



Zumtobel Group

Annual Report 2014/2015

James Turrell: Extraordinary Ideas—Realized

ZUMTOBEL GROUP
2014/2015

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by Ulrich Schumacher
Chief Executive Officer
Zumtobel Group

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Annual Report 2014/2015

Dear Customers, Partners, and Shareholders,

A LETTER FROM THE CEO

Light is essential to all life and is vital to humankind in all of life's situations. To underscore the enormous importance of light for people as well as for the sciences, business, and the arts, the UN has proclaimed 2015 as the International Year of Light and Light-based Technologies (IYL 2015). The aim is not only to demonstrate the key role that light plays in our lives, but above all to show how global problems can be resolved with the help of light.

For the Zumtobel Group, 2014/15 was an important year of strategic re-alignment. With our mission of blazing new trails and showing people what light can do above and beyond its familiar applications, our goals go hand in hand with the central ideas behind the International Year of Light.

Against this backdrop, we were delighted when the outstanding light artist James Turrell agreed to design this year's annual report. This book illustrates in impressive style the major importance of Turrell's work for the way we perceive and experience light, as well as reflecting the significance of light in the fields of not only physics and art, but also medicine and psychology.

I am very pleased to say that at this point I can also report on gratifying progress in terms of our strategic re-alignment and business development. Our aim in the past financial year was to bring our new structures to life, eliminate past inefficiencies, leverage the growth and cost synergies offered by our multi-brand approach, and thereby put down firm foundations for profitable and dynamic growth going forward.

The initial positive effects of the adaptation of our production capacity, the merger of the previously separate Zumtobel and Thorn sales organizations and the Group-wide bundling of purchasing activities are already clearly visible in the figures. This fills me with great confidence regarding the future development of the Zumtobel Group.

Revenues reached the highest level in the Group's history at EUR 1,312.6 million, which represents an increase of 5.3% over the previous year. The main driver of this success was once again our LED business. Growing 55.9% to EUR 653.3 million as the technology shift continued to pick up speed, the LED share of Group revenues rose to 49.8%. This goes to show that our strategy of making targeted investments in the expansion of our innovative LED portfolio was the right one.

In terms of the segments, the late-cyclical Lighting Segment (Zumtobel / Thorn) in particular benefited from the moderate growth in commercial construction activities in Europe, the initial positive effects of the new cross-brand sales structure, and a strong increase in key account business. In all, Lighting Segment revenues rose by 5.5% in the reporting year to EUR 989.9 million. The Components

Segment (Tridonic) continued to make pleasing progress with the systematic orientation of its business to LED technology. Revenues from the sale of LED components in the reporting year rose by an impressive 79.6% to EUR 212.3 million, which meant that they were able to fully offset the declining demand for electronic ballasts and the revenues lost by the exit from magnetic technology and the sale of the connecting clamp business. In all, segment revenues increased 2.4% in the reporting year to EUR 393.8 million, which exceeded our expectations.

As a result of the rise in revenues and the initial positive effects of our restructuring measures, adjusted EBIT for the Group rose 39.7% to EUR 66.5 million. This represents a return on sales (adjusted EBIT margin) of 5.1%, as both the Lighting Segment and the Components Segment outperformed their respective prior-year adjusted earnings in 2014/15. Net profit for the year moved ahead to EUR 11.9 million, despite the financial results being sharply impacted by the rise in the value of the Swiss franc against the euro.

This means that we have put down strong foundations on which to realize further growth in the new 2015/16 financial year, while at the same time leveraging cost synergies from the strategic re-alignment of the Zumtobel Group. Thanks to our multi-brand strategy we can utilize a wide range of market access channels, while drawing on in-depth expertise in lighting applications and commanding a strong technology position. All of this, together with our comprehensive coverage of the value chain, leaves us very well placed to draw above-average benefit from the growth-driving factors in our industry.

In overall terms we expect the current 2015/16 financial year to bring revenue growth of around 5% and an operating profit (adjusted EBIT) of between EUR 90 and 100 million. This means we are still on track to reach our target of gradually raising the adjusted EBIT margin to approximately 8-10% by 2016/17.

We have set ourselves ambitious goals and we are convinced that we will reach these goals thanks to our outstanding market and technology positions. But the success and growth of the Zumtobel Group would not be possible without the hard work, wide-ranging knowledge and great flexibility of our employees, for which we would like to express our sincere thanks. Our thanks also go to our customers, suppliers, and shareholders for their trust and support and for engaging in open dialogue with us.

Ulrich Schumacher
CEO, Zumtobel Group

**MAKING GREAT
LIGHTING AVAILABLE
TO ALL**

The 2014/15 financial year was a richly diverse and successful one for Thorn. It saw several new and innovative products launched, as well as updates and extensions to existing ranges with advanced LED technology. Thorn focused on driving sales for key lighting applications and launched an exciting trade merchandise range to support sales through this channel. In the course of the year Thorn continued to raise the profile of and participation in the Thorn Energy Partnership and secured and completed a varied portfolio of major lighting projects.

2014/15 saw the introduction of a new mission and vision statement for Thorn. The Thorn mission statement runs: “We make great lighting available to all.” The vision Thorn works towards is: “We strive to deliver high-performance lighting. We want to be the preferred partner of our customers for cost-effective solutions that are sustainable and digitally integrated.”

Perhaps one of Thorn’s most distinctive new product launches is *Urba*, a versatile LED urban lantern. In January 2015 *Urba* won the prestigious “Étoile de l’Observateur du design 2015” award at the Étoiles design awards ceremony in Paris, which recognizes outstanding design. *Urba* was commended as a “contemporary, economic, innovative, and versatile luminaire range which is able to adapt to all kinds of urban and architectural contexts.” April 2015 saw the launch of *Zoar*, a contemporary architectural lantern with a tiltable LED engine, while other new outdoor product launches included *FleXity*, a modern, discreet LED lantern and the first decorative post-top lantern in Thorn’s range to support such a wide range of applications.

In the field of outdoor lighting controls, Thorn launched *MovU* in autumn 2014. *MovU* is a complete high-performance family of outdoor motion detection solutions for applications ranging from footpaths to secondary roads. *MovU* uses high-frequency, passive infrared (PIR), and radar technologies, and includes single detection, pilot line, and radio frequency wiring options. Thorn also launched a new outdoor lighting controls brochure at the same time to explain the various approaches to lighting controls and promote its comprehensive range.

In the indoor lighting portfolio, new additions to existing ranges included *Omega Pro* – an extension to the *Omega* range – which features outstanding glare control for office lighting. *Omega Pro* is an LED edge-lit panel luminaire offering a genuine direct replacement for 4x14Watt T16 recessed luminaires. Updates to existing ranges included Thorn’s trusted fluorescent *Chalice* downlight portfolio, which has been upgraded with high-performance LED technology.

2014/15 saw a particular focus on road and sports lighting applications, both of which were supported with new and informative brochures to help make it even easier to identify and specify the right Thorn products.

Thorn also secured and completed a varied portfolio of major lighting projects during the course of the year. These included replacing the iconic arch lighting at London’s Wembley Stadium connected by EE with a custom LED lighting system designed for full color as well as special moving effects. Roger Maslin, Wembley National Stadium Ltd Managing Director, described the lighting as “transformational and exciting.” Meanwhile, *Orus LED* was selected to provide energy-efficient low-level lighting for France’s largest international airport, Paris Charles de Gaulle. Many other projects were completed in the course of the year with a particular focus on improving energy efficiency. These included a lighting refurbishment using *HiPak Pro LED* amongst other luminaires for the Abeking & Rasmussen Shipyard in Germany. The refurbishment has reduced energy consumption by around 82% while increasing the quality of the lighting.

The Thorn Energy Partnership continues to strengthen Thorn’s position as an expert supplier of energy-efficient lighting. Now well into its third year, this venture between Thorn and lighting professionals aims to promote energy efficiency without sacrificing good lighting performance and is growing year by year. As well as sharing knowledge and strengthening Thorn’s relationships with customers

Thorn

and lighting professionals, the Thorn Energy Partnership is helping to make substantial energy savings. To date, the members of the scheme, known as Thorn Energy Partners, have saved customers more than €1.9 million in electricity costs by installing Thorn products.

Throughout 2014/15 Thorn participated in several research projects. In Denmark, the Danish Outdoor Living Laboratory (DOLL) opened in September, spanning 9 km of roads and trails with the aim of demonstrating energy-efficient, smart outdoor lighting. The main emphasis is on energy efficiency, the quality of lighting and reducing CO₂ emissions. DOLL offers ample opportunities to experience Thorn luminaires in combination with lighting controls. The results on show represent innovative, centrally controlled LED lighting solutions suitable for road and street lighting applications. In March, the LEDLaufsteg (LED catwalk), of which Thorn is a lighting partner, opened in Berlin as part of the activities that mark the UN International Year of Light 2015. The LEDLaufsteg aims to inform municipalities, scientists, as well as tourists and visitors to the German Museum of Technology about the possibilities that LED technology opens up for road lighting. The aim for Thorn is to present energy-efficient road lighting as well new light distribution concepts and optics. Thorn is showcasing the R2L2 and Adelle Bollard product families.

Thorn also took part in several major lighting exhibitions to promote the brand and its portfolio. January saw Thorn join forces with electrical wholesaler Elektronabava d.o.o. at the International Trade Fair of Automation & Mechatronic (IFAM) in Slovenia. Thorn presented its “15 ways to make energy-efficient lighting easy,” lit by Contrast 2 LED, as well as demonstrating several other key products. Following the success of “Day of the Public Space 2014” in the Netherlands, in February 2015 Thorn exhibited at “Day of the Public Space” in Belgium. The new Urba range met with strong interest among visitors. In Scandinavia Thorn’s Nordic teams held three inspiring evening events called the Nordic Highlights tour in Copenhagen, Stockholm, and Oslo. The events

consisted of engaging talks and presentations on the future of smart cities and also included many new product highlights. March was a busy month, with Thorn exhibiting its latest outdoor products at the Power Days event in Austria.

Most recently, Thorn’s popular online Smart City experience came to life with the unveiling of a 3D live version in April at the Year of Light event in Austria. Designed to make it easy for customers to visualize urban lighting, Smart City now incorporates real case studies and recommendations for the most energy-efficient products for various applications.

Finally, the beginning of 2015 saw the launch of a new and exciting Thorn trade identity: Fast. Simple. Affordable. The range of over-the-counter products was given a vibrant new identity. The measures are designed to grow and strengthen the wholesale business, selected wholesalers across Europe will be treated to eye-catching new POS merchandising, product packaging, and new marketing literature. One of the most noticeable differences is that for the first time Thorn is using picture packaging on its streamlined portfolio of trade counter products. The picture packaging will be available on a number of products, starting with the recently launched Cetus LED downlight.

WELL POSITIONED FOR THE DIGITAL AGE OF LIGHT

In the 2014/15 financial year Tridonic successfully completed its transformation into a global supplier of LED system solutions. LED technology is now more than making up for declining sales of conventional products and the ongoing reconfiguration of the brand's portfolio continued accordingly. The market's response to Tridonic's new LED modules and LED drivers was positive. As a result, LED systems once again accounted for a larger proportion of the brand's revenues, rising from 32% of the total in the previous year to 54.2% in the year under review.

Tridonic maintained its consistent strategic focus on LED technology throughout the year. As part of this ongoing strategy the brand discontinued production at Ennenda in Switzerland, as planned, at the end of 2014. The main reason behind this move was shrinking demand for conventional ballasts for HID luminaires, which are increasingly being replaced by LED technology. Another change affected the brand's former subsidiary Tridonic connection technology GmbH, a specialist manufacturer of connectors. In May 2014 this company became an independent business, now successfully trading under the name Electro Terminal and headquartered in Innsbruck, Austria.

Tridonic helps luminaire manufacturers develop product offerings that are smarter, more efficient, and more sustainable. In order to offer its customers the latest cutting-edge system solutions and services at all times, Tridonic invests more than 95% of all its R&D expenditure in development projects relating to LED technology and connectivity. The result is a highly innovative product portfolio. Tridonic's innovation leadership is reflected in its patent application ranking – the brand ranks third in the European Patent Office statistics for all applications filed in Austria. Tridonic is an industry leader, too – ranking among the top patent applicants for the lighting sector as a whole.

In 2015, the International Year of Light, Tridonic is focusing its efforts on solutions for intelligent, networked, efficient lighting. This includes the new connecDIM lighting management system solution for industrial and commercial applications. This system uses the cloud to enable decentralized lighting management via the Internet from anywhere in the world. This benefits operators of smaller applications with just a few DALI devices as well as operators of large-scale facilities with complex lighting systems. Monitoring is one of the key capabilities required of any efficient lighting installation – and connecDIM facilitates global monitoring 24/7, making it possible to adjust the lighting to suit individual needs via PC or smartphone app, combining efficiency with convenience. Flexibility is another key customer requirement – and this cloud-based lighting management solution can be used to quickly adjust both light intensity and light color (Tunable White) to changing needs, optimizing user comfort and well-being.

The connecDIM gateway – a solution that uses standard hardware and Internet-based technologies – makes integration within a larger lighting management system faster and more cost-effective than was previously possible. The gateway transfers all data relating to the connected DALI devices to the central connecDIM cloud-based server. Data can be accessed either via web browser (from a PC or Mac) or wirelessly via tablets and smartphones. This gives building operators and facility managers, as well as operating and maintenance personnel, the benefit of access to centralized monitoring functions. Not only do they receive an overview of all the connected DALI devices, but any faults can be seen at a glance – which means that the necessary rectifications can be implemented without delay.

Tridonic

Another major landmark on the road to networked LED lighting is the next generation of LED drivers. Tridonic has developed a new and even more efficient driver platform offering additional functions and a higher level of flexibility. On this platform the developers opted for a network layout that permits a more compact casing design. They were also able to integrate the various components more compactly – while at the same time enhancing the unit’s thermal management performance. One stand-out feature among the new functions is the newly developed ready2mains digital interface, which makes it possible to use an existing mains cable for transferring data. This means, for example, that pre-installed non-dimmable LED lighting can be converted into new, dimmable LED lighting without calling for any additional wiring. The key components of the new ready2mains technology are a programming device and a gateway which makes it possible to configure and digitally dim via the mains – enabling facilities managers to upgrade their buildings and improve lighting comfort without having to renew the entire installation. On new-build projects, installation is simpler and cheaper as no additional wiring is required – yielding a significant saving for clients – and yet at the same time all the familiar DALI lighting management functions are provided.

With these two key innovations, connecDIM and ready2mains, Tridonic has strengthened its position as an innovation leader and a provider of system solutions. For Tridonic, technology and customer focus are closely intertwined – a priority reflected in outstanding scores recorded on both counts in a brand survey conducted during the year under review. The survey results indicate that Tridonic’s employees understand what their customers need and work closely with them to develop appropriate system solutions.

One example of this kind of cooperation is a school project undertaken with the Abu Dhabi Education Council (ADEC). Mubarak Bin Mohammed School in Abu Dhabi, in the United Arab Emirates, needed to fulfill specific sustainability criteria laid down by the Abu Dhabi Urban Planning Council. The requirements included lighting system controls capable of delivering optimum energy savings. At the same time the lighting management system needed to be easy for users to operate. These goals have now been achieved using connecDIM technology. 19 connecDIM gateways and some 400 DALI M sensors – among numerous other products from the Tridonic portfolio – are currently in use in the school.

Cloud-based systems play a central role in this project – showing how Tridonic has already started developing solutions that bring the Internet of Things (IoT) into play, networking lighting with other applications. In recent years the lighting industry has undergone radical changes with the shift to LED technology; now the industry is focusing on the digitization of light. With more than 40 million light sources installed during the year, Tridonic sees itself as a key player in this upcoming technology phase, working with its customers and partners to harness the capabilities of lighting in the networked world. Light, after all, is present in every building – offering a ready-made optimal infrastructure for the IoT.

MORE THAN LIGHT

A passion for light is the essence of the Zumtobel brand. Zumtobel aspires to what is currently imaginable, strives to push back the boundaries of the achievable, and – through its relentless dedication to finding the best solution for people and the environment – proves a source of inspiration for others. Against this backdrop, Zumtobel pursued the systematic expansion of its international network spanning research, architecture, design, art, and culture during the 2014/15 financial year. The brand's innovative products and projects are the outcome of interdisciplinary partnerships, impressively demonstrating that lighting today is about far more than illuminating buildings.

Products like SEQUENCE offer people a whole new dimension of flexibility and individualization in a changing world. The secret of their success lies in their modular design, incorporating state-of-the-art LED technology which miniaturizes the light source itself, generating new possibilities in terms of design elegance and discreet, unobtrusive physical presentation. The SEQUENCE concept also impressed the jury of the prestigious Red Dot product awards, which selected this pendant and surface-mounted LED luminaire for a “Red Dot: Best of the Best” award. This was the third design prize in a row for SEQUENCE, which had already won an iF Design Award and a German Design Award.

New technological possibilities and direct engagement with the market are the twin engines driving the systematic development of established product families as well – a constantly accelerating process. CRAFT, Zumtobel's first high-bay LED luminaire, marked a turning point in industrial lighting from the moment it appeared on the market. Since then this compact luminaire with its outstanding efficiency performance (up to 146 lumens per Watt) has demonstrated light's active contribution to adding value in many industrial companies. Through new additions to the line – such as CRAFT S, the smallest version of this industrial luminaire, measuring just 339 mm × 164 mm × 121 mm – Zumtobel is responding to customer requirements and further expanding the range of applications in which this product family can be deployed. Similarly, the TECTON continuous-row LED lighting system regularly adds new chapters to its own long-standing success story by launching new innovations.

After more than ten years on the market, this multifunctional continuous-row system is still a pioneer in its field when it comes to combining efficiency, top-quality lighting, and quality in design – an achievement honored with awards including the Green Good Design Award from the renowned Chicago Athenaeum Museum of Architecture. For Zumtobel, sustainability also means lighting solutions that can grow and develop to meet changing requirements. The latest generation of the successful SUPERSYSTEM spotlight was therefore developed into a modular system for high-end lighting concepts – now for the first time also including an outdoor lighting range.

A pioneering project in Lech helped to lay the groundwork for specifying the SUPERSYSTEM outdoor range. Lech is one of the leading tourist destinations in the Austrian Alps – and now, thanks to a lighting concept jointly developed by Zumtobel and lighting designer Dieter Bartenbach, it has also set a new benchmark for local outdoor lighting design. Differentiated lighting effects showcase this historic Alpine settlement to best effect. Accent lighting and contrasts bring distinctive features to the fore, enabling both visitors and locals to experience the village and its river – which bears the same name, Lech – in a new and more vivid way. And this innovative lighting scheme is more than just a visual improvement: Specially developed lighting controls adjust the level of illumination as required, minimizing both energy consumption and light pollution.

A comprehensive knowledge of light, combined with a deep understanding of the needs of its customers and users, makes Zumtobel a strong and versatile partner. As part of the lighting partnership between the Zumtobel Group and the football club Borussia Dortmund (also known as BVB), an innovative LED lighting solution is now setting the scene, and creating an authentic atmosphere, in the club's newly-opened “BVB Fan World.” The Fan World is the latest highlight of the club's Signal Iduna Park stadium: Over two stories, covering a floorspace in excess of 2,000 square meters, visitors can immerse themselves in the club's history, purchase tickets and merchandise, and re-live thrilling moments from Borussia Dortmund games on big screens. The tailored lighting concept combines efficient illumination with fantastic lighting quality and optimum color rendering,

Zumtobel

accompanying visitors throughout their journey of discovery in the world of BVB. Unforgettable moments – and now Zumtobel’s customers also have the chance to enjoy these experiences for themselves: Zumtobel has joined forces with BVB to devise an exclusive training and event package for its lighting solution partner program.

In 2013, in a laboratory study conducted with Gruppe Nymphenburg, Zumtobel was able to demonstrate the close correlations between lighting and emotions. These results yielded the target-group-specific lighting concept Limbic® Lighting, paving the way for differentiated lighting scenarios targeting various different customer groups in retail stores and spaces. 2014 brought the next step forward: Limbic® Lighting was impressively verified in practice, in cooperation with the fashion retailer Gerry Weber. Scientific methods proved that the lighting design specially developed for Gerry Weber’s target customer group generated a significantly more positive response in customers. Not only did the new target-group-optimized lighting concept appeal to customers – enhancing their sense of well-being and levels of interest and receptiveness – but it also had a clear economic impact: The test store in Herford, Germany reported a 10% increase in revenues.

Zumtobel has also been working with a strong partner in the field of office architecture, investigating what people need when working in an office environment. The long-term study “The Light. Global User Study on Lighting Quality Perceived in Offices,” undertaken in conjunction with the Fraunhofer Institute for Industrial Engineering (IAO) of Stuttgart, has 4,200 participants, making it the largest study Zumtobel has undertaken to date worldwide. The research findings are already feeding into the brand’s product development programs.

Interdisciplinary studies which at times adopt unconventional perspectives, questioning established concepts, are one of the drivers of innovation. Zumtobel is embedded in an international network that spans the worlds of architecture, design, art, and culture, supporting the interchange of ideas and always on the lookout for new partners who share its fascination with light as a medium. As part of this interdisciplinary approach, for many years now Zumtobel has supported a variety of projects at the Architecture

Biennale in Venice. In 2014 this leading exhibition of contemporary architecture was curated by Rem Koolhaas, under the title “fundamentals.” Many of the presentations were focused on the fundamental components of a building and Zumtobel fired up the debate with its dedicated lighting solution for the imposing domed area of the central pavilion. The concept used the Tunable White technology developed by Zumtobel to illuminate the cupola’s impressive ceiling fresco in a range of color temperatures corresponding to the changing effects of natural daylight over the course of the day. In the German pavilion, meanwhile, various special lighting solutions were devised for the exciting architecture installation presented by Alex Lehnerer and Savvas Ciriacidis.

In the 2014/15 financial year, for the first time ever Zumtobel was a main partner of the Amsterdam Light Festival. The brand’s role here is to provide advice, support, and the necessary technology to help artists transform their lighting concepts into reality.

2015 is the International Year of Light (IYL 2015). To mark the occasion, the Zumtobel Group opened its headquarters in Vorarlberg for a unique celebration of light in all its forms and aspects on 9 and 10 April 2015. The Zumtobel brand offered an inspirational display, showcasing flexible lighting solutions that deliver optimum comfort for people in contemporary working environments, as well as setting new standards for the presentation of products and brands. There was a landmark premiere, too, as the brand’s customers and partners were given an exclusive preview of Zumtobel’s first outdoor lighting range. Following its successful deployment in Lech, the outdoor version of SUPERSYSTEM went into series production in spring 2015. Another highlight of the event was a presentation of the complete collection of Zumtobel Masterpieces. These outstanding light creations express a passion for light that unites Zumtobel with international artists and architects such as Ólafur Elíasson, Zaha Hadid, Hani Rashid, and Daniel Libeskind. Part artwork, part luminaire, the Masterpieces are visions turned into realities – inspiring, in their various ways, an ongoing engagement with light and its impacts on our lives.

Five-Year Overview

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

Group Management Report 2014/2015

The following text is an extract of the Group Management Report. The full text version has been published in the context of the 2014/15 Annual Financial Report of the Zumtobel Group AG and is available for download on the Internet at zumtobelgroup.com.

General Economic Outlook

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

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

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

increasing reform backlog, while Russia was negatively affected by the conflict with Ukraine, the economic sanctions and the sharp drop in oil prices.

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

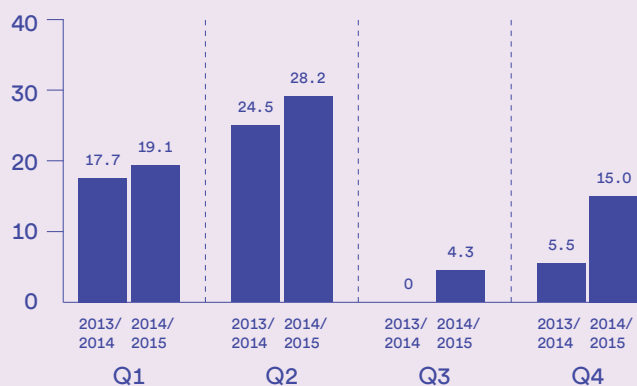
Business performance at a glance

The development of business in 2014/15 was influenced by a generally stable economic environment and the acceleration of the technology shift to LED as well as the strategic reorientation of the Zumtobel Group and the implementation of the necessary restructuring measures. The analysis of revenues by quarter shows an increase in the speed of growth towards the end of the financial year, which was also supported by clearly positive foreign exchange effects. Revenues recorded by the Zumtobel Group rose by 5.3% to EUR 1,312.6 million in 2014/15.

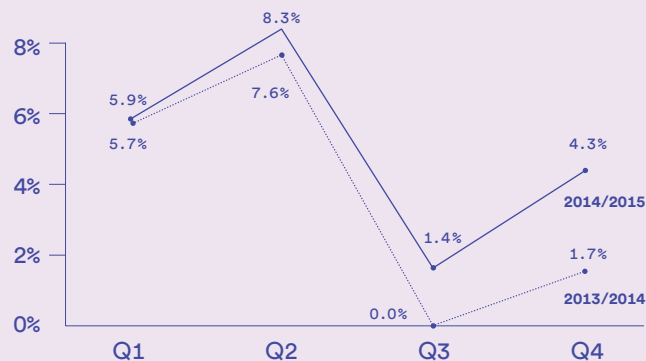


¹ Source: IMF forecast, World Economic Outlook, April 2015

ADJUSTED EBIT (IN EUR MILLION)



ADJUSTED EBIT IN % OF REVENUES



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

Revenues

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

After an adjustment for these effects, the increase in revenues amounted to 2.6%.

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

Development of revenues by segments

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

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

Development of revenues by region

There are major regional differences in the economic environment and the speed of implementation for the restructuring measures and strategic reorientation. Therefore, the development of revenues in the individual regions differed significantly during the reporting period. The D/A/CH region, the strongest market in the Zumtobel Group, recorded a 5.8% increase in revenues (FX-adjusted: 3.7%) to EUR 370.7 million. Germany, in particular,

benefited from the rising demand by large retail chains that want to convert from conventional to LED lighting. Switzerland benefited from positive foreign exchange effects based on an increase in the Swiss franc versus the euro during the first half-year.

In Northern Europe, revenues rose by 9.8% (FX-adjusted: 4.8%) to EUR 342.9 million. The strongest growth in this region was recorded in The United Kingdom. Benelux & Eastern Europe increased revenues by 10.1% to EUR 116.4 million. Solid development was recorded, above all, in Eastern Europe (Czech Republic, Poland, Hungary). In the Southern Europe and Latin America region, the development of business in France and Italy remained clearly below expectations during 2014/15. France, in particular, was negatively affected by a sharp drop in the outdoor lighting business. Revenues in this region fell by 5.5% to EUR 200.8 million.

The Asia & Pacific region is undergoing extensive restructuring. The Components Segment generated sound growth, but the lighting business in Asia remained disappointing. Substantial efforts are still required at the product, cost and process levels in this region to ensure the planned profitable growth. Revenues in the Asia & Pacific region rose by 6.0% (FX-adjusted: 1.8%) to EUR 149.6 million in 2014/15. In the Middle East & Africa region, the sound development from the previous year continued with an increase of 6.3% (FX-adjusted: 3.6%) in revenues to EUR 97.6 million. Revenues in North America rose by 5.2% to EUR 34.5 million. After an adjustment for the positive foreign exchange effects, revenues declined by 3.2% year-on-year.

2014/15	REVENUES IN EUR MILLION	CHANGE IN %
D/A/CH	370.7	5.8
Northern Europe	342.9	9.8
Benelux & Eastern Europe	116.4	10.1
Southern Europe & Latin America	200.8	-5.5
Asia & Pacific	149.6	6.0
Middle East & Africa*	97.6	6.3
Northern America	34.5	5.2
TOTAL	1,312.6	5.3

* incl. India, Central Asia & Turkey

Earnings

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

In line with the goal to further strengthen the Zumtobel Group's technology position, R&D activities were further expanded during the reporting year. This was reflected in an increase in development costs included in the cost of goods sold, which rose by 9.7% year-on-year to EUR 75.3 million (2013/14: EUR 68.6 million). The increasing intelligence of systems will require, above all, the expansion of capacity and expertise in the areas of system architecture, software development and data management.

Selling expenses as a percent of revenues declined from 25.7% to 24.9%. One focal point of the Zumtobel Group's new structure is the merger of the previously separate Zumtobel and Thorn sales organizations, and the related measures were introduced during the past 12 months. The number of employees in sales declined by roughly 120 year-on-year as of 30 April 2015. Administrative expenses rose from EUR 40.4 million to EUR 46.5 million, primarily due to higher consulting costs and personnel reinforcement in central functions. Other operating results excluding special effects amounted to EUR 5.4 million (2013/14: EUR 6.8 million), and, as in the previous year, consisted primarily of license income from the LED business and government grants.

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

Financial results deteriorated by EUR 10.8 million to minus EUR 25.4 million in 2014/15 (2013/14: minus EUR 14.6 million). Interest expense consists mainly of interest on the

current credit agreement. Other financial income and expenses totaled minus EUR 16.6 million (2013/14: minus EUR 6.8 million). The Zumtobel Group hedges foreign exchange transaction risk primarily with forward exchange contracts that have a maximum term of one year and also uses options in individual cases. The Group's key currencies are the EUR, GBP, USD, AUD and CHF. The negative change versus the prior year resulted mainly from the fair value measurement of financial instruments. In particular, the increase in the Swiss franc versus the euro as of 30 April 2015 led to the negative year-on-year market valuation of foreign currency transactions that involve the future sale of Swiss francs for euros.

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

Cash flow, financial and asset position

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

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

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

Capital expenditure in the Zumtobel Group amounted to EUR 76.6 million for the reporting year (2013/14: EUR 65.6 million). These expenditures covered investments in new production equipment and the manufacture of tools for new products, expansion and maintenance investments as well as capitalized R&D costs of EUR 15.9 million (2013/14: EUR 19.0 million). The investments in 2014/15 focused primarily on modern equipment for the industrial production of LED lights and components. The positive cash effect in the position "change in liquid funds from

changes in the consolidation range" is related to the sale of Tridonic connection technology GmbH, Austria, and Tridonic connection technology GmbH & Co. KG, Austria, and the initial consolidation of Thorn Lighting Limited Liability Company in Qatar.

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

In order to ensure the ability to meet its payment obligations at any time, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Zumtobel Group can also access extensive working capital credit lines to offset liquidity fluctuations arising from business activities. As of 30 April 2015, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 93.4 million (2013/14: EUR 89.0 million). The consortium credit agreement concluded on 8 November 2011 with seven banks also represents a major financing agreement for the Zumtobel Group. The agreement has a term extending to October 2016 and a maximum line that currently equals EUR 350 million. The amount drawn under this credit line totaled EUR 80 million as of 30 April 2015 (2013/14: EUR 170 million).

In addition to the consortium credit agreement, the Zumtobel Group also concluded two long-term bilateral bank credit agreements of EUR 40 million each. They call for bullet repayment and have terms ending in September 2018 and January 2020 respectively. The proceeds of both bilateral credits were fully drawn as of 30 April 2015 and were used, in part, to repay the consortium credit. The result was a substantial extension in the average term of the Group's financing. The financing agreements concluded by the Zumtobel Group are linked to compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2015 with a debt coverage ratio of 1.48 (2013/14: 1.57) and an equity ratio of 29.7% (2013/14: 32.5%). Net liabilities totaled EUR 148.2 million at the end of the 2014/15 financial year (2013/14: EUR 126.2 million), which represents an increase of EUR 22.0 million over the comparable prior year value.

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The Zumtobel Group’s balance sheet remains solid. The balance sheet total was higher than on 30 April 2014 due to the increase in working capital. Equity was negatively influenced by actuarial losses that resulted from the measurement of the pension and severance compensation obligations as of 30 April 2015. These actuarial losses were recorded directly in equity without recognition through profit or loss in accordance with IAS 19. Additional information is provided in the annual financial report 2014/15 under section 2.6.6.12. The equity ratio therefore declined from 32.5% on 30 April 2014 to 29.7% at the end of the 2014/15 financial year. Gearing, the ratio of net debt to equity, deteriorated from 38.5% to 46.0%.

Human Resources

Qualified, committed and motivated employees play an important role in the entrepreneurial success of the Zumtobel Group. With their technical expertise, personal competence and passion for light as well as their focused customer orientation and high innovative spirit, they create demanding lighting solutions that set worldwide benchmarks.

The strategic reorientation of the Zumtobel Group and the related necessary restructuring measures led to a decline in the workforce during the reporting year, above all in production and sales administration. This was contrasted by additional hiring in the central administrative functions to support the entrepreneurially managed organizational units. The sound development of revenues, above

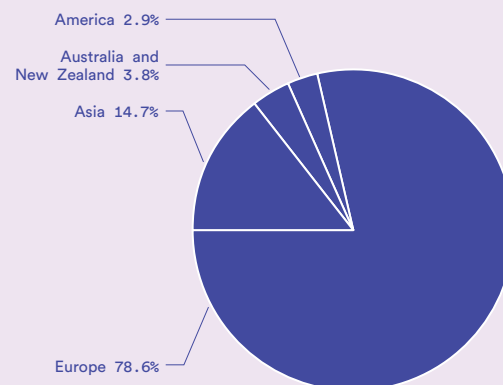
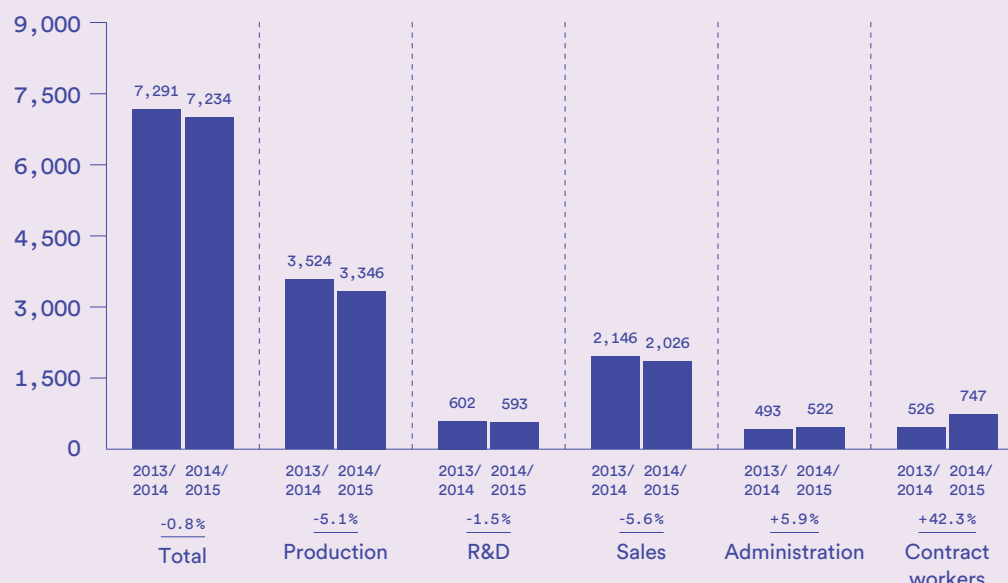
all in the fourth quarter, and the related higher production volume led to an increase of 220 in the number of contract workers towards the end of the reporting year. The Zumtobel Group had 7,234 full-time employees (including contract workers) as of 30 April 2015, or 60 fewer employees than in the previous year.

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

A sustainable and responsible human resources policy is the basis for the entrepreneurial success of the Zumtobel Group. This policy covers the qualification of existing employees through specialized and personal development, new talent recruiting, the integration of colleagues in new markets and know-how transfer. One of the most important challenges currently facing the Group is the merger of the previously separate Zumtobel and Thorn sales organizations based on the new organizational structure. In order to successfully complete this cultural shift and optimally realize synergy effects, it is necessary to advance the quality of management and to train supervisors and their staffs.

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

BREAKDOWN BY ACTIVITY AND REGION
(headcount incl. contract workers)



forms the basis for concrete succession planning and continuous management development.

The Zumtobel Group offers its employees an extensive range of internal and external training and development programs. An important step during the reporting year was the merger of the individual brand academies into the Global Learning Academy based on a Group-wide approach. Training measures focused on efficiency aspects and the intensification of the corporate vision through common training activities in the Zumtobel Group.

The Global Learning Academy offers training programs for employees and managers on management, processes and social skills, whereby roughly two-thirds of the courses are held by company instructors. The online training offering was further expanded in 2014/15 to take advantage of the related substantial savings in time, travel and costs and, in particular, to open the courses to a higher number of potential participants. In addition, train-the-trainer concepts were developed, tested and implemented together with the specialist departments.

As of 30 April 2015, the Zumtobel Group had 130 apprentices (2013/14: 147). Internal professional training is an important instrument to counter the lack of specialists caused by demographic shifts. The apprenticeship training program is operated primarily in Austria and Germany, and includes the following eleven professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining, mechatronics, industrial clerk and media expert.

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

employees, including subsidies or company programs for health, accident and/or life insurance.

The compatibility of family and career are also important values for the Zumtobel Group. This orientation is underscored by the part-time and home office working models that are available to employees. In 2014/15, the number of part-time employees equaled 4.0% of the full-time equivalent workforce. Mothers and fathers who return to work after parental leave are actively supported in their reintegration.

The Zumtobel Group does not tolerate any form of discrimination. Accordingly, all personnel decisions are based on performance and qualifications. The share of women in the Zumtobel Group's workforce currently equals approx. 34%, and there is no quota for the appointment of women to management positions. Qualified applicants are rare because of the general lack of specialists, and the recruitment of the right persons for the right jobs represents a major challenge. The share of women in management positions currently equals 13.3%.

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

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

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

Detailed position descriptions and function evaluations (job mapping) allow for the systematic classification of remuneration and ensure that the salary or wage reflects the employee's qualifications and is also fair and appropriate. This focus on the functional content also limits any gender-specific irregularities.

The annual employee review forms an important instrument in the interaction between employees and their supervisors. In this structured discussion, managers and their staff define goals, develop a common understanding

for the values and the importance of the corporate strategy for the specific job responsibilities. Mutual expectations are coordinated and development opportunities are systematically identified. Training measures are also defined depending on the employee's individual needs.

The Zumtobel Group places high importance on accident prevention and health protection for its employees. Local officers monitor compliance with specific environmental, health and safety guidelines at all locations. Measures are implemented on a continuous basis to increase workplace safety, including employee training, improvements to protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries = number of work accidents based on one million work hours) is monitored monthly for all plants. The most frequent injuries involve cuts. In 2014/15 the TRI rate for the lighting plants increased slightly to 16.6 (2013/14: 14.7) and declined to 4.7 (2013/14: 4.8) for the components plants.

Research & Development

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

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

The individual brands are responsible for product development, while specific responsibilities are concentrated at the Group level. These responsibilities primarily involve coordination to prevent duplication in product development, research subsidies and committee work, the standardization and development of tools such as CAD and simulation programs and the registration, administration and defense of intellectual property rights. The standardization of LED modules and drivers and technology scouting are also handled at the Group level.

The focal points for R&D activities are derived from the “functional chain” of lighting: light sources, optics, control gears and light management. Accordingly, the key focal points include LED, OLED, quantum dots (QD) and lasers for light sources, new optical concepts for the direction of light in LEDs, new control gears and concepts for the operation of LEDs and OLEDs as well as new approaches for the management of lighting systems. The leveling-out of the efficiency increase in LEDs and the increased processor and storage performance in control gears is slowly shifting the focus of development from the lighting function to additional functions with added value for customers.

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

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

In addition to specially directed support for employees’ qualifications in electronics and systems, the Zumtobel Group meets the current challenges by focusing on the modular development of products, standardized hardware and differentiation through software.

Development partnerships and open systems will also become even more important in the future. The R&D organization has now moved beyond Europe’s borders with the expansion of R&D activities by all brands in China. The goal is to improve information transfer in the area of new technologies, increase the use of similar tools and promote the creation of standardized processes to drive the development of global products for global markets and low-cost products for the local Asian market. The strengthening of software activities and expertise has also led to the expansion of the development sites in the USA and Australia.

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

Steady dividend policy

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and general economic developments. Based on the substantially improved operating development during the reporting year and the stable economic environment in Europe, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 24 July 2015 calling for a dividend of EUR 0.22 for the 2014/15 financial year (2013/14: EUR 0.18).

Outlook and goals

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

The extensive restructuring in 2014/15 created a solid foundation that will support further growth and the realization of cost synergies from the strategic reorientation of the Zumtobel Group in 2015/2016. Activities will also focus on the continuous evaluation of additional opportunities to optimize structural costs in the 2015/16 financial year.

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

The multi-brand strategy gives the Zumtobel Group very broad market access, extensive know-how in lighting applications and a strong technology position. All this and the complete coverage of the value chain place the company in an outstanding position to realize above-average benefits from the growth impulses in the industry. The Group is also investing specifically to develop additional expertise and capacity in intelligent controls and data management, services and other innovative business models. In the future, lighting with its increasingly digital components will become more integrated in the Internet of Things (IoT).

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

Dornbirn, 12 June 2015

The Management Board

Ulrich Schumacher
Chief Executive Officer (CEO)
Karin Sonnenmoser
Chief Financial Officer (CFO)

Income Statement

IN TEUR	2014/15	2013/14	CHANGES IN %
Revenues	1,312,620	1,246,831	5.3
Cost of goods sold	-878,048	-845,356	3.9
Gross profit	434,572	401,475	8.2
<i>as a % of revenues</i>	<i>33,1</i>	<i>32,2</i>	
Selling expenses	-326,968	-320,263	2.1
Administrative expenses	-46,527	-40,424	15.1
Other operating results	-19,986	-28,645	-30.2
<i>thereof special effects</i>	<i>-25,392</i>	<i>-35,452</i>	<i>-28.4</i>
Operating profit/loss	41,091	12,143	>100
<i>as a % of revenues</i>	<i>3.1</i>	<i>1.0</i>	
Interest expense	-9,077	-8,904	1.9
Interest income	399	815	-51.0
Other financial income and expenses	-16,576	-6,763	<-100
Result from companies accounted for at-equity	-145	289	<-100
Financial results	-25,399	-14,563	-74.4
<i>as a % of revenues</i>	<i>-1.9</i>	<i>-1.2</i>	
Profit/loss before tax	15,692	-2,420	>100
Income taxes	-3,737	-2,263	65.1
Net profit/loss from continuing operations	11,955	-4,683	>100
Net loss from discontinued operations	-41	-73	43.1
Net profit/loss for the year	11,914	-4,756	>100
<i>as a % of revenues</i>	<i>0.9</i>	<i>-0.4</i>	

Balance Sheet

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

Cash Flow

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

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You can find the addresses of our sales office and production sites on the websites of the respective brands.

**FURTHER REPORTS OF
THE ZUMTOBEL GROUP**

**Annual Finance Report
2014/2015**

In addition to the present Annual Report, the Zumtobel Group has published an Annual Financial Report with the complete Consolidated Financial Statements for 2014/15. The Annual Financial Report is available for download via the following link:
zumtobelgroup.com/en/financial_information.htm

**Corporate Governance
Report 2014/2015**

The current Zumtobel Group Corporate Governance Report was published in the context of the Annual Financial Report 2014/15 and can be downloaded from our website:
zumtobelgroup.com/en/corporate_governance.htm

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**PREVIEW FINANCIAL
YEAR 2015/2016**

Report on the First Quarter 2015/16
8 September, 2015

Report on the First Half-year 2015/16
9 December, 2015

Report on the First Three Quarters 2015/16
2 March, 2016

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COVER

James Turrell flying over Little Colorado River, 2003
Photo by Florian Holzherr

