

**Report by the Supervisory Board  
of Zumtobel Group AG  
on 21 June 2016 for the 2015/2016 Financial Year**

Dear Shareholders,

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

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

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

## **Meetings of the Supervisory Board**

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

# zumtobel group

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

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

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

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

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

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

# zumtobel group

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

## **Audit Committee**

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

The meeting on 23 June 2015 concentrated on the annual financial statements for 2014/15. The auditor of the consolidated and separate financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management, risk management system, internal control system, internal audit, corporate governance and insider compliance) were discussed and accepted. A resolution for the appointment of the auditor for the 2015/16 financial year was approved and passed on to the Supervisory Board. The Management Board's recommendation for the distribution of profit was approved. Selected issues related to interest rate swaps, foreign currency effects and hedging were also presented.

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

## **Committee for Management Board Matters**

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

# zumtobel group

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

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

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

## **Strategy Committee**

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

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

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

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

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

For the Supervisory Board

Jürg Zumtobel

Chairman of the Supervisory Board

Dornbirn, 21 June 2016