customers and the capital market and by a difficult environment in the industrial sector. It had become obvious that the status quo was no longer viable and significant changes and adjustments would be required to successfully position the Zumtobel Group for the future. The new Management Board, which was installed in spring 2018, has introduced numerous operating measures in recent months to stabilise the business and – with a substantially leaner management team – worked intensively on the development of a future-oriented strategy for the Zumtobel Group. All structures and corporate processes as well as business areas, markets, brands and product portfolios are analysed in an open discussion based on the underlying goal to strengthen the focus on customers while reducing complexity and costs. We are convinced that the fundamental organisational and strategic changes brought about by the current strategy development process will create a solid foundation for the Zumtobel Group's successful future.

We performed the duties required by law and the articles of association during the 2017/18 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 four shareholder representatives as of 30 April 2018: Jürg Zumtobel, Fritz Zumtobel, Johannes Burtscher and Volkhard Hofmann. Rüdiger Kapitza resigned from the Supervisory Board for personal reasons as of 5 June 2017. Stephan Hutter and Hans-Peter Metzler resigned from the Supervisory Board, independent of each other, as of 31 January 2018 after more than seven years in office. Independent of these changes, the Supervisory Board, in its current composition, meets the requirements of the Austrian Stock Corporation Act and is not restricted in any way whatsoever in its actions or decision capacity. The Supervisory Board would like to thank its former members for their many years of service and wish them all the best for their personal and professional future.

Meetings of the Supervisory Board

The Supervisory Board met nine times during the 2017/18 financial year, in four scheduled meetings and five unscheduled meetings. One member of the Supervisory Board was excused at one meetings and authorised Jürg Zumtobel to vote on his behalf.

The Supervisory Board meeting on 22 June 2017 focused, above all, on the 2016/17 separate financial statements and consolidated financial statements of Zumtobel Group AG. An M&A transaction (sale of International Lights Inc.) was also discussed, and a resolution on communications in advance of such transactions was approved.

The meeting on 22 September 2017 dealt with new elections for the members of the Committee for Management Board Matters and the members of the Strategy Committee following the resignation of

Rüdiger Kapitza from the Supervisory Board. In addition, the appointment of Bernard Motzko to the Management Board Chief Operating Officer (COO) was discussed. Various reports by the Management Board and plans by the Management Board/transactions requiring the approval of the Supervisory Board (among others, for projects in Serbia and Les Andelys) were also considered.

The central topics of the Supervisory Board meeting on 17 November 2017 were issues involving the Management Board and the results of a workshop with the management of Zumtobel Group AG. Among others, reports by the Management Board to the Supervisory Board on results for the month of October and opportunities for cost savings in the Zumtobel Group AG were examined.

The unscheduled meeting on 19 December 2017 dealt with strategic issues (the future orientation of the company) as well as plans by the Management Board/transactions requiring the approval of the Supervisory Board.

The meeting on 26 January 2018 focused primarily on financial issues in the management report. Resolutions were also passed on recommendations made by the Management Board, and appointments to the corporate bodies of Zumtobel Lighting GmbH, Zumtobel Holding GmbH, Zumtobel Lighting Romania SRL and Zumtobel Licht AG were discussed and approved. Following the resignations of Stephan Hutter and Hans-Peter Metzler, new elections were held for a Supervisory Board vice-chairman and for the members of the Committees for Management Board Matters and Strategy. The appointment of Bernard Motzko to the Management Board of Zumtobel Group AG as of 1 February 2018 was also approved.

The unscheduled Supervisory Board meetings on 1 February 2018, 26 February 2018 and 8 March 2018 dealt with matters involving the Management Board.

The Supervisory Board meeting on 20 April 2018 dealt with status reports on the new orientation of the Zumtobel Group as well as status reports on the global plant network, the management report on the third quarter of 2017/18 and the budget for the 2018/19 financial year.

Audit Committee

The Audit Committee met twice during 2017/18, with full attendance at both meetings.

The meeting on 22 June 2017 concentrated on the annual financial statements for 2016/17. The auditor of the consolidated and separate financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management and data protection, risk management system, internal control system, internal audit, corporate governance and insider compliance) were discussed and accepted. A resolution for the appointment of the auditor for the 2017/18 financial year was approved and passed on to the Supervisory Board. The Management Board's recommendation for the distribution of profit was also approved.

The Audit Committee meeting on 26 January 2018 dealt with the six-month financial statements as of 31 October 2017, whereby the related reports by the auditor and corporate staff were accepted. The accounting process, the focal points of the review and selected accounting issues – e.g. the warranty provisions and an update to the goodwill impairment test – were examined in detail. The audit approach and focal points for the audits of the 2017/18 separate and consolidated financial statements were presented and explained by the auditor. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were also presented and accepted. The effects of the

Austrian Sustainability and Diversity Act on Zumtobel Group AG were discussed, and a denied party screening system to ensure that no deliveries are made to prohibited persons or companies was presented prior to implementation.

Committee for Management Board Matters

The members of the Committee for Management Board Matters held numerous meetings and telephone conferences in 2017/18, which involved discussions and follow-up assessments of key topics. The most important issues handled during the reporting year were the changes on the Management Board and, as in previous years, its work as a so-called compensation committee, which takes decisions on the remuneration system and includes representatives of the Management Board, Supervisory Board and human resources department. Additional information can be found in the remuneration report. The compensation committee was also supported during 2017/18 by FehrAdvice & Partners AG, an independent consulting firm located in Zurich.

The committee conscientiously prepared and implemented the changes on the Management Board following numerous meetings and personal discussions. The changes during the 2017/18 financial year included the following: the appointment of Bernard Motzko as COO of the Zumtobel Group as of 1 February 2018; the separation from the CEO Ulrich Schumacher in February 2018; the appointment of Alfred Felder as acting president of the Management Board as of 1 February 2018 in addition to his duties as Chief Sales Officer and the appointment of Thomas Tschol as CFO of the Zumtobel Group as of 1 April 2018 to succeed Karin Sonnenmoser, who left the company by mutual agreement as of 9 March 2018. The Supervisory Board approved all of the committee's recommendations unanimously, and the changes on the Management Board were communicated through press releases and, if required by law, also as insider information pursuant to Article 17 MAR to the capital market and general public and internally to all employees.

In the search for a new COO and CFO, the Committee for Management Board Matters was supported by a well-known international consulting firm. Interviews for both positions were held with several candidates, who were selected from a larger number of applicants.

The Committee for Management Board Matters also served as a sounding board for the Management Board on issues related to the practical distribution of responsibilities among the Management Board members as well as communication issues related to the various restructuring projects and sensitive personnel decisions.

Strategy Committee

The members of the Strategy Committee held several meetings and telephone conferences before and after the Supervisory Board meetings which dealt with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the Strategy Committee in 2017/18 concerned measures to generate organic and inorganic growth in the Zumtobel Group.

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 2017/18 financial year, which were prepared by the Management Board, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and given unqualified opinions. After an extensive review and discussion of the separate financial statements of Zumtobel Group AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for reservation, the Supervisory Board stated its agreement with the management reports for the company and the Group pursuant to § 96 (1) of the Austrian Stock Corporation Act and approved the separate financial statements of Zumtobel Group AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements as well as the corporate governance report which were reviewed by the Audit Committee.

The Supervisory Board supports the recommendation by the Management Board to the annual general meeting, which calls for the waiver of a dividend for the 2017/18 financial year.

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

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

For the Supervisory Board

Jürg Zumtobel
Chairman of the Supervisory Board

Dornbirn, 26 June 2018

4. Service

Contents

4. Service

Financial Terms

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

Financial Calendar

Annual Results 2017/18	28 June 2018
Record Date fort he Annual General Meeting	17 July 2018
42nd Annual General Meeting	27 July 2018
Ex-Dividend Day	31 July 2018
Record Date Dividende	1 August 2018
Dividend Payout Day	2 August 2018
Report on the First Quarter 2018/19 (1 May 2018 - 31 July 2018)	4 September 2018
Report on the First Half-year 2018/19 (1 May 2018 - 31 October 2018)	4 December 2018
Report on the First Three Quarters 2018/19 (1 May 2018 - 31 January 2019)	5 March 2019

Contact Information

Investor Relations
Harald Albrecht
VP Investor Relations
Telephone +43 (0)5572 509-1125
Email *harald.albrecht@zumtobelgroup.com*

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

Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com. The annual report 2017/18 will be available at our 42nd Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1125.

More Information

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

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonic.com
www.acdclighting.co.uk

Imprint

Publisher: Zumtobel Group AG, Investor Relations, Harald Albrecht
Coordination financials: Jan Güstemeyer
Cover design: Jessica Walsh, partner of Sagmeister & Walsh, New York, USA
Translation: Donna Schiller-Margolis

Produced in-house with FIRE.sys

Disclaimer

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

zumtobel group