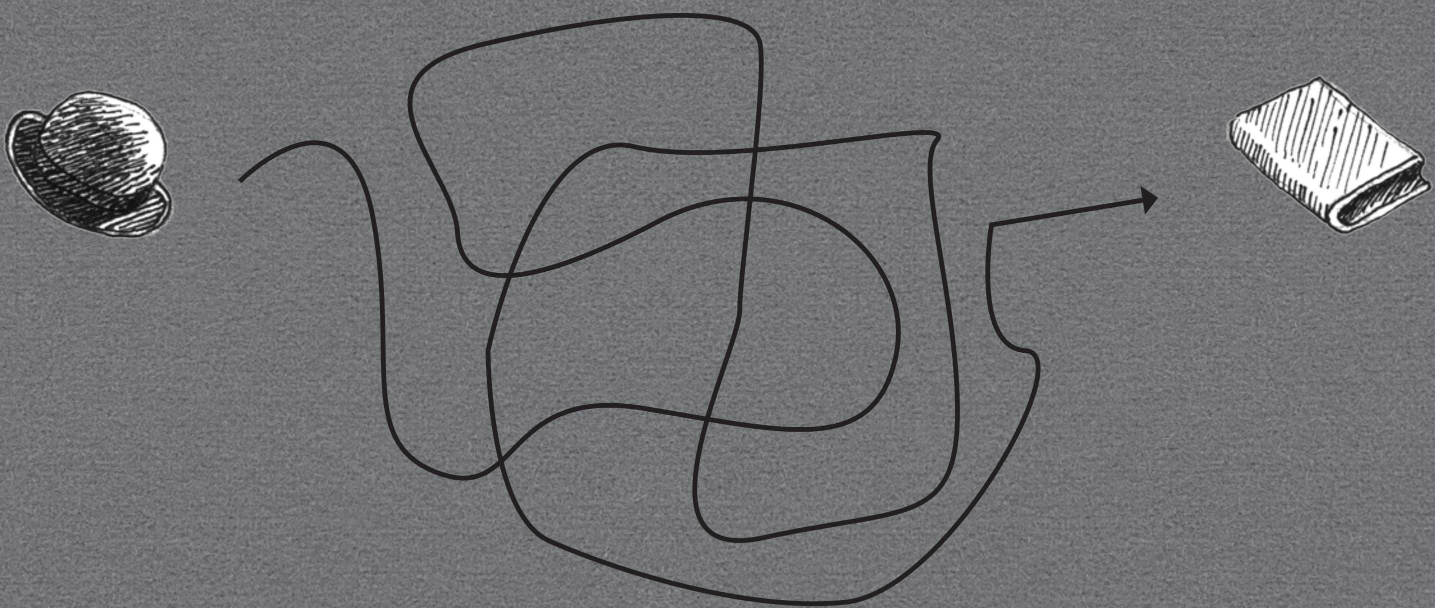
Zumtobel Group Annual Financial Report 2016/17



1 May 2016 to 30 April 2017

Front cover design:: Yung Ho Chang, Atelier FCJZ
This year´s art edition of the annual report has been designed by Yung Ho Chang. Chang and Lijia Lu are principals of the design practice Atelier Feichang Jianzhu (FCJZ) based in Beijing and Shanghai. Chang has also taught at various architecture schools and is presently a professor at Tongji University, Peking University, and MIT.

Following the publication at the Shareholder´s Meeting on July 21 2017, a PDF version of the report and order details will be available at:
www.zumtobelgroup.com/en/ordering.htm

Annual Financial Report 2016/17 Zumtobel Group AG

1 May 2016 to 30 April 2017

Five-Year Overview

in EUR million	2016/17	2015/16	2014/15	2013/14	2012/13
Revenues	1,303.9	1,356.5	1,312.6	1,246.8	1,243.6
Adjusted EBIT	72.4	58.7	66.5	47.6	35.7
as a % of revenues	*5.6*	*4.3*	*5.1*	*3.8*	*2.9*
Net profit/loss for the year	25.2	11.9	11.9	(4.8)	6.1
as a % of revenues	*1.9*	*0.9*	*0.9*	*(0.4)*	*0.5*
Total assets	1,019.6	1,068.6	1,086.3	1,006.6	994.8
Equity	334.0	333.2	322.6	327.6	357.4
Equity ratio in %	*32.8*	*31.2*	*29.7*	*32.5*	*35.9*
Net debt	91.0	134.8	148.2	126.2	113.2
Cash flow from operating results	114.1	84.8	103.1	79.5	79.8
Investments	45.2	58.4	76.6	65.6	59.5
as a % of revenues	*3.5*	*4.3*	*5.8*	*5.3*	*4.8*
R&D total	82.4	87.9	79.0	71.8	69.1
as a % of revenues	*6.3*	*6.5*	*6.0*	*5.8*	*5.6*
Headcount incl. contract worker (full-time equivalent)	6,562	6,761	7,234	7,291	7,162

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

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Chief Executive's Review

Dear Shareholders,

Ulrich Schumacher

For the Zumtobel Group, the past financial year brought very sound operating development as well as the implementation of key strategic measures to improve our competitive position. We took a number of important steps over the past quarters to strengthen our profitability, which included the adjustment of plant capacity and the steady focus of sales on a multi-brand strategy based on customer-specific sales channels. These results of these efforts are clearly visible in our financial indicators for the reporting year and show that we are on the right course to position the Zumtobel Group for a successful future with the consistent realisation of necessary restructuring measures and our strategic reorientation.

One personal highpoint during the past financial year was the market launch of Zumtobel Group Services (ZGS). One of our strategic goals is to further develop our company into a software-oriented service provider. We continued to pursue this goal during the 2016/17 financial year and with the bundling of our entire service offering under a single roof – the new Zumtobel Group Services business division – we set an important milestone in this respect. ZGS will position the Group even stronger as a service-oriented company and support our activities to continuously expand our offering in the rapidly growing connected lighting market. A strong team of roughly 240 experts will, in the future, provide services that include consultancy for intelligent light controls and emergency lighting systems, light contracting and design services. This will also address the growing demand for project management in the area of turnkey lighting solutions from a single source. These offerings will be supplemented by new data-based services like building use analyses. With ZGS we are creating one of the most comprehensive integrated service offerings in the entire lighting industry and delivering significant added value to our customers.

Substantial profitability improvement in spite of revenue decline

The Zumtobel Group recorded a year-on-year decline of 3.9% in revenues to EUR 1,303.9 million for 2016/17 (2015/16: EUR 1,356.5 million) in a lighting industry environment that was challenging and highly volatile. Revenue development was influenced by substantial negative currency translation effects of EUR 39.0 million, above all from the appreciation of the euro versus the British pound. A further negative effect was the loss of revenue which resulted from the sale of signage business in November 2015. After an adjustment for currency translation effects, revenues declined by 1.0% for the reporting year. An analysis by region shows a very differentiated picture. Sound revenue growth in the Benelux & Eastern Europe region and in Austria, the USA, Great Britain and Italy was contrasted by clear, in part market-related declines in Australia, France, Switzerland and especially in the Middle East. We are seeing continued dynamic growth in revenues from the sale of LED products, which is underscored by the year-on-year increase of 11.6% to EUR 960.0 million (2015/16: EUR 860.3 million). With a period of 12 months, the LED share of Group revenues rose to 73.6% (2015/16: 63.4%).

However, the most important highlight of the 2016/17 financial year was the significant improvement in earnings which resulted from the efforts to improve our cost position: Group EBIT adjusted for special effects rose by 23.4% year-on-year from EUR 58.7 million to EUR 72.4 million in spite of the decline in revenues. Consequently, the return on sales improved from 4.3% to 5.6%. Both the Lighting and the Components Segment significantly increased earnings over the previous year.

Accordingly, net profit rose from EUR 11.9 million in the previous financial year to EUR 25.2 million. A further positive development was recorded in free cash flow. Strict working capital management, lower capital expenditure as well as a better operating result led to strong positive free cash flow of EUR 69.4 million (2015/16: EUR 49.8 million). Net debt fell by EUR 43.8 million below EUR 100 million for the first time since the initial public offering in 2006 (EUR 91.0 million). In view of these developments, the Management Board will make a recommendation to the Supervisor Board and, subsequently, to the annual general meeting on 21 July 2017, calling for the distribution of a EUR 0.23 dividend per share for the 2016/17 financial year (2015/16: EUR 0.20).

Cautious optimism for 2017/18

The extensive restructuring measures implemented in recent years have significantly strengthened the competitive position of the Zumtobel Group and created a stable foundation for profitable growth. We intend to pursue this strategic reorientation with our full commitment and dedication during the coming financial year. Our focus will be placed on further improving the Zumtobel Group's cost position, for example through the construction of a new plant in Serbia, and also on massive investments in future-oriented technologies in the Internet of Things and the expansion of our newly created service division. We will also work to further optimise our structures in the areas of logistics and quality.

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year, but with substantial regional differences. This applies to new construction activity as well as the renovation business. We will continue to benefit from the substantial improvement in our cost position during 2017/18, but also see additional negative factors in unfavourable currency effects (GBP, USD), pressure on prices in the Components Segment and extensive investments in future issues. Against this backdrop and in spite of the limited visibility, the Management Board of the Zumtobel Group expects a slight improvement in revenues (2016/17: EUR 1,303.9 million) and adjusted Group EBIT (2016/17: EUR 72.4 million) for the full 2017/18 financial year. We will therefore remain on track to raise the adjusted EBIT margin to roughly 8% to 10% over the medium-term.

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

Ulrich Schumacher
Chief Executive Officer (CEO)

Group Management Report
Zumtobel Group AG
1 May 2016 to 30 April 2017

1. Group Management Report

Group Management Report

Zumtobel Group AG

1 May 2016 to 30 April 2017

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1. Group Management Report

1.1 The Zumtobel Group – An Overview

1.1.1 Milestones

Growth since 1950

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

Conversion into a stock corporation

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

Takeover of Staff and Thorn

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

New era based on LED technology

The turn of the millennium brought the start of a new era for the Zumtobel Group. LED technology became an integral part of professional lighting solutions, initially in smaller applications. Tridonic in Jennersdorf, Austria, started to develop and produce LED components and modules in 2001. The transformation from conventional lighting sources to LED has, for the most part, been completed: the LED share of Group revenues reached 73.6% in 2016/17.

IPO

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

Synergies through new organisational structure

A new organisational structure was implemented in December 2013 by the newly appointed CEO Ulrich Schumacher. All of the Lighting Segment brands are now marketed by a joint sales organisation. The procurement volumes for the entire Group are now also managed on a centralised basis and the plants in each segment were merged into a global production network to substantially improve cost structures and capacity utilisation. This maximises synergies in production, sales and development, reduces costs and strengthens the Group's innovation power.

New business division "Zumtobel Group Services"

The reorientation of the lighting industry to focus on LED has been followed by a further major transformation phase which is focused on "connectivity", meaning intelligent and Internet-linked lighting, as well as a rising demand for comprehensive, integrated service offers. In order to better meet this demand, the Zumtobel Group bundled its entire service offering into 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.

1.1.2 The Company

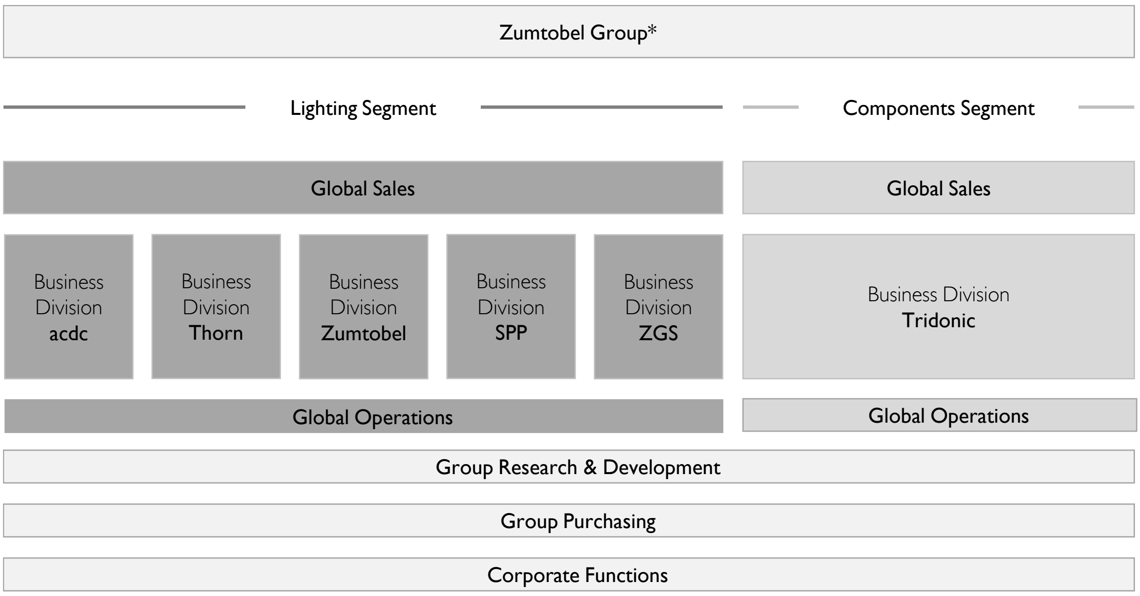
One of the few global players in the lighting industry

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 6,562 as of 30 April 2017 and recorded revenues of EUR 1,303.9 million in the 2016/17 financial year. The founding Zumtobel family continues to hold approx. 35.5% of share capital 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 markets are organized as business divisions.



* Simplified illustration as of 1 May 2017

Global multi-brand sales based on customer-specific channels

The global multi-brand strategy is the core element of the new 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 in three customer-specific channels: the project business (target group: architects, light and electrical planners), the end customer business (end customers above all in the retail, industry and trade branches, cities and municipalities etc.) and business activities with electricians which take place through wholesalers. With Tridonic, the Zumtobel Group has a components producer with the capability to transform the latest technology trends into innovative system solutions through proven electronic and software know-how.

Brands organised as business divisions

The five brands – acdc, Thorn, Zumtobel, Zumtobel Group Services (ZGS) and Tridonic – are organised as business divisions. A sixth division "Special Purpose Products (SPP)" covers, for example, third party manufactured products and also includes the Reiss portfolio with its focus on high protection products. In 2016/17 the portfolio was expanded to include the THORNeco product brand, which is characterised by excellent value for money and sold exclusively through wholesalers. The goals of each business division are to drive the strategic development of the product portfolio, to strengthen the brand profile and to ensure that customers' needs are exactly met. All new products are approved by the Group Steering Committee in order to avoid duplicate positioning and to optimise the overall portfolio.

Management and service functions for the entire Group

Zumtobel Group AG serves as the parent company of the Group and provides numerous management and service functions. The corporate functions include controlling, human resources, Group accounting and taxes, legal, internal audit, insurance, treasury, IT, corporate communications, investor relations, corporate integrity, Group technology and Group purchasing as well as the corporate centre which is responsible, among others, for strategy development, M&A activities and process management. These central functions support the implementation of the corporate strategy through standardised processes and instruments and ensure transparency and efficiency throughout the Group.

1.1.3 Products and production locations

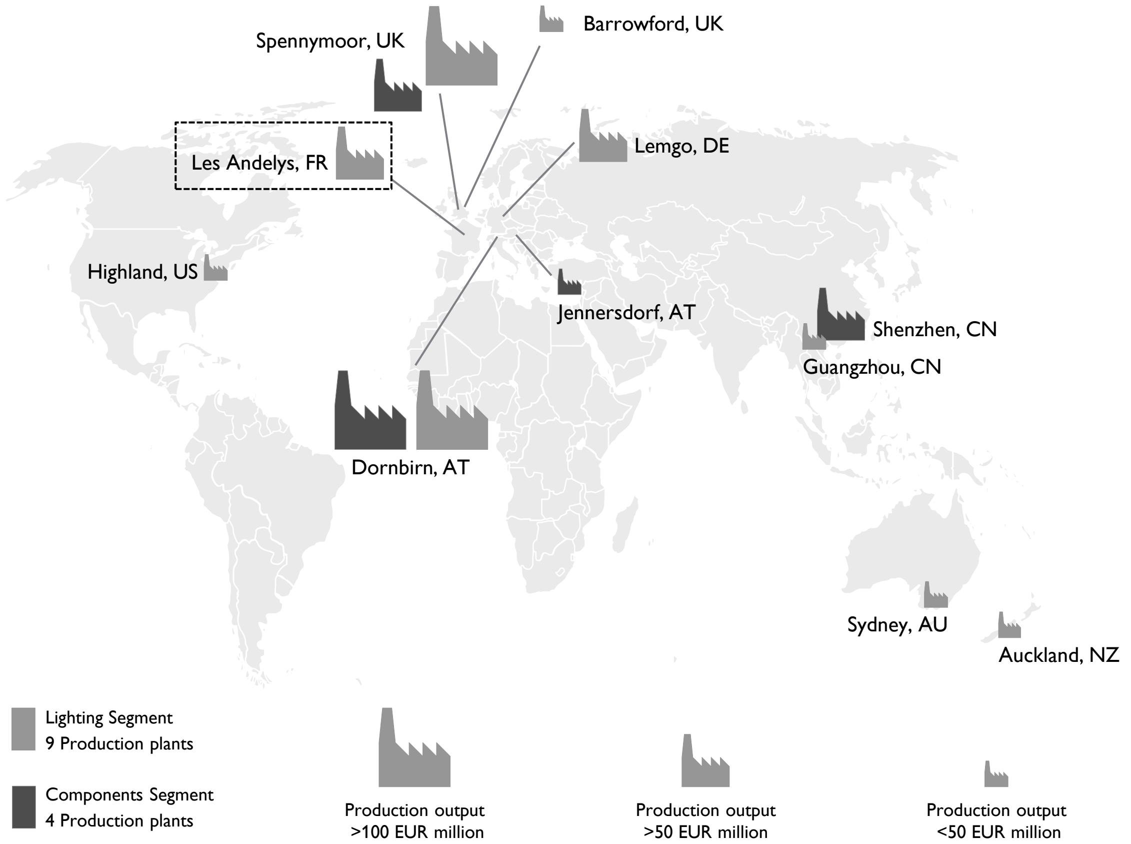
Full coverage of the value chain

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

Global production network

The Zumtobel Group's lighting and components plants are integrated in two global production network. The individual plants are linked in a way that best utilises their regional and technological strengths for the benefit of the entire Group. The new organisation involved the implementation of numerous projects over the past three financial years which resulted in 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) and the components plant in Auckland (New Zealand) were sold; and further plants were downsized. In December 2016 the Group announced the evaluation of a long-term strategic partnership with the French industrial group Active'invest for the plant in Les Andelys (France), which would also mean the transfer of this plant to Active'invest. The construction of a new lighting plant in Serbia was also announced by the Group in January 2017. This plant will be responsible, above all, for the production at optimal costs of the additional volumes planned for the coming years. The Zumtobel Group had 13 active production facilities on four continents as of 30 April 2017.

Production network of Zumtobel Group as of 30 April 2017



1.1.4 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 roughly 10% in Europe. In contrast, the worldwide conventional components industry is characterised by greater consolidation. The market for LED modules and LED drivers has seen the entry of numerous competitors in recent years, above all from Asia. With Tridonic, the Zumtobel Group holds a leading position in lighting management and control gears.

Thorn – the performance brand for the international volume business

Thorn is a leading quality supplier of professional solutions for indoor and outdoor lighting. This brand stands for high performance, cost-efficiency and, above all, user-friendly lighting and integrated controls. The Thorn brand markets its luminaires and lighting solutions worldwide, among others to wholesalers, electricians, planners and municipalities as well as end-users. The energy-efficient luminaires made by Thorn support a wide variety of applications in and around buildings, urban areas, sport venues, tunnels and streets. Thorn's functional products also cover all conventional indoor applications from offices to shops and supermarkets, industry, schools and healthcare facilities.

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

Tridonic – with its intelligent, connected and efficient solutions – is the global brand for the inner values of light. The brand offers a complete portfolio of hardware and software that is characterised by particularly high quality, reliability and energy efficiency. This fusion of technical expertise and customer orientation makes Tridonic a preferred partner. In addition to the intragroup production of components and system solutions for the Group's lighting brands, Tridonic also serves as an OEM supplier (Original Equipment Manufacturer) for luminaire producers throughout the world and generates over 80% of its revenues outside the Zumtobel Group. Customers value Tridonic as an innovative and competent partner that makes light more intelligent, interesting and sustainable. More than 2,500 patents document Tridonic's innovation strength. Tridonic's activities during the reporting year focused on market entry in the USA and the continuation of the connectivity strategy. Continuous innovation and cost competitiveness represent the two most important factors for Tridonic's sustainable profitable growth.

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. Applications for offices, education, presentation and retail, hotel and wellness, healthcare, art and culture and industry are ideally complemented with portfolios for living and outdoor areas. Valuable impulses for the further development of the Group's products and services are created not only by state-of-the-art research and technology, but also by long-standing cooperation with leading international architects, lighting planners, designers and artists in the project business.

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 most distinctive buildings in the world.

Reiss – the specialist for high protection lighting

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

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.

1.1.5 Key success factors for the Zumtobel Group

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

Multi-brand strategy and worldwide sales for customer-specific target groups

The sales function plays a key role in the Zumtobel Group's business model. The Group had 1,958 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. The sales approach of the Zumtobel and acdc brands is based primarily on the professional project business and the end customer business. The Thorn brand markets its products through all three sales channels. In the Components Segment, Tridonic, as an OEM supplier, sells its products worldwide to various luminaires producers.

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 2016/17 the Zumtobel Group spent EUR 82.4 million for 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.

1.1.6 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, for the most part, been completed. The LED share of Group revenues reached 73.6% in 2016/17, 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 offers a wide range of opportunities for the development of innovative business models. With the bundling of its entire service portfolio in a new business division (ZGS), the Zumtobel Group now 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 also 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.

1.1.7 Corporate strategy and medium-term goals

Multi-brand approach, cost optimisation and innovative business models

The Zumtobel Group follows a long-term, profitable growth strategy. The central elements of this strategy include the continuous improvement of cost structures in both the lighting and components business and a multi-brand approach in the lighting business as well as the further development of the service business and innovative business models. These elements allow the Zumtobel Group to realise opportunities for synergy and to differentiate itself from the competition.

Annual growth of 3% to 5% in revenues

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

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

The past three financial years were characterised by a fundamental strategic reorientation and the implementation of necessary restructuring measures. Capacity utilisation in the plants has improved substantially, and the increased cooperation between the brands within the joint sales organisation has led to the realisation of additional market and cost opportunities. The Group's full commitment was concentrated on its realignment as an innovative, software-oriented service company. This is now reflected in a significantly stronger competitive position and a stable foundation for profitable, dynamic growth. The construction of a new production plant in Serbia will represent a further milestone in improving the Group's cost position. The Zumtobel Group's management has set a goal to raise profitability to roughly 8% to 10% over the medium-term. A further milestone to meet this goal was set with the improvement in the adjusted EBIT margin from 4.3% in 2015/16 to 5.6% in 2016/17.

1.2 General Economic Environment

Subdued growth in the global economy

The global economy was confronted with major political and economic challenges in 2016/17. On the one hand, political and military actions in the Near and Middle East and the resulting flow of refugees, terrorist attacks in major European cities, the decision by Great Britain to leave the European Union, high volatility on the financial markets and the growing trend towards trade barriers created the foundation for a difficult environment. On the other hand, shifts in key international exchange rates had, in part, serious consequences for worldwide trade flows. The global economy generated growth of only 3.1%[1] in 2016, which reflects the same low level recorded in the previous year.

Moderate recovery in the Eurozone

The euro zone remained on a moderate recovery course with a plus of 1.7% in 2016. The economy found support in the European Central Bank with its expansive monetary policy as a stimulus for the low-level inflation that is slowing growth, but also in low energy prices, the weak euro and high consumer spending. These factors were contrasted in a number of euro zone markets by high unemployment and limited wage increases as well as the unpredictable outcome of the refugee crisis and the Brexit negotiations. Economic development in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, was again generally sound during the 2016 calendar year. The German economy generated the strongest growth in five years with 1.8%, while Austria reported an increase of 1.5% and Switzerland a plus of only 1.3%. In Southern Europe, the upward trend continued in Spain (plus 3.2%) and Portugal (plus 1.4%). Italy and France again showed no signs of significant economic recovery with a limited increase of 0.9% and 1.2%. The British economy recorded only a slight decline in growth momentum to 1.8% after very strong growth in previous years, despite the outcome of the Brexit referendum.

Continued solid growth in the USA

The United States of America saw a decline in growth from 2.1% in the previous year to 1.6% despite sound development in the second half of 2016. Robust job indicators and strong consumer spending led the Federal Reserve to abandon its low interest rate policy and raise the key interest rate at year-end for the first time since 2006. This step is viewed as a signal that the US economy is firmly on the road to recovery. China recorded the weakest growth in 26 years with 6.7% in 2016, but economists see this as a sign of stabilisation. Moderate domestic demand combined with lower exports and the transition from an industrial to a consumer and service society have had a negative effect on growth momentum. The other BRIC nations presented a mixed picture: Brazil remained in a deep recession with a minus of 3.6% in 2016 and the Russian economy followed two years of recession with slight recovery in 2016 but India, in contrast, generated impressive growth of 6.8%.

Rising economic optimism for 2017 and 2018

In its April 2017 forecast, the International Monetary Fund (IMF) raised its estimate for the global economy by a slight margin and now expects growth of 3.5% in 2017 and 3.6% in 2018. Specific changes from the IMF's previous forecast involve a moderate improvement, above all in the USA, Great Britain, Japan, China and Russia. In spite of this more favourable short-term outlook, the IMF is warning of massive dangers for the global economy, above all from the increasingly protectionist trends and the resulting risk of trade wars.

[1] Source: IMF forecast, World Economic Outlook, April 2017

1.3 The Zumtobel Group Share

A good year for the global stock markets

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

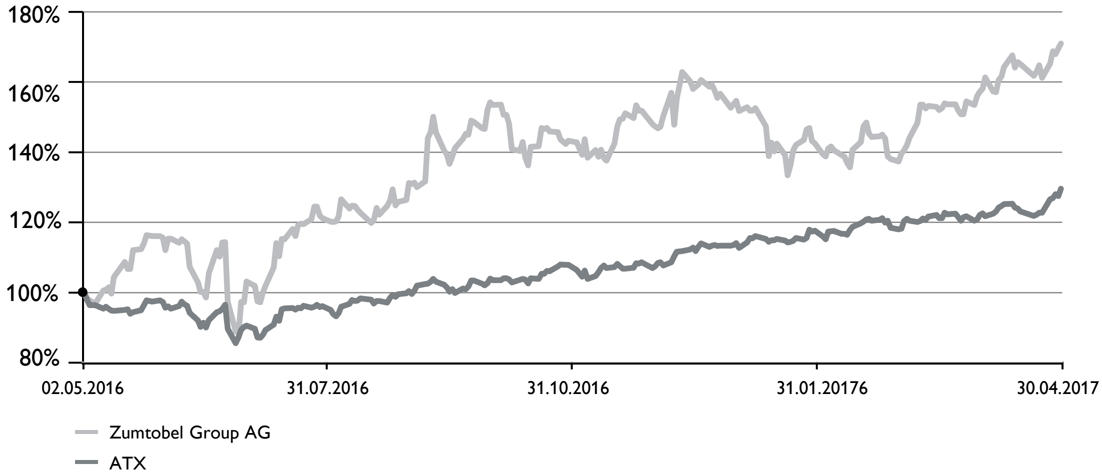
Developments on the global stock markets were generally positive throughout the 2016/17 financial year. In spite of the wide-ranging uncertainties in the economic and political environment, the mood on the financial markets remained optimistic – among others due to the continuation of low interest rate policies by the central banks and abundant liquidity. The leading Austrian Traded Index (ATX), which also includes the Zumtobel share, rose by 29.2% from 2,329 to 3,010 points in the reporting year. Strong growth was also recorded by other key indexes including the Dow Jones (plus 17.6%) in the USA, the DAX (plus 23,9%) in Germany and the leading European Euro Stoxx 50 (plus 17.5%).

Zumtobel Group share with an increase of 71.0% in 2016/17

Sound development of the Zumtobel Group share

2016/17 was a very good year for Zumtobel Group shareholders with an increase of 71.0% in the share price from the beginning of May 2016 to the end of April 2017. With this performance, the Zumtobel Group share clearly outpaced the leading Austrian Traded Index ATX (plus 29.2%). The strong rise in the share price was supported by solid financial indicators, the stable development of the European economy with positive impulses for the construction industry and the visible positive effects from the strategic reorientation and necessary restructuring measures. The share closed the 2016/17 financial year on 28 April 2017 at EUR 19.15.

Development of the Zumtobel Group Share



Market capitalisation of EUR 833 million

The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2016/17. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 833 million on 30 April 2017 (2015/16: EUR 495 million). In a ranking to determine ATX membership, the Zumtobel share was 20th among the largest listed companies in Austria as of 30 April 2017 based on market capitalisation and 15th based on trading volume. The average daily turnover on the Vienna Stock Exchange rose from 248,807 shares in the prior year to 282,402 shares (double-count, as published by the Vienna Stock Exchange).

Key Data on the Zumtobel Group Share FY 2016/17

Closing price at 202.05.2016	EUR 11,200	Currency	EUR
Closing price at 28.04.2017	EUR 19,150	ISIN	AT0000837307
Performance FY 2016/17	71.0%	Ticker symbolVienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 28.04.2017	EUR 833 Mio	Market segment	Prime Market
Share price - high at 28.04.2017	EUR 19,150	Reuters symbol	ZUMV.VI
Share price - low at 29.09.2016	EUR 9,900	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	282,402	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 35.5%. In addition, the institutional investors Larzard Freres Gestion SAS and Erste Asset Management GmbH each held an investment of over 4% as of 30 April 2017. Norges Bank reported that its investment in Zumtobel Group AG had risen to over 4% as of 5 June 2017. 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 2016/17 financial year.

Steady dividend policy

Recommended dividend of EUR 0.23 per share for 2016/17

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and general economic developments. In view of the solid operating development during the reporting year and the generally stable economic environment, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 21 July 2017, calling for a dividend of EUR 0.23 per share for the 2016/17 financial year (2015/16: EUR 0.20).

Investor relations activities focused on transparency and dialogue

Zumtobel Group receives the Austrian Financial Communication Award 2016

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. In recognition of this strong commitment, the Zumtobel Group received the Austrian Financial Communication Award for successful financial communications in the 2016/17 financial year. 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. Discussions were held, among others, with institutional investors in Boston, Frankfurt, London, Munich, New York, Paris, Zurich and Vienna. In 2016/17 eight well-known Austrian and international analysts issues regular reports on the Zumtobel Group share with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Baader Bank (Munich), Erste Bank (Vienna), J.P. Morgan (London), Kepler Cheuvreux (London), Landesbank Baden-Württemberg (Stuttgart), Morgan Stanley (London), Raiffeisen Centrobank (Vienna) and UBS (Frankfurt).

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

1.4 Significant Events since 30 April 2016

Dividend for 2015/16: EUR 0.20

The 40th annual general meeting on 22 July 2016 authorised the payment of a EUR 0.20 dividend per share for the 2015/16 financial year. This dividend was distributed to shareholders on 02 August 2016.

Usingen plant closed as of 31 December 2016

The intensive negotiations between company representatives, the Employees' Council and the trade union IG Metall, over the plant in Usingen were successfully concluded on 26 October 2016. The agreement reached by the negotiating parties covered a social plan as well as the shutdown of operations as of 31 December 2016.

Zumtobel Group evaluates the sale of the Les Andelys plant

On 12 December 2016 the Zumtobel Group announced the evaluation of a long-term strategic partnership with Active'invest for the plant in Les Andelys (France). The partnership with Active'invest would transfer the Les Andelys plant to this French industrial group, whereby the Zumtobel Group would retain a 10% minority stake in the new company. The related negotiations should be concluded in summer 2017.

Arbitration court awards Lledó compensation plus settlement payment

An arbitration court issued a decision on 27 December 2016 in the proceedings initiated by LLEDÓ ILUMINACIÓN S.A. against Zumtobel Lighting GmbH, which involved the termination of an official distributor contract concluded in 2008. As expected, the arbitration court awarded the former Spanish distributor Lledó compensation of EUR 0.9 million for the premature termination of the contract by Zumtobel. However, the court also awarded Lledó a settlement payment of EUR 6.2 million, which is based on an extremely questionable legal basis and was therefore not expected.

New lighting plant in Serbia

On 27 January 2017 the Supervisory Board of the Zumtobel Group approved the construction of a new lighting plant in Serbia. Plans call for the production of additional volumes at optimal costs at this location over the coming years. The construction costs for the new plant will amount to a maximum of EUR 30 million. Construction will be carried out in two phases over the next two and one-half years. The legal foundation for the new plant in Serbia was created with the founding of ZG Lighting SRB d.o.o. in March 2017.

New business division "Zumtobel Group Services"

The Zumtobel Group bundled all its project- and software-oriented services under a new business division "Zumtobel Group Services" as of 1 March 2017. This step reflects the Group's plans to further strengthen its positioning as a service-oriented company.

No other significant events occurred during the reporting year.

1.5 Review of Business Performance

1.5.1 Revenues

- >> Group revenues decline by 3.9%
- >> Substantial negative currency translation effects – FX-adjusted revenues 1.0% below prior year
- >> LED share of Group revenues rises to 73.6% (2015/16: 63.4%)
- >> Substantial regional differences in business development

Group revenues negatively influenced by FX-effects

Revenues recorded by the Zumtobel Group declined by 3.9% year-on-year to EUR 1,303.9 million in the 2016/17 financial year (1 May 2016 to 30 April 2017) in a lighting industry environment that was challenging and highly volatile (2015/16: EUR 1,356.5 million). Revenue development was influenced by substantial negative currency translation effects of EUR 39.0 million and by the loss of revenue through the sale of signage business in November 2015. The negative foreign exchange effects resulted, above all, from the appreciation of the euro versus the British pound (GBP). After an adjustment for these foreign exchange effects, the decline in revenues amounted to 1.0%. The dynamic growth with LED products continues: revenues from the sale of LED products rose by 11.6% year-on-year to EUR 960.0 million (2015/16: EUR 860.3 million) and the LED share of Group revenues increased to 73.6% within 12 months (2015/16: 63.4%).

Segment development in EUR million	2016/17	2015/16	Change in %	FX adjusted in %
Lighting Segment	999.9	1,028.4	(2.8)	0.0
Components Segment	377.2	410.4	(8.1)	(5.6)
Reconciliation	(73.3)	(82.2)	(10.9)	
Zumtobel Group	1,303.9	1,356.5	(3.9)	(1.0)

FX-adjusted revenues in Lighting Segment match prior year

The European commercial construction industry stabilised at a low level in 2016/17 after a series of annual declines. The original growth expectations were not met, however, in particular due to ongoing market weakness in France, Switzerland, Australia and the Middle East. In this environment, revenues in the Lighting Segment declined by 2.8% to EUR 999.9 million (2015/16: EUR 1,028.4 million). After an adjustment for negative foreign exchange effects, segment revenues exactly matched the prior year level.

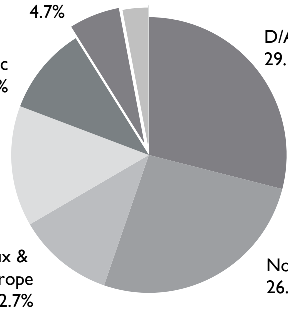
Sale of signage activities burdens growth dynamic in Components Segment

The decline in the Components Segment was more pronounced than the Lighting Segment at minus 8.1% for 2016/17 (FX-adjusted: minus 5.6%). It resulted, in particular, from the revenues lost due to the sale of the signage activities in November 2015 and from the continuing sharp drop in the sale of conventional electronic ballasts. However, business development in this segment was supported by continuing sound growth in the demand for intelligent, networkable LED components and Tridonic system solutions.

Distribution of revenues by region

2016/17	Revenues in EUR million	Change in %
D/A/CH	381.9	(2.8)
Northern Europe	341.4	(4.3)
Benelux & Eastern Europe	165.7	7.7
Southern Europe	183.0	(4.7)
Asia & Pacific	127.0	(9.3)
Middle East & Africa	61.2	(24.2)
Americas	43.7	8.7
Total	**1,303.9**	**(3.9)**

Revenues by region



Very different regional trends

The reporting period was characterised by widely different regional developments in a generally challenging industry environment. The D/A/CH region, the largest market in the Zumtobel Group, recorded a 2.8% decline in revenues (FX-adjusted: minus 2.7%) to EUR 381.9 million. It resulted primarily from substantially weaker demand on the Swiss market, in particular for office and industrial applications. Revenues in Northern Europe fell by 4.3% to EUR 341.4 million due to strong negative foreign exchange effects from the British pound. An adjustment for these foreign exchange effects results in an increase of 6.7% in regional revenues. In Great Britain, revenue growth has remained stable since the Brexit referendum. The Benelux & Eastern Europe region also continued the sound prior year trend during 2016/17 with an increase of 7.7% (FX-adjusted: 8.8%) in revenues to EUR 165.7 million. The Southern European region consists primarily of Italy and France. Italy recorded sound revenue growth for the reporting year, but business development in France remains disappointing. Revenues in this region fell by 4.7% to EUR 183.0 million. In the Asia & Pacific region, revenues remained very weak on the Australian market but improved substantially in Asia towards year-end. Revenues in this region fell by 9.3% in 2016/17 (FX-adjusted: minus 10.2%). Business development in the Middle East & Africa region was influenced by increasing tensions in the political and economic environment of several Middle East countries during recent quarters (e. g. Saudi Arabia). Revenues in this region dropped by 24.2% (FX-adjusted: minus 24.8%). The America region reported an increase of 8.7% in revenues (FX-adjusted: 7.3%) to EUR 43.7 million, which was supported by measures implemented in the previous year.

1.5.2 Earnings

- >> Adjusted Group EBIT rises by 23.4% to EUR 72.4 million
- >> Significant efficiency improvements in production
- >> Selling expenses at prior year level
- >> Negative special effects from the transformation process (EUR 26.6 million)
- >> Net profit totals EUR 25.2 million

Income statement in EUR million	2016/17	2015/16	Change in %
Revenues	1,303.9	1,356.5	(3.9)
Cost of goods sold	(864.0)	(925.4)	(6.6)
Gross profit	439.9	431.2	2.0
as a % of revenues	*33.7*	*31.8*	
SG&A expenses adjusted for special effects	(367.5)	(372.5)	(1.3)
Adjusted EBIT	72.4	58.7	23.4
as a % of revenues	*5.6*	*4.3*	
Special effects	(26.6)	(34.9)	(23.7)
EBIT	45.8	23.8	92.2
as a % of revenues	*3.5*	*1.8*	
Financial results	(15.7)	(8.2)	(90.7)
Profit/loss before tax	30.1	15.6	93.0
Income taxes	(7.6)	(3.7)	<(100)
Result from discontinued operations	2.7	0.0	
Net profit/loss for the year	25.2	11.9	>100
Earnings per share (in EUR)	0.58	0.28	>100

Note: EBITDA (plus depreciation and amortisation) amounted to EUR 106.2 million in 2016/17 (2015/16: EUR 91.4 million).

Adjusted Group EBIT rises by 23.4%

Group EBIT adjusted for special effects rose from EUR 58.7 million to EUR 72.4 million, or by 23.4%, despite the decline in revenues. Consequently, the return on sales improved from 4.3% to 5.6%. Both segments clearly exceeded the prior year results in 2016/17. The Lighting Segment, which was also the focus of restructuring efforts in the previous year, reported a 10.9% improvement in adjusted EBIT to EUR 53.5 million (2015/16: EUR 48.2 million), while the Components Segment recorded a 13.3% increase to EUR 39.6 million (2015/16: EUR 35.0 million).

Significant efficiency improvements in production

The gross profit margin (after development costs) for the Zumtobel Group rose to 33.7% (2015/16: 31.8%) in the reporting period despite the continuing pressure on prices This increase resulted, above all, from efficiency improvements in the plants and the better cost structure of products introduced during the previous financial year. Development costs included in the cost of goods sold amounted to EUR 77.4 million and were EUR 6.5 million below the high prior year level (2015/16: EUR 83.9 million). The central bundling of R&D activities and the streamlining of the plant network supported the realisation of additional synergy effects.

Selling expenses at prior year

Selling expenses reflected the previous year at EUR 328.3 million in 2016/17 (2015/16: EUR 327.1 million) despite wage and salary increases mandated by collective negotiations. This is a consequence of the extensive restructuring and cost savings measures implemented in recent quarters. The strategic merger of the formerly separate Zumtobel and Thorn sales organisations has now been completed. Administrative expenses were slightly higher than the previous year at EUR 52.2 million (2015/16: EUR 51.1 million). Other operating results, excluding special effects, amounted to EUR 13.0 million (2015/16: EUR 5.7 million) and included, among others, license income from the LED business and government grants.

Negative special effects from transformation process

Negative special effects of EUR 26.6 million were recognised during the reporting year (2015/16: EUR 34.9 million). These effects are related, above all, to the shutdown of the plant in Usingen (Germany) and the planned sale of the plant in Les Andelys (France), the restructuring of the global research and development departments and payments resulting from the arbitration decision in the proceedings initiated by LLEDÓ ILUMINACIÓN S.A. against Zumtobel Lighting GmbH (EUR 6.9 million) as well as positive results from the sale of the former plant location in Ennenda (Switzerland). 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	2016/17	2015/16	Change in %
Reported EBIT	45.8	23.8	92.2
thereof special effects	(26.6)	(34.9)	(23.7)
Adjusted EBIT	72.4	58.7	23.4
as a % of revenues	*5.6*	*4.3*	

Financial results below prior year

Financial results declined by EUR 7.5 million year-on-year to minus EUR 15.7 million (2015/16: minus EUR 8.2 million). Interest expense is attributable primarily to the current credit agreement and to a finance lease. Other financial income and expenses totalled minus EUR 8.5 million (2015/16: plus EUR 0.5 million). The substantial fluctuations in the fair value measurement of financial instruments reflected the high volatility on the foreign exchange market, above all from the British pound and US dollar.. The negative effect in comparison with 30 April 2016 resulted primarily from the realisation of foreign exchanges transaction with a previously positive market value. Additional details are provided in sections 2.6.4.4 and 2.6.4.5 of the notes.

Financial result in EUR million	2016/17	2015/16	Change in %
Interest expense	(7.3)	(9.2)	(20.5)
Interest income	0.4	0.5	(9.9)
Net financing costs	(6.8)	(8.7)	21.1
Other financial income and expenses	(8.5)	0.5	<(100)
Result from companies accounted for at-equity	(0.4)	(0.1)	<(100)
Financial results	(15.7)	(8.2)	(90.7)

Net profit totals EUR 25.2 million

Profit before tax amounted to EUR 30.1 million in 2016/17 (2015/16: EUR 15.6 million), and income taxes totalled EUR 7.6 million (2015/16: EUR 3.7 million). Additional information is provided in section 2.6.4.6 of the notes. The results of discontinued operations equalled EUR 2.7 million and reflected the release of a payable related to the reorganisation of the event lighting business (Space Cannon VH SRL), which was discontinued during the second quarter of 2010/11. Net profit for the reporting year was therefore substantially higher than the previous year at EUR 25.2 million (2015/16: EUR 11.9 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.58 (2015/16: EUR 0.28).

1.5.3 Cash flow, financial and asset position

- Continued positive development of working capital
- Capital expenditure declines to EUR 45.2 million (2015/16: EUR 58.4 million)
- Substantial improvement in free cash flow to EUR 69.4 million (2015/16: EUR 49.8 million)
- Continued secure liquidity position and solid balance sheet structure

Seasonality of the business

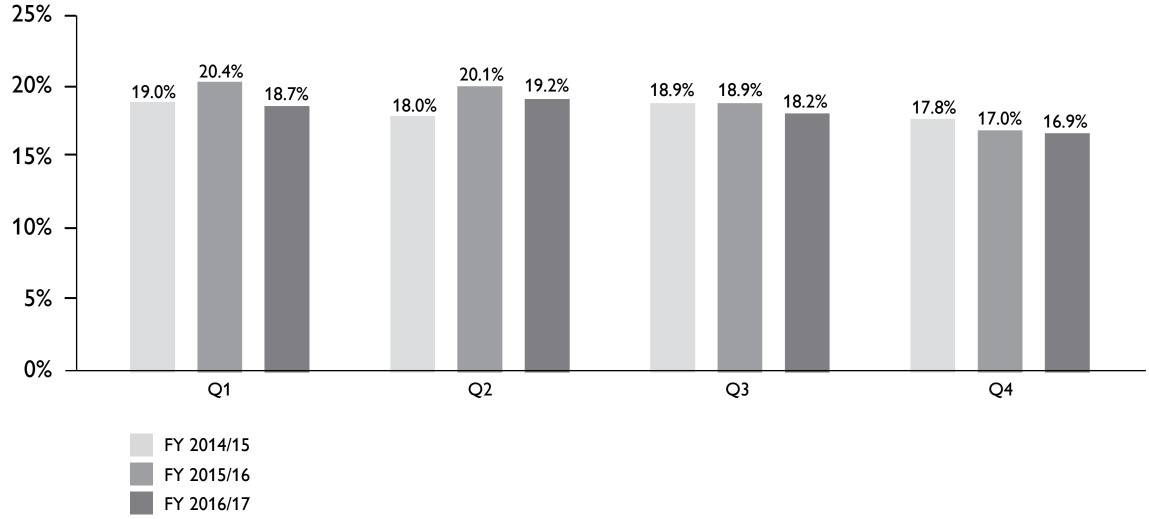
The development of business in the Zumtobel Group follows a seasonal pattern: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn and the installation of the lighting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

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

Working capital below prior year

Working capital totalled EUR 220.1 million as of 30 April 2017 and was EUR 11.1 million lower than year-end 2015/16. In relation to rolling 12-month revenues, working capital decreased from 17.0% to 16.9%. This decline resulted, above all, from strict receivables and payables management. The change in the other operating positions involves the "current provisions" and resulted primarily from the use of the provision for restructuring costs. The increase in operating earnings and better working capital management supported a sound improvement in cash flow from operating activities, which rose to EUR 107.5 million in 2016/17 (2015/16: EUR 92.6 million).

Working Capital in % of rolling 12-month revenues



Reduction in capital expenditure

Investments in non-current assets for various production facilities totalled EUR 45.2 million in 2016/17 (2015/16: EUR 58.4 million). These expenditures consisted mainly of tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 13.1 million (2015/16: EUR 18.1 million). The positive effect reported under proceeds from the sale of non-current assets resulted, above all, from the sale of the plant location in Ennenda (Switzerland) following the termination of production in 2014/15. The improvement in cash flow from operating activities and the decline in investments led to an improvement in free cash flow, which rose by EUR 19.6 million to EUR 69.4 million (2015/16: EUR 49.8 million).

Cash flow from financing activities reflects, in particular, the reduced use of the existing credit lines provided by the consortium credit agreement as well as interest paid and the EUR 8.6 million dividend paid to the shareholders of Zumtobel Group AG for the 2015/16 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 88.1 million at its disposal as of 30 April 2017 (2015/16: EUR 88.4 million). The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. It has a current term ending in November 2021 and a maximum line that currently equals EUR 300 million. The amount drawn under this agreement equalled EUR 60 million as of 30 April 2017 (2015/16: EUR 100 million). The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights and also includes clauses covering an increase of up to EUR 200 million and a further one-year extension. 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 2017. 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 2017 with a debt coverage ratio of 0.86 (2015/16: 1.48) and an equity ratio of 32.8% (2015/16: 31.2%).

Balance sheet data in EUR million	30 April 2017	30 April 2016
Total assets	1,019.6	1,068.6
Net debt	91.0	134.8
Debt coverage ratio	*0.86*	*1.48*
Equity	334.0	333.2
Equity ratio in %	*32.8*	*31.2*
Gearing in %	*27.2*	*40.5*
Investments	45.2	58.4
Working capital	220.1	231.2
As a % of rolling 12 month revenues	*16.9*	*17.0*

Solid balance sheet structure

The Zumtobel Group's balance sheet structure remained solid throughout the 2016/17 financial year. The equity ratio rose from 31.2% on 30 April 2016 to 32.8% on 30 April 2017. Net debt totalled EUR 91.0 million as of 30 April 2017 (2015/16: EUR 134.8 million) and was EUR 43.8 million lower than the previous year. Gearing, the ratio of net debt to equity, improved from 40.5% to 27.2%.

1.6 Non-financial Performance Indicators

Non-financial performance indicators are important value drivers for a company. They are not directly reflected on the income statement, balance sheet or cash flow statement, but play an important role in long-term success. In preparation for the legal requirements on non-financial reporting that will take effect in Austria beginning with the 2017/18 financial year, the management report for 2016/17 was expanded to include substantial statements on issues related to the environment, society and employees.

1.6.1 Commitment to sustainability

Sustainability is closely related to the core business

Sustainability and responsible actions are firmly anchored in the Zumtobel Group. This commitment is reflected in numerous ecological and social activities over the past decades. The Zumtobel Group's focus on sustainability is closely related to the core business: the use of energy-efficient, intelligently managed lighting technology plays an important role in conserving resources. This trend has been accelerated by the dynamic increase in revenues from the sale of LED products as well as the continuous increase in the efficiency (lumes/watt) of LED modules and LED luminaires.

Artificial lighting is currently 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, which means this presents the most effective opportunity to save energy.

Higher 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. Through its portfolio of energy-saving products, the Zumtobel Group helped to realise energy savings of 3,528,516 megawatt hours in 2016/17 (2015/16: 3,219,486 MWh). That represents the annual electricity requirements of 1,176,172 two-person households (2015/16: 1,073,162). Based on the CO_2 emissions converted at an average global factor of 0.519 kg/KWh the energy savings contribution of the Zumtobel Group amounted to approx. 1,831,300 tonnes of CO_2 in 2016/17.

Additional detailed information and specific performance indicators on sustainability can be found in the following sections: 1.6.2 Human Resources, 1.6.3 Suppliers, 1.6.4 Quality, 1.6.5 Environmental Protection and 1.6.6 Research and Development.

1.6.2 Human resources

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

Decentralised human resources management

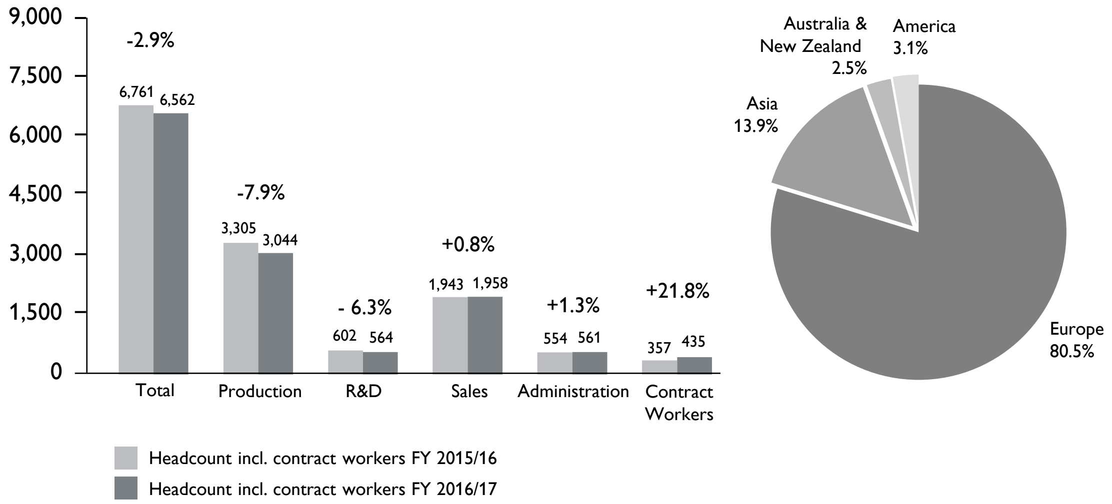
Human resources management in the Zumtobel Group is decentralised. A specialised department at the corporate headquarters is responsible for the development and coordination of Group-wide activities, succession planning for key positions and the advancement of internal talents. A number of regional shared service and competence centres have been established for the implementation of measures at the local level.

Workforce development

Further restructuring measures lead to workforce reduction

The strategic reorientation of the Zumtobel Group and the related necessary restructuring measures led to a decline in the workforce during both 2015/16 and 2016/17, above all in production. The Zumtobel Group had 6,562 full-time employees (including contract workers) as of 30 April 2017, or roughly 200 fewer employees than in the previous year. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



The average length of service with the Zumtobel Group equals 10.1 years. Labour productivity – adjusted EBIT in relation to personnel expenses – rose from 12.4% in the previous year to 16.2% in 2016/17 due to the improvement in operating results. Average revenues per employee (including contract workers) increased slightly from EUR 193,500 to EUR 194,800.

Attractive jobs

Employer branding

The limited number of qualified specialists also creates major challenges for the international Zumtobel Group to attract qualified applicants and recruit the right people for the right jobs. Employer branding strengthens motivation and ties with current staff and is an important instrument to create increased interest among potential candidates. "Enlightening your career" is the motto of the Zumtobel Group for its positioning as an employer. With this value promise, the Zumtobel Group is addressing the changing needs of new generations on the labour market in order to maintain and strengthen its position as an attractive employer. A greater focus was placed on social media channels like Facebook, XING and LinkedIn during the reporting year as a supplement to the current online presence on the career page of Zumtobel Group AG.

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 are used to identify the individual potential of these internal talents with regard to future responsibilities and to prepare personal development plans. This forms the basis for concrete succession and career planning and continuous management development. One hundred employees have participated in five development centres to date, whereby 40 of the first 60 graduates have found a new professional challenge within the Group.

Extensive training programmes

Systematic professional advancement and development as well as motivation and strong ties between the right employees and the Zumtobel Group are important elements for sustainable business success. In addition to external training opportunities, an extensive range of internal training programmes are available for specialised and personal development in line with the skills, know-how and needs of the respective persons. The programmes offered by the Zumtobel Group Global Learning Academy were substantially expanded during the reporting year, in particular through a further increase in online courses. Training measures in 2016/17 focused on product know-how, applications and sales skills. A total of 763 sales employees were trained in 93 base camp units in 24 countries during 2015/16. This was followed by an advanced action camp in 2016/17, which was attended by 918 sales employees in 78 units in 26 countries. This programme will be continued in 2017/18 with a service camp for 1,450 selected sales employees.

Internal rotation

The Zumtobel Group places high priority on cooperation between business areas and brands. An important instrument to support this cooperation is internal job rotation between the various brands and functional areas of Zumtobel Group AG.

Work-life balance

An effective work-life balance for employees is an important focal point of human resources activities in the Zumtobel Group. Part-time employment, educational leave, sabbaticals or other models are arranged where needed and permitted by the respective position. Part-time employees represented 6.6% of the total full-time equivalent workforce in 2016/17 (2015/16: 4.0%). Sabbaticals allow full-time employees to finance leave of up to three months at a part-time salary. The absence of the involved employees, in turn, creates opportunities for short-term assignments (rotation).

Support for the work-life balance

The Zumtobel Group offers flexible scheduling models as well as home office and flexible employment options to help working parents achieve a balance between career and family. At the end of the reporting year 78 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. The Zumtobel Group is also working to accommodate the so-called "daddy's month", which was introduced in Austria for babies born on or after 1 March 2017, and allow interested fathers to take advantage of this opportunity.

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 77 different nations, whereby the staff at the corporate headquarters in Dornbirn, Austria, represent roughly 50 nations. As an equal opportunity employer (EOE), the Zumtobel Group does not tolerate any form of discrimination. This policy has also been part of the Group's code of conduct since 2004. Accordingly, all personnel decisions are based on performance and qualifications. A special focus is placed on employees over 50 years of age in recruiting and internal promotions. The share of women in the Zumtobel Group's workforce currently equals 35.7% (previous year 34.4%). 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 equalled roughly 17% in 2016/17 and 2015/16. The following graph shows the classification of the workforce by gender, age group and type of employment (excluding contract workers):

	Percentage in FY 2016/17	Percentage in FY 2015/16
Men	64.3	65.6
Women	35.7	34.4
Total	**100.0**	**100.0**
< 30 years old	16.4	18.0
30-45 years	41.8	40.5
45-55 years	27.9	28.2
> 55 years old	13.9	13.3
Total	**100.0**	**100.0**
White-collar workers	58.8	59.8
Blue-collar workers	35.2	35.0
Contract workers	6.0	5.2
Total	**100.0**	**100.0**
Full-time	93.4	96.0
Part-time	6.6	4.0
Total	**100.0**	**100.0**

Apprenticeship training in 11 professions

The Zumtobel Group sees training for young people as part of its social responsibility, but also as an opportunity to actively deal with the growing shortage of skilled workers. As of 30 April 2017 the Group had 113 apprentices (2015/16: 119). This professional training is an important instrument to counter the lack of specialists caused by demographic shifts. The apprenticeship training programme, which is operated primarily in Austria and Germany, covers the following 11 professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining, mechatronics, industrial clerk and media expert.

Annual employee review

The annual employee review represents another important element of the interaction between employees and their supervisors. In this structured discussion, managers and their staff define goals, develop a common understanding for the values and the importance of the corporate strategy for the specific job responsibilities. Mutual expectations are coordinated and development opportunities are systematically identified. Training measures are also defined depending on the employee's individual needs. Annual reviews were held with nearly 4,400 employees throughout the Group in 2016/17.

Employee awards

The Dr Walter Zumtobel Innovation Award and the Value Award, which carry the name of the Group's founder, were presented for the first time in 2016/17. The Innovation Award is an internal prize that is intended to anchor the subject of innovation even more strongly in the corporate culture and support and recognise the innovation potential of employees. The Value Award is presented 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.

Employee rights and social responsibility

High labour standards & open dialogue with employee representatives

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) concerning the freedom of association, the elimination of forced labour, child labour and discrimination as well as fair and performance-based remuneration for employees are a matter of course and represent an integral part of the code of conduct, which is mandatory for all companies in the Zumtobel Group.

Integrative projects

Another focal point of human resource activities is 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.

Social commitment

The Zumtobel Group is involved with many different cultures and societies in its international operations, but is also very active at the local level. This social commitment includes support, in particular, for initiatives in the areas of art and culture as well as social projects. The Zumtobel Group also plays an active role in the design of product norms and guidelines, is a member of numerous interest groups and professional associations, supports educational institutions and maintains cooperation programmes with schools, colleges and universities for the mutual transfer of know-how.

Well-known international architecture prize

One special highlight is the "Zumtobel Group Award – Innovations for Sustainability and Humanity in the Built Environment", an internationally established architecture prize which is funded with EUR 150,000. It serves as a stimulus for future-oriented concepts and developments which lead to improved living conditions and sustainability in the built environment. This prize was presented for the fifth time in 2016, and an international jury of recognised experts will select the next award winner in June 2017.

Remuneration

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.

The variable remuneration for the sales area is based on a remuneration model with "absolute gross profit" as the primary performance indicator. It creates an incentive to increase profitable revenues in the individual countries and regions and, in this way, support the long-term success of the Zumtobel Group.

Workplace safety and health

Importance of occupational safety

Accident prevention and health protection for employees represent an important focal point for the member companies of the Zumtobel Group. 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 / total number of hours worked x 1,000,000) is monitored monthly at all plants. The most frequent injuries involve cuts. In 2016/17 the Group's accident prevention efforts were rewarded with a substantial decline in the TRI rate to 11.4 (2015/16: 15.4) in the lighting plants. In the components plants the TRI rate stood at 4.0 (2015/16: 3.9). There were no fatal accidents in 2016/17, similar to the previous years.

Special focus on "Health & Age"

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 a high priority and are assigned to "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 form the primary elements of the Zumtobel Group's health management programme. Various programmes in these areas have been implemented at the individual Group companies, which were adapted to meet the specific needs of employees. The efforts of the Zumtobel Group 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".

1.6.3 Suppliers

Focus on quality, costs and supplier reliability

The cooperation between the member companies of the Zumtobel Group and their suppliers is based on long-term mutual trust and fairness. That provides economical, ecological and socially responsible protection for the supply chain, while ensuring optimal quality. The procurement specialists in the Zumtobel Group were faced with substantial challenges during the reporting year, above all from volatile exchange rate constellations caused by the weak euro and the resulting decline in purchasing power on foreign currency markets.

Commodity management and should-cost initiative

The strategic reorientation of the entire purchasing organisation in 2014/15 produced further benefits during the reporting year. The further bundling of the procurement volumes from all plants under designated Group commodity managers has improved the negotiating position with suppliers and supported the realisation of synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). It also helped to neutralise most of the above-mentioned negative foreign exchange effects. Activities in 2016/17 also concentrated on the should-cost initiative, which involves the use of special software to determine the theoretically best possible cost for purchased components. The resulting transparency not only creates advantages in price negotiations, but is a further tool to quickly identify the major cost drivers in a component and work towards the necessary optimisation.

Multi-sourcing strategy to minimise risk

The platform and multi-sourcing strategy and other focal point activities optimise costs and protect supply security and quality, even in the event of unexpected external incidents and demand shifts. This multi-sourcing strategy calls for the identification and approval of at least two suppliers for high-revenue procurement articles.

Standardisation as a value multiplier

The Zumtobel Group has a worldwide network of 680 direct material suppliers, each of which is responsible for a purchasing volume of more than ten thousand euros. This network was reduced by almost 6% during the reporting year through the consolidation of suppliers and components. An important role in this process is played by the technical purchasing department, which was installed during the reporting year and focuses on the standardisation of components during the product development process. The standardisation of texts for all purchased components also allows for the easy identification and bundling of similar articles throughout the Group. The goal is to further reduce the total number of suppliers through continued standardisation. A lower number of suppliers makes it possible to focus on strategic partners which, in turn, leads to higher synergy effects from the further bundling of procurement volumes and also helps to move the preferred suppliers towards greater sustainability and continuity.

LED components are purchased above all in Asia

All brands purchase their key raw materials, e.g. steel, copper, aluminium and plastic granulate in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers for these parts are located. The share of the procurement volume from Asia amounted to over 72% in the Components Segment and nearly 6% in the Lighting Segment during 2016/17.

Systematic evaluation and audits of suppliers with special focus on sustainability

Both segments of the Zumtobel Group have implemented systematic processes for the regular evaluation and auditing of suppliers. These reviews are coordinated by commodity management in cooperation with the engineering, purchasing and supplier quality staffs. In addition to the recognised success factors of supplier reliability, quality and service, ecological and social responsibility (environmental management system, code of conduct) is also evaluated. The Lighting Segment performed 40 audits in 2016/17 (2015/16: 44), while the Components Segment carried out 12 audits (2014/15: 25) with existing suppliers. Sustainability aspects related to occupational safety and environmental management formed a focal point for the audits. These assessment systems generally facilitate the introduction of measures for the joint development of suppliers, which allow for the elimination of weak points and ensure long-term supplier quality.

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

Austrian Supply Excellence & Einkauf 4.0 Award 2016

In recognition of the successful implementation of an e-procurement solution as a Group-wide purchasing platform, the Austrian Federal Association for Materials Management, Purchasing and Logistics presented the Zumtobel Group's procurement department with the Austrian Supply Excellence & Einkauf 4.0 Award 2016.

1.6.4 Quality

Highest quality demands

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

High-quality processes and products

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

Standards and directives

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

1.6.5 Environmental protection

Significance of environmental protection

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 based on three supports

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

Training in environmental protection

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

Environmental management certified under ISO 14001

Under ISO 14001 certification, an external organisation confirms the application and continuous improvement of an effective environmental management system. The most important goals of the environmental management system are to prevent negative effects on the environment and to ensure compliance with legal and government requirements. Clearly defined operations and processes as well as established methods help to ensure that the best available materials and techniques are used where appropriate and economically feasible. The development of products and services covers the entire life cycle from the selection of materials to production, transportation, use and recycling. The nine most important production plants in the Zumtobel Group are certified under ISO 14001: the components plants in Dornbirn (Austria), Jennersdorf (Austria), Spennymoor (Great Britain) and Shenzhen (China) and the lighting plants in Dornbirn (Austria), Lemgo (Germany), Spennymoor (Great Britain), Les Andelys (France) and Guangzhou (China).

Waste management

Activities in support of environmental protection also cover the economical use of resources and the recycling of materials. Key factors are 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 9,379 tonnes of waste from the production process in 2016/17 (2015/16: 9,920 tonnes), including 394 tonnes (2015/16: 405 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	2016/17	2015/16
Recycable Waste	7,582	8,258
Residual Waste	1,403	1,257
Hazardous Waste	394	405
Total	**9,379**	**9,920**

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 2016/17 the Zumtobel Group used approximately 109,976 cubic metres of water in production, compared with 102,334 cubic metres in the previous year. This water was drawn primarily from municipal supplies.

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. The components plants in Dornbirn (Austria), Jennersdorf (Austria) and Spennymoor (Great Britain) as well as the lighting plant in Dornbirn (Austria) successfully completed the ISO 50001 certification process for energy management systems (EnMS).

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 (87%). The various energy sources and consumption in production are shown in the following table:

Production Process Energy Consumption in MWh	2016/17	2015/16
Process Energy		
Electricity	54,515	56,397
Gas	18,687	20,109
District Heating	291	319
Oil	180	500
Heating Energy		
Gas	13,715	13,841
District Heating	2,101	2,173
Total	**89,489**	**93,339**

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	2016/17	2015/16
Oil CO_2-Equivalent	47	152
Gas CO_2-Equivalent	8,684	8,775
Electricity CO_2-Equivalent	13,815	16,034
District Heating CO_2-Equivalent	560	583
Total	**23,106**	**25,544**

Lean Six Sigma method

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

1.6.6 Research and development

Central R&D for all brands

Research and development (R&D) remains a decisive success factor for the Zumtobel Group through its role in the development and application of new technologies. R&D was reorganised at the Group level during the reporting year to cover all brands. As a result of these changes, a global R&D department now services all of the Zumtobel Group's brands. This also applies to the development of specific products, which is now classified under lighting, components and sensors, and systems. Additional synergy effects were created by the centralised bundling of R&D activities and the streamlining of the plant landscape, which supported a reduction of 6.2% in R&D expenditures to EUR 82.4 million in 2016/17.

Research and Development in EUR million	2016/17	2015/16	Change in %
Development costs	77.4	83.9	(7.7)
Research costs	5.0	4.0	24.9
R&D total	82.4	87.9	(6.2)
as a % of revenues	*6.3*	*6.5*	
Headcount (full-time equivalent) R&D	577	598	(3.5)

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 and connectivity, luminaires and light management. Accordingly, the most important issues include the further development of LEDs for light sources, 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 as well as new approaches for the management of lighting systems. The levelling-out of the efficiency increase in LEDs and the increased processor and storage performance of control gears is shifting the focus of development from the lighting function and the luminaire to intelligent components, communication and services. The price and performance disadvantages of organic lighting diodes (OLED) have not declined, and these products continue to play a subordinate role in general lighting. The Zumtobel Group has therefore discontinued its remaining activities in this area.

Continued high innovation power

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 2016/17 the Lighting Segment registered 65 patents (2015/16: 59) and the Components Segment 96 patents (2015/16: 89). The share of revenues generated with new products (products not older than three years) is rising steadily and increased to 55.7% (2015/16: 48.4%) in the Lighting Segment and to 68.6% (2015/16: 71.9%) in the Components Segment. The number of active commercial property rights – currently approx. 8,215, including 4,761 patents – and the share of revenues recorded with new products speak for the company's innovative strength.

R&D is influenced by technological change

R&D is 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. Luminaires and, consequently, their components are becoming part of the Internet of Things (IoT). However, the required interfaces have not yet been defined or competing interfaces have already entered the market. The Zumtobel Group contributes to the development of industry standards for these interfaces through its participation in committees and in the OpenAIS EU research project (open architecture for future intelligent lighting systems). 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 here, among others, are the Technical University in Eindhoven (Netherlands), NTS Interstate University of Applied Sciences of Technology Buchs (Switzerland), the Materials Center Leoben (Austria), Joanneum Research (Austria), Graz University of Technology (Austria), Cambridge University (Great Britain) and the IT Aveiro (Portugal). The Group also maintains development partnerships with industrial firms like ARM, Bosch, Cisco, Johnson Controls, NXP, TNO-ESI, Fraunhofer, VTT and others.

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

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 1.8 for additional information).

ICS monitoring

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

ICS 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

Important improvements were made during the 2016/17 financial year, above all in the following areas:

- Implementation of standardised key controls for major financial accounting processes in the Lighting Segment.
- Development of a new SAP authorisation concept for financial accounting in the Lighting Segment, which will be rolled out to other Group companies during the coming financial year.
- Preparation of a roadmap to strengthen and expand ICS measures in financial accounting and to harmonise and improve the efficiency of financial accounting processes in the Lighting Segment.
- Monitoring of latest developments in the area of cybercrime by the specialist departments through their internal and external networks. Information and instructions, both general and very specific, are regularly communicated to increase the awareness for this rapidly growing threat and prevent the unauthorised outflow of funds. Technical precautions were also strengthened in view of the fact that this threat scenario will likely be part of normal operations for companies in the future.

1.8 Risk Management

Systematic approach for the early identification of opportunities and risks

The Zumtobel Group is well aware that an effective opportunity and risk management system – as well as an internal control system – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of 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 1.7).

Risk management based on recognised best practices and standards

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

Central role of reporting

Reporting plays a central role in the monitoring and management of economic risks. The operating units provide the Management Board with regular information on the current and expected development of business as well as the existing risks and available opportunities. The monthly management report provides a summary of key financial indicators and the Group's development. The Audit Committee of the Supervisory Board receives semi-annual reports on the Group's major risks and opportunities. The tools and processes used by the Group to identify and evaluate risk are continuously developed and improved with the support of internal audit and the auditor. The auditor evaluates the effectiveness of risk management at Zumtobel Group each year and reports to the Supervisory and Management Boards on the results of this review.

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

Market and competitive risks in the lighting industry

Macroeconomic risks

The uncertain macroeconomic environment, above all in a number of key European markets like Great Britain, France and Switzerland, 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. More stringent austerity measures in the public sector or increased destocking by wholesalers could also have a negative effect on revenues. These factors create risks for earnings growth, in particular through the underutilisation of production capacity, increased pressure on prices and negative shifts in the product mix.

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 could also lead to temporary production inefficiencies and result in supply shortages and an increase in inventories.

Technology shift through LED

In addition to the larger variety of products and shorter innovation and product life cycles, the increasing complexity of lighting systems – and here especially the growing role of software – represents a major driver for R&D expenditures. The integration of light in the Internet of Things (IoT) is leading to new system interfaces and data formats that have not yet been sufficiently standardised or tested.

Competition from Asia

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

Business risk

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, acdc and Reiss 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. The United States of America are facing a major reorientation of fiscal, security and economic policies following the election of Donald Trump as president, and the final results of these changes cannot be estimated conclusively in the short time since his inauguration.

Risks in human resources management

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

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. Further details are provided in section 1.6.3 Suppliers.

Strong fluctuations in currency constellations – above all, the weak euro and the resulting weaker purchasing power in foreign exchange markets – will represent a major challenge for the Zumtobel Group's procurement staff in 2017/18. The procurement markets, especially for the Components Segment, are generally located in Asia and the prices for raw materials and, in part, also for the final products are influenced by the development of the US dollar or the Chinese yuan. In addition, the global market prices for key raw materials used by the Zumtobel Group, e.g. steel, copper, aluminium and plastic granulate, are trending upward.

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

Regular maintenance and replacement investments

A policy that calls for regular maintenance and replacement investments reduces the risk of interruptions in production. Investments in key equipment are linked to maintenance contracts. A resident fire brigade at the main production locations as well as the regular review of technical safety standards by external experts minimises the risk of damage and business interruption. In addition, the Zumtobel Group has concluded comprehensive all-risk insurance that will generally provide compensation for substantial damage to assets. Risk management also works closely with the insurance department to identify other risks that can be insured and arrange for appropriate coverage. The Group is currently working to successively achieve a "Highly Protected Risk status" (HPR) at all major production locations. Three major production locations – Dornbirn (Austria), Spennymoor (Great Britain) and Sydney (Australia) – are currently qualified as HPR.

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.

Pension risks

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

Product liability risks

These risks represent regress claims and the subsequent damage to the Group's image as a result of quality defects caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. Additional details on this subject are provided in section 1.6.4 Quality. The Zumtobel Group also carries product liability insurance.

Legal risks

Legal risks can arise, among others, from changes in the 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

Market risk

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

Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet current and/or future payment obligations in full or on a timely basis. In order to ensure its ability to meet these obligations at any time, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset seasonal liquidity fluctuations arising from business activities. In addition to the consortium credit agreement with a maximum line of EUR 300 million and two other long-term bank credit agreements of EUR 40 million each, the Zumtobel Group had short-term, unsecured lines of credit totalling EUR 88.1 million at its disposal as of 30 April 2017 (30 April 2016: EUR 88.4 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 2017 with a debt coverage ratio of 0.86 (2015/16: 1.48) and an equity ratio of 32.8% (2015/16: 31.2%). A deterioration or improvement in these financial indicators could lead to a gradual increase or decrease in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

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

Interest rate risk

The two EUR 40.0 million long-term loans have fixed interest rates and are therefore not exposed to interest rate risk. However, the balance of EUR 60 million currently outstanding under the consortium credit agreement carries a variable interest rate (EURIBOR money market interest rate). In order to reduce the interest rate risk on the consortium credit agreement – and based on the assumption that the average loan volume will equal at least EUR 80 million – the Zumtobel Group has concluded EUR-interest rate swaps with various banks for a current effective nominal volume of approx. EUR 80 million. These instruments are structured over various terms (up to June 2021 at the latest) and convert the variable interest payments on the financing into fixed interest payments and limit the interest rate to a maximum of 2.694%. Additional information on the fair value of the instruments used to hedge interest rates is provided in section 2.6.11.3 of the notes.

Foreign exchange risk

The foreign exchange markets are still characterised by high uncertainty and volatility. The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when local companies buy and/or sell their products in a currency other than their local currency. Intragroup dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for consolidation – is of lesser importance for the Zumtobel Group and is not hedged. Transaction risk is generally hedged with forward exchange contracts that have a term of up to one year and, in selected cases, by options. The Group's main currencies are the EUR, GBP, USD, AUD and CHF. Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. Additional information is provided in section 2.6.11.3 of the notes. Currently available information indicates that a year-on-year increase in negative transaction effects, above all from the British pound and the US dollar, can be expected in 2017/18.

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. The remuneration report for 2016/17 provides details on the bonus system used by Zumtobel Group AG.

Credit risk

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

Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The Group's asset and earnings positions are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from acquisitions, the valuation of capitalised development costs and inventories, and the valuation of the pension fund in Great Britain. Detailed information on goodwill is provided in section 2.6.6.1 of the notes. Assets with an indefinite useful life are tested each year for signs of impairment, while assets with a finite useful life are tested when there are indications of impairment.

Other risks

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

Overall risk evaluation of the Zumtobel Group

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

A general analysis of the above factors shows a concentration on market risks, which reflect the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. The technological transformation process is connected with risks in the form of new competition, higher R&D expenditures and the rising complexity of products and systems, but also creates opportunities through the development of new market segments and applications. The technology shift to LED is shortening innovation cycles and, in this way, increases the risk of write-offs to inventories and capitalised development costs. In contrast, internal production processes are associated with substantially lower risk. Group controlling and the internal control system are able to quickly identify all major risks with a high degree of probability. Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

1.9 Significant Events after the Balance Sheet Date

On 5 May 2017 the Zumtobel Group exercised the offer of the unilateral binding purchase agreement for the purchase of the French Les Andelys plant to Active'Invest SAS (France). According to this agreement the Zumtobel Group is obliged - after the completion of the hive down of the French Les Andelys plant to Europhane SAS (France) - to sell 90% of the shares of the respective entity to the strategic partner Active'Invest. The completion of the hive down and the sale of the shares are currently targeted for summer 2017.

1.10 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 2017. As of 30 April 2016 the company held 353,343 shares as treasury stock.

2. Each share entitles the holder to one vote and carries the right to participate in the company's annual general meetings.

AUGMENTOR private foundation (4,255,752 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 prior to each annual general meeting and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate. This contract includes restrictions on the transfer of the shares held by the parties, which apply as long as the parties together hold at least 25% of the voting rights in share capital. The syndicate contract will expire on 31 December 2017. 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. As of 30 April 2017 the syndicate held 35.5% of the company's share capital. In addition, the institutional investors Lazard Freres Gestion SAS and Erste Asset Management GmbH each held an investment of more than 4%. Norges Bank reported that its investment in Zumtobel Group AG had risen to over 4% as of 5 June 2017.

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 2021 and a maximum line of EUR 300 million. As of the balance sheet date on 30 April 2017, the amount drawn by the Zumtobel Group under the credit agreement totalled EUR 60 million. The agreement includes a change-of-control clause which is linked to a change in the absolute majority of voting rights as well as clauses covering an increase of up to EUR 200 million and a further one-year extension. 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 2017.

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

11. The most important elements of the risk management system and the internal control system are described in sections 1.7 and 1.8.

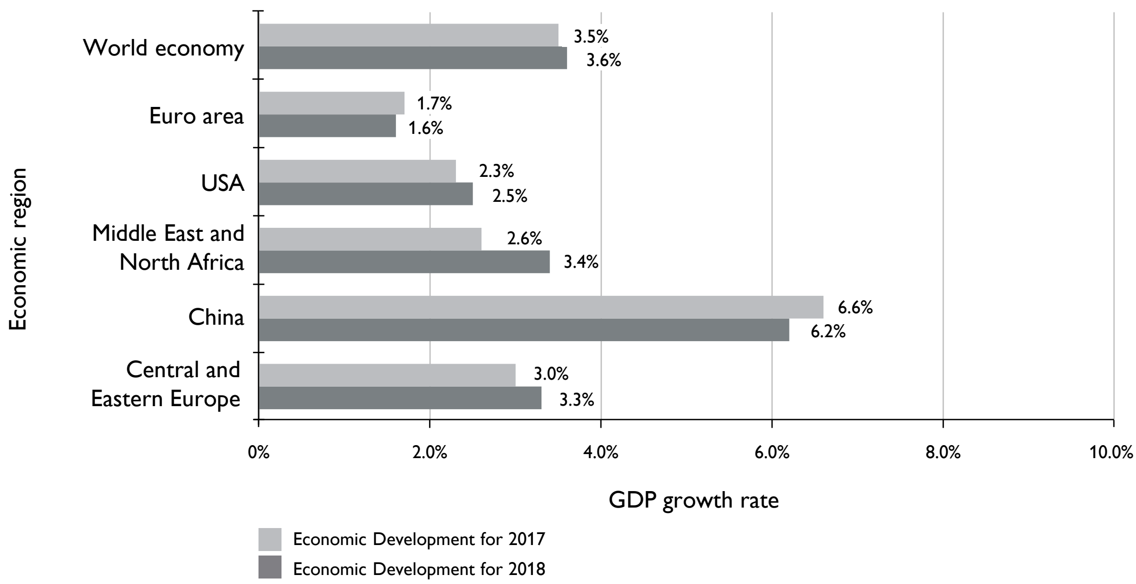
1.11 Outlook and Goals

General economic outlook

Continuation of global recovery

In its April 2017 forecast[2], the International Monetary Fund (IMF) points to continued recovery in the global economy with a slight increase in momentum during 2017 and 2018. The IMF expects the 3.1% growth in global economic output in 2016 will be followed by 3.5% in 2017 and 3.6% in 2018. Specific changes from the IMF's previous forecast involve a moderate improvement, above all in the USA, Great Britain, Japan, China and Russia. In spite of this more favourable short-term outlook, the IMF is warning of massive dangers for the global economy, above all from the increasingly protectionist trends and the resulting risk of trade wars. The euro zone and the East European countries will not see any upswing in 2017 or 2018 according to the IMF. Germany and Austria should even witness a slight decline in growth momentum, while Switzerland can expect moderate growth. This latest IMF forecast also includes a slight improvement for the markets in Great Britain (plus 2.0%) and France (plus 1.4%).

Economic Development Outlook for 2017 and 2018



[2] Source: IMF forecast, World Economic Outlook, April 2017

Cautious optimism for 2017/18

The extensive restructuring measures implemented in recent years have significantly strengthened the competitive position of the Zumtobel Group and created a stable foundation for profitable growth. We intend to pursue this strategic reorientation with our full commitment and dedication during the coming financial year. Our focus will be placed on further improving the Zumtobel Group's cost position, for example through the construction of a new plant in Serbia, and also on massive investments in future-oriented technologies in the Internet of Things and the expansion of our newly created service division. We will also work to further optimise our structures in the areas of logistics and quality.

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year, but with substantial regional differences. This applies to new construction activity as well as the renovation business. We will continue to benefit from the substantial improvement in our cost position during 2017/18, but also see additional negative factors in unfavourable currency effects (GBP, US-Dollar), pressure on prices in the Components Segment and extensive investments in future issues. Against this backdrop and in spite of the limited visibility, the Management Board of the Zumtobel Group expects a slight improvement in revenues (2016/17 EUR 1,303.9 million) and adjusted Group EBIT (2016/17: EUR 72.4 million) for the full 2017/18 financial year. We will therefore remain on track to raise the adjusted EBIT margin to roughly 8% to 10% over the medium-term.

Dornbirn, 14 June 2017

The Management Board

Ulrich Schumacher	Karin Sonnenmoser	Alfred Felder
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

2. Consolidated Financial Statements

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2. Consolidated Financial Statements

2.1 Consolidated Income Statement

in TEUR	Notes	2016/17	2015/16	Change in %
Revenues	2.6.4.1	1,303,884	1,356,544	(3.9)
Cost of goods sold	2.6.4.2	(863,962)	(925,359)	(6.6)
Gross profit		**439,922**	**431,185**	**2.0**
as a % of revenues		*33.7*	*31.8*	
Selling expenses	2.6.4.2	(328,279)	(327,052)	0.4
Administrative expenses	2.6.4.2	(52,248)	(51,113)	2.2
Other operating results	2.6.4.3	(13,604)	(29,200)	(53.4)
thereof special effects		*(26,613)*	*(34,857)*	*(23.7)*
Operating profit/loss		**45,791**	**23,820**	**92.2**
as a % of revenues		*3.5*	*1.8*	
Interest expense	2.6.4.4	(7,289)	(9,169)	(20.5)
Interest income	2.6.4.4	448	497	(9.9)
Other financial income and expenses	2.6.4.5	(8,464)	491	<(100)
Result from companies accounted for at-equity	2.6.6.4	(416)	(61)	<(100)
Financial results		**(15,721)**	**(8,242)**	**(90.7)**
as a % of revenues		*(1.2)*	*(0.6)*	
Profit/loss before tax		**30,070**	**15,578**	**93.0**
Income taxes	2.6.4.6	(7,589)	(3,692)	<(100)
Profit/loss from continuing operations		**22,481**	**11,886**	**89.1**
Result from discontinued operations	**2.6.4.7**	**2,715**	**0**	
Net profit/loss for the year		**25,196**	**11,886**	**>100**
as a % of revenues		*1.9*	*0.9*	
thereof due to non-controlling interests	*2.6.6.5*	*(208)*	*519*	*<(100)*
thereof due to shareholders of the parent company		*25,404*	*11,367*	*>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)	**2.6.4.8**			
Basic earnings per share		0.58	0.28	
Diluted earnings per share		0.58	0.28	
Earnings per share from continuing operations (in EUR)				
Basic earnings per share		0.52	0.28	
Diluted earnings per share		0.52	0.28	
Earnings per share from discontinued operations (in EUR)				
Basic earnings per share		0.06	0.00	
Diluted earnings per share		0.06	0.00	

2.2 Consolidated Statement of Comprehensive Income

in TEUR	Notes	2016/17	2015/16	Change in %
Net profit/loss for the year		**25,196**	**11,886**	**>100**
Actuarial loss/gain	2.6.5.3	(11,168)	23,139	<(100)
Deferred taxes due to actuarial loss	2.6.5.4	(31)	(1,212)	(97.4)
Total of items that will not be reclassified ("recycled") subsequently to the income statement		**(11,199)**	**21,927**	**<(100)**
Currency differences	2.6.5.1	370	(8,601)	>100
Currency differences arising from loans	2.6.5.2	(4,604)	(4,819)	(4.5)
Hedge accounting		1,339	1,083	23.7
Deferred taxes due to hedge accounting		(333)	(315)	5.7
Total of items that will be reclassified ("recycled") subsequently to the income statement		**(3,228)**	**(12,652)**	**(74.5)**
Subtotal other comprehensive income		**(14,427)**	**9,275**	**<(100)**
thereof due to non-controlling interests	*2.6.6.5*	*18*	*(35)*	*>100*
thereof due to shareholders of the parent company		*(14,445)*	*9,310*	*<(100)*
Total comprehensive income		**10,769**	**21,161**	**(49.1)**
thereof due to non-controlling interests		*(190)*	*484*	*<(100)*
thereof due to shareholders of the parent company		*10,959*	*20,677*	*(47.0)*

2.3 Consolidated Balance Sheet

in TEUR	Notes	30 April 2017	in %	30 April 2016	in %
Goodwill	2.6.6.1	197,810	19.4	209,090	19.6
Other intangible assets	2.6.6.2	52,947	5.2	58,353	5.5
Property, plant and equipment	2.6.6.3	203,526	20.0	223,808	20.9
Financial assets accounted for at equity	2.6.6.4	1,818	0.2	2,234	0.2
Financial assets	2.6.6,6	1,243	0.1	1,203	0.1
Other assets	2.6.6.7	4,875	0.5	4,434	0.4
Deferred taxes	2.6.6.8	42,707	4.2	44,883	4.2
Non-current assets		**504,926**	**49.6**	**544,005**	**50.9**
Inventories	2.6.6.9	197,012	19.3	187,437	17.5
Trade receivables	2.6.6.10	198,230	19.4	220,869	20.7
Financial assets	2.6.6,6	1,590	0.2	2,309	0.2
Other assets	2.6.6.7	35,016	3.4	32,633	3.1
Liquid funds	2.6.6.11	81,352	8.0	81,394	7.6
Assets held for sale	2.6.6.12	1,503	0.1	0	
Current assets		**514,703**	**50.4**	**524,642**	**49.1**
ASSETS		**1,019,629**	**100.0**	**1,068,647**	**100.0**
Share capital		108,750	10.7	108,750	10.2
Additional paid-in capital		335,316	32.9	335,316	31.4
Reserves		(140,139)	(13.7)	(127,161)	(11.9)
Net profit/loss for the year		25,404	2.4	11,367	1.1
Capital attributed to shareholders of the parent company		329,331	32.3	328,272	30.8
Capital attributed to non-controlling interests	2.6.6.5	4,659	0.5	4,973	0.4
Equity	**2.6,8**	**333,990**	**32.8**	**333,245**	**31.2**
Provisions for pensions	2.6.6.13	93,805	9.2	79,740	7.5
Provisions for severance compensation	2.6.6.13	47,801	4.7	48,717	4.6
Provisions for other employee benefits	2.6.6.13	10,266	1.0	11,527	1.1
Other provisions	2.6.6.15	646	0.1	744	0.1
Borrowings	2.6.6.16	168,267	16.5	209,438	19.5
Other liabilities	2.6.6.19	4,628	0.4	12,137	1.1
Deferred taxes	2.6.6.8	547	0.1	1,624	0.2
Non-current liabilities		**325,960**	**32.0**	**363,927**	**34.1**
Provisions for taxes		23,093	2.3	21,182	2.0
Other provisions	2.6.6.15	38,753	3.8	54,707	5.1
Borrowings	2.6.6.16	4,539	0.4	6,758	0.6
Trade payables		157,074	15.4	147,062	13.7
Other liabilities	2.6.6.19	126,795	12.4	141,766	13.3
Liabilities held for sale	2.6.6.12	9,425	0.9	0	
Current liabilities		**359,679**	**35.2**	**371,475**	**34.7**
EQUITY AND LIABILITIES		**1,019,629**	**100.0**	**1,068,647**	**100.0**

2.4 Consolidated Cash Flow Statement

in TEUR	Notes	2016/17	2015/16
Profit/loss before tax	2.1	30,070	15,578
Depreciation and amortisation	2.6.4.2	60,296	63,815
Impairment of property, plant and equipment and intangible assets	2.6.4.2	144	3,716
Gain/loss on the disposal of property, plant and equipment and intangible assets		(1,367)	(1,863)
Other non-cash financial results	2.6.4.5	8,464	(491)
Interest income/ interest expense	2.6.4.4	6,841	8,672
Share of gain/loss from companies included at equity	2.6.6.4	416	61
Changes in the scope of consolidation		0	(1,229)
Results from assets held for sale	2.6.6.12	9,218	(3,493)
Cash flow from operating results		**114,082**	**84,766**
Inventories		(19,697)	9,445
Trade receivables		21,531	11,974
Trade payables		17,127	(28,280)
Prepayments received		(12,434)	2,755
Change in working capital		**6,527**	**(4,106)**
Non-current provisions		(4,455)	(8,404)
Current provisions		(16,501)	22,770
Other current and non-current assets and liabilities		12,912	3,448
Change in other operating items		**(8,044)**	**17,814**
Income taxes paid		**(5,051)**	**(5,907)**
Cash flow from operating activities		**107,514**	**92,567**
Cash inflows from the disposal of property, plant and equipment and other intangible assets		5,022	7,559
Cash outflows for the purchase of property, plant and equipment and other intangible assets		(45,201)	(58,366)
Change in non-current and current financial assets		2,058	3,274
Net cash outflows for business combinations		0	(2,605)
Net cash inflows from the sale of a discontinued operation		0	7,402
Cash flow from investing activities		**(38,121)**	**(42,736)**
FREE CASH FLOW		**69,393**	**49,831**
Change in non-current and current financial assets		(51,296)	4,070
Change in non-controlling interests		0	(1,366)
Capital increases		0	733
Dividend paid to shareholders of the parent	2.6.8.4	(8,629)	(9,492)
Dividend paid to non-controlling interests	2.6.6.5	0	(396)
Exercise of options		0	4
Interest paid		(7,202)	(8,962)
Interest received		447	499
Cash flow from financing activities		**(66,680)**	**(14,910)**
Effects of exchange rate changes on cash and cash equivalents		(813)	(2,767)
CHANGE IN CASH AND CASH EQUIVALENTS		**1,900**	**32,154**
Cash and cash equivalents at the beginning of the period	2.6.7.1	75,305	43,151
Cash and cash equivalents at the end of the period	2.6.7.1	77,205	75,305
Change absolute		**1,900**	**32,154**

2.5 Consolidated Statement of Changes in Equity

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 invome	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**

2015/16 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 2015		**108,750**	**335,316**	**29,697**	**(9,782)**	**(2,814)**	**(142,718)**	**318,449**	**4,152**	**322,601**
+/- Net profit/loss for the year	2.1	0	0	11,367	0	0	0	11,367	519	11,886
+/- Other comprehensive invome	2.2	0	0	0	(13,385)	768	21,927	9,310	(35)	9,275
+/- Total comprehensive income		**0**	**0**	**11,367**	**(13,385)**	**768**	**21,927**	**20,677**	**484**	**21,161**
+/- Capital increases		0	0	0	0	0	0	0	733	733
+/- Stock options – exercises	2.6.4.8	0	0	4	0	0	0	4	0	4
+/- Dividends	2.6.8.4	0	0	(9,492)	0	0	0	(9,492)	(396)	(9,888)
+/- Change in non-controlling interests	2.6.6.5	0	0	(1,366)	0	0	0	(1,366)	0	(1,366)
30 April 2016		**108,750**	**335,316**	**30,210**	**(23,167)**	**(2,046)**	**(120,791)**	**328,272**	**4,973**	**333,245**

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 2016/17 financial year.

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 14 June 2017. 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 22 June 2017 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 2016 to 30 April 2017. 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 2016/17 include 95 (2015/16: 97) fully consolidated companies in which Zumtobel Group AG exercises management control or directly or indirectly owns the majority of shares. Two companies were included in the consolidation at equity (2015/16: two). Ten companies (2015/16: 11) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial. An overview of the Group companies is provided 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 2016	**97**	**2**	**99**
Included during reporting period for first time	4		4
thereof newly founded	*4*		*4*
Liquidated during reporting period	(5)		(5)
Sold during reporting period	(1)		(1)
30 April 2017	**95**	**2**	**97**

Newly founded companies
The newly founded Tridonic Inc., USA, was initially consolidated as of October 2016.

The founding of ZG Lighting SRB d.o.o. in March 2017 created the legal foundation for the new plant in Serbia, which is expected to start operations in 2017/18.

The business area "Sales Netherlands" was spun off from ZG Lighting Benelux SA, Belgium, transferred to the newly founded ZG Lighting Netherlands B.V, Netherlands, and initially consolidated in April 2017.

For the planned hive down and subsequent sale of the French plant in Les Andelys the new entity Europhane SAS, France, was founded and consolidated in April 2017.

Liquidated companies
ATCO Industrial Pty. Ltd., an Australian company, was liquidated in August 2016 and therefore deconsolidated during the first half of 2016/17.

Thorn Lighting (Mauritius) Holdings Ltd. was liquidated in September 2016 and subsequently deconsolidated.

The English companies acdc lighting systems limited and Luxmate Ltd. and the Chinese company Zumtobel Hong Kong Limited were liquidated and deconsolidated during the reporting year.

Sold companies
The shares in Zumtobel Lighting Saudi Arabia Limited were sold at the applicable proportional share of equity during 2016/17.

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 2017	30 April 2016	30 April 2017	30 April 2016
AUD	1.4537	1.5091	1.4629	1.4948
CHF	1.0821	1.0783	1.0831	1.0984
USD	1.0929	1.1080	1.0930	1.1403
SEK	9.5432	9.3308	9.6318	9.1689
NOK	9.1491	9.2132	9.3243	9.2150
GBP	0.8458	0.7383	0.8447	0.7803

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 2016/17:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IAS 1	Disclosure initiative	1 January 2016
IAS 16 and IAS 38	Clarification of allowable depreciation methods	1 January 2016
IFRS 10 / IFRS 12 / IAS 28	Changes to IFRS 10, IFRS 12 and IAS 28 Investment entities: application of the consolidation exception	1 January 2016
IFRS 11	Accounting for the acquisition of an interest in a joint operation	1 January 2016
IAS 16	Property, Plant and Equipment: Changes to bearer plants	1 January 2016
IAS 41	Agriculture: Changes to bearer plants	1 January 2016
IAS 27	Separate Financial Statements: Equity method in separate financial statements – changes	1 January 2016
Various	Improvements to IFRS Cycle 2012-2014	1 January 2016

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

The following new or revised IAS/IFRS/IFRIC interpretations were not applied prematurely. These standards and interpretations were published, but do not yet require mandatory application and/or were not yet adopted by the European Union through its endorsement process. Consequently, they were not applied by the Zumtobel Group in 2016/17:

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
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 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory Deferral Accounts	Still open
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Various	Improvements to IFRS Cycle 2014-2016	1 January 2017 resp. 2018

IAS 7 – Disclosure Initiative
The modifications require disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The changes are applicable to reporting periods beginning on or after 1 January 2017, whereby premature application is permitted.

The Zumtobel Group is currently analysing the possible effects of these changes on the consolidated financial statements. However, no material effects are expected at the present time.

IAS 12 – Recognition of deferred tax assets arising from unrealised losses

The changes clarify the accounting treatment of deferred tax assets arising from unrealised losses on debt instruments carried at fair value. The changes are applicable to financial years beginning on or after 1 January 2017, whereby premature application is permitted. The Zumtobel Group is currently analysing the possible effects of these changes on the consolidated financial statements. However, no material effects are expected at the present time.

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 will require additional disclosures in the notes, which result from the adjustment of IFRS 7 "Financial Instruments: Disclosures".

The analysis of the effects on the consolidated financial statements from the application of IFRS 9 is still in progress. Effects could result, in particular, from the new requirements for the recognition of impairment charges on expected future losses. In contrast, IAS 39 only requires the recognition of losses to reflect previously incurred impairment. However, these effects are not considered material for the Zumtobel Group at the present time.

In the future, all equity instruments must principally be recognised 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. The Zumtobel Group intends to initially apply IFRS 9 to financial year beginning on 1 May 2018. In accordance with the transition guidance, the Zumtobel Group currently plans to waive the adjustment of prior year data and report the accumulated transition effects under reserves.

The Zumtobel Group does not expect the transition to IFRS 9 will result in any material effects on the earnings, financial or asset position.

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 revenues 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 requirements for the notes to annual financial statements were also expanded.

This standard could have a future effect on the Zumtobel Group, above all through the timing of revenue recognition from longer warranty commitments arising from extended guarantees in individual sales regions. The revenues from these guarantee commitments would only be realised in a later financial year. This shift in revenue is estimated at a maximum of 0.25% of Group revenues.

Current analyses indicate that the application of IFRS 15 is not expected to have any further effects on the Group's earnings, financial or asset position. IFRS 15 requires mandatory application, at the latest, for financial years beginning on or after 1 January 2018, whereby premature application is permitted. The Zumtobel Group currently intends to apply IFRS 15 for the first time in the financial year which begins on 1 May 2018.

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 the Zumtobel Group expects to initially apply IFRS 16 for the financial year beginning on 1 May 2019.

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

The other published standards, which have not yet been adopted by the EU, are not expected to have a material effect on the Group's earnings, financial or asset position.

2.6.3.2 Major accounting and valuation methods

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

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

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

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

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
Receivables are generally carried at amortised cost, whereby recognisable risks are reflected in bad debt allowances.

>> Originated loans, other receivables (financial assets)
Originated loans and other receivables are carried at amortised cost.

>> Loans, finance leases (financial liabilities)
Loans and finance lease liabilities are carried at their repayment amount or nominal value, including transaction costs (amortised cost).

>> 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. The Zumtobel Group does not use listed derivative financial instruments. Off-market interest rate instruments are carried at fair value, which is determined by discounting the expected future payments at the current market interest rate. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative financial instruments that do not meet the requirements for hedge accounting are classified as held for trading.

>> Market values of derivatives held for trading
Changes in the value of derivative instruments that are not part of hedge accounting are reported on the income statement under financial results.

>> Market values of derivatives (hedge accounting)
The Zumtobel Group applies the requirements of IAS 39 "Financial Instruments: Recognition and Measurement" (hedge accounting) in connection with interest rate hedges. 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 of the Zumtobel Group do not include any financial instruments whose valuation is based on listed prices on active markets (Level 1).

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

The financial instruments classified under Level 2 represent the derivatives included under financial assets and other liabilities (positive market values: TEUR 1,086, 2015/16: TEUR 2,294; negative market values: TEUR –9,098, 2015/16: TEUR –10,235; also see section 2.6.10).

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

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

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

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

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

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

Employee benefits

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

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

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

Plan assets 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.

The value in use is determined by discounting the estimated future cash flows from the asset. Most of the development costs in 2016/17 were incurred in the region "Europe", where a WACC of 7.02% (2015/16: 7.15%) was applied.

The goodwill in the Lighting Segment resulted from the acquisition of the Thorn Lighting and acdc corporate groups. In accordance with the organisational structure of the Zumtobel Group, the entire goodwill from these acquisitions is allocated to the cash-generating unit Lighting ("CGU Lighting") and tested at this level for indications of impairment. The individual brands and business units of the CGU Lighting do not represent cash-generating units because they are not responsible for development, production or product sales. The "CGU Lighting" represents the operating Lighting Segment in the sense of IFRS 8.5.

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

The value in use serves as a benchmark for the impairment testing of goodwill. It is calculated as the discounted cash flows produced by the relevant cash-generating unit. The estimates of future cash inflows are based on internal forecasts approved by the Management Board, which were prepared in detail for 2017/18 and with minor simplifications for a further three years (detailed forecast period). These forecasts are based on past experience and estimates by the Management Board for the development of the market environment, whereby future margin improvements are anticipated and were included in the projected cash flows. These margin improvements are expected, above all, through the realisation of growth and cost synergies from the multi-brand approach, adaption of production capacities as well as the group-wide bundling of procurement activities. The estimates for future cash flows do not include the expected positive future effects of strategic initiatives whose implementation is still in progress. The forecasts used to test goodwill for impairment are based on operating returns on sales (adjusted EBIT margins) of 4.7% to 7.6%.

A long-term growth rate of 2.0% for the lighting industry was applied to the years after the detailed forecast period (2015/16: 2.0%).

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

An after-tax WACC of 7.07% (2015/16: 7.29%) was applied to the "CGU Lighting" in 2016/17. This discount rate is derived from regional discount rates, which are weighted according to the volume of business in the respective region. The regional interest rates are based, above all, on the inflationary trends of the individual countries in relation to the risk-free base interest rate as well as country risk premiums and the applicable national tax rates.

The estimated recoverable amount of the "CGU Lighting" exceeds the carrying amount by nearly EUR 376 million. The recoverable amount of the "CGU Lighting" would equal the carrying amount if the discount rate (WACC) increased from 7.07% to 9.60% or the forecasted cash flows declined by 35%.

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

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

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

>> 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
The Zumtobel Group operates two plants in Great Britain. Currently, the Zumtobel Group does not expect any negative impacts due to Brexit.

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

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

Government grants

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

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 55,289 (2015/16: TEUR 55,390) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,359,173 (2015/16: TEUR 1,411,933).

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:

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)	(18,383)	(246,741)
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)**	**(27,690)**	**(1,284,769)**
Other income	**3,815**	**8,694**	**81**	**14,086**	**26,676**
Total	**(863,962)**	**(328,279)**	**(52,248)**	**(13,604)**	**(1,258,093)**

2015/16 Financial Year

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

The cost of materials includes TEUR 21,534 (2015/16: TEUR 24,251) of third party services.

Other income includes government grants of TEUR 7,464 (2015/16: TEUR 2,758), which were provided primarily for research activities. Of this total, TEUR 7,232 (2015/16: TEUR 2,214) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 77,387 (2015/16: TEUR 83,858). Development costs capitalised during the reporting year amounted to TEUR 13,123 (2015/16: TEUR 18,054), and the related amortisation amounted to TEUR 17,406 (2015/16: TEUR 19,626). The development costs recognised as expenses in 2016/17, which resulted from the capitalisation, were reduced by a net amount of TEUR 4,282 (2015/16: net reduction of TEUR 1,572).

Selling expenses include research costs of TEUR 4,987 (2015/16: TEUR 3,992).

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2016/17:

In TEUR	2016/17	2015/16
Total fees	**277**	**265**
thereof audit and related activities	*224*	*224*
thereof other services	*53*	*41*

The fees for other services involve audit-related consulting and tax advising. The fees agreed with the member companies of the KPMG network for auditing services in the Zumtobel Group totalled TEUR 1,310 (2015/16: TEUR 1,328).

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

in TEUR	2016/17	2015/16
Wages	(70,198)	(80,690)
Salaries	(264,765)	(262,260)
Expenses for severance compensation	(5,125)	(4,252)
Expenses for pensions	(4,893)	(5,642)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(66,031)	(66,448)
Other employee benefits	(11,070)	(12,271)
Contract workers	(15,779)	(16,384)
Expenses from restructuring	(8,744)	(25,487)
Personnel expenses	**(446,605)**	**(473,434)**

2.6.4.3 Other operating results

in TEUR	2016/17	2015/16
Government grants	*7,232*	*2,214*
License revenues	*5,925*	*2,999*
Gains on sale	*4,005*	*0*
Changes in the scope of consolidation	*392*	*1,240*
Miscellaneous	*0*	*444*
Other income	17,554	6,897
Impairment charges to non-current assets	*(144)*	*(3,716)*
Restructuring	*(23,641)*	*(29,992)*
Litigation	*(6,901)*	*0*
Impairment charges to current assets	*(324)*	*(2,389)*
Miscellaneous	*(148)*	*0*
Other expenses	(31,158)	(36,097)
Other operating results	**(13,604)**	**(29,200)**

As in the prior year, the government grants received in 2016/17 represent subsidies that were recognised to profit or loss.

License revenues for 2016/17 were generated chiefly by the LED business, as was the case in the prior year.

Miscellaneous items 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:

in TEUR	2016/17	2015/16
Gains on sale	4,005	0
Changes in the scope of consolidation	392	1,240
Impairment charges to non-current assets	(144)	(3,716)
Restructuring	(23,641)	(29,992)
Litigation	(6,901)	0
Impairment charges to current assets	(324)	(2,389)
Special effects	**(26,613)**	**(34,857)**

The special effects reported in 2016/17 include TEUR 324 for the cost of materials, TEUR 8,744 for personnel expenses, TEUR 144 for impairment charges and TEUR 17,401 for other expenses.

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

The impairment charges of TEUR 144 to non-current assets include 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 impairment charges recognised to non-current assets in 2015/16 included TEUR 1,014 for the Components Segment and TEUR 2,702 for the Lighting Segment. The expenses of TEUR 1,014 recognised in the Components Segment resulted from the write-off of a capitalised development project following the adjustment of the product portfolio. The impairment charges of TEUR 2,702 to non-current assets in the Lighting Segment consisted primarily of TEUR 1,893 related to the shutdown of the plant in Usingen, Germany, and the subsequent impairment charges to plant and equipment as well as write-offs of TEUR 767 to tools for two product lines whose production was terminated.

The restructuring costs recognised 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 planned 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.

Of the restructuring costs recognised in 2015/16, TEUR 32,669 were related to the Lighting Segment, TEUR -3,202 to the Components Segment and TEUR 525 to Zumtobel Group AG.

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

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

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

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

The 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.

The results of deconsolidations are reported under "changes in the scope of consolidation" and include the following for 2016/17: a positive effect of TEUR 423 from the deconsolidation of the liquidated Australian company ATCO Industrial Pty Limited; expenses of TEUR 26 from the liquidation of Thorn Lighting (Mauritius) Holdings Ltd.; and expenses of TEUR 5 from the liquidation of acdc lighting systems limited.

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

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 1,768; 2015/16: TEUR 2,116).

2.6.4.5 Other financial income and expenses

in TEUR	2016/17	2015/16
Interest component as per IAS 19 less income on plan assets	(3,570)	(4,686)
Foreign exchange gains and losses	(3,394)	(3,244)
Market valuation of financial instruments	(1,497)	8,432
Losses on sale	(3)	(11)
Total	**(8,464)**	**491**

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).

2.6.4.6 Income taxes

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

in TEUR	2016/17	2015/16
Current taxes	(7,016)	(6,066)
thereof current year	*(6,901)*	*(6,239)*
thereof prior years	*(115)*	*173*
Deferred taxes	(573)	2,374
Income taxes	**(7,589)**	**(3,692)**

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 25.2% for the reporting year (2015/16: 23.7%).

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	2016/17	2015/16
Profit/loss before tax	**30,070**	**15,578**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**(7,517)**	**(3,894)**
Difference between calculated/actual tax expense	**(72)**	**202**
Non-deductible expenses	(3,714)	(5,110)
Foreign tax rates	1,883	(1,019)
Valuation discounts for deferred taxes	5,109	559
Tax-free income	2,283	2,076
Other items	(5,633)	3,696
Total tax expense	**(7,589)**	**(3,692)**

Deferred taxes of TEUR 8,162 (2015/16: TEUR 5,853) 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. A group member with a tax loss is obliged to pay the minimum corporate income tax to the participating corporation or the head of the group. Pre-group losses and external group losses as defined in § 9 of the Austrian Corporate Tax Act are offset against the taxable profit of the respective group member or the head of the group in accordance with any carryforward and/or transfer limits.

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

2.6.4.7 Results from discontinued operations

Results from discontinued operations represent the release of a liability related to the reorganisation process at Space Cannon VH SRL, Italy. This company was part of the event lighting business, which was discontinued during the second quarter of 2009/10. The results from discontinoued operations amounted to TEUR 2,833, income taxes of TEUR 118 are attributable to this.

2.6.4.8 Earnings per share

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

The distribution to shareholders from reserves and annual results may not exceed the total profit – 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 81,962; 2015/16: TEUR 76,304).

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

2016/17 Financial Year

in 1,000 pcs.	Balance sheet date	Average
1 May 2016	**43,147**	**43,147**
Stock options – exercises	0	0
30 April 2017	**43,147**	**43,147**

2015/16 Financial Year

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

2.6.5 Notes to the Statement of Comprehensive Income

2.6.5.1 Foreign exchange differences

Foreign exchange differences occur when companies do not report in the euro and, in this connection, when the historical exchange rate applied on the date of initial consolidation differs from the rate in effect on the balance sheet date. In addition, foreign exchange differences result from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. This position also includes TEUR -2,884 (2015/16: TEUR -3,187) of currency-related adjustments to goodwill. The currency reserve under equity also includes a foreign exchange-related effect of TEUR 18 (2015/16: TEUR -35) from non-controlling interests. The deconsolidation of a Group company whose functional currency is not the euro involves the subsequent 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 -4,604 (2015/16: TEUR -4,819) from loans result from long-term loans granted by the Group in GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and must therefore be reported under other comprehensive income. This position also includes foreign exchange differences from an interest rate hedge.

2.6.5.3 Actuarial gain/loss

The actuarial losses of TEUR 11,168 recognised in 2016/17 (2015/16: gains of TEUR 23.139) include losses of TEUR 16,617 (2015/16: gains of TEUR 10,454) from a pension plan in Great Britain, which resulted primarily from a decline in the interest rate in the UK from 3.3% to 2.5%.

2.6.5.4 Hedge Accounting

The amount of TEUR 1,339 (2015/16: TEUR 1,083) 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 -364 reported on the statement of comprehensive income in 2016/17 (2015/16: TEUR -1,527) include the following: TEUR -31 (2015/16: TEUR -1,212) related to the provisions for pension and severance compensation, which resulted from actuarial gains/losses as defined in IAS 19 "Employee Benefits", and TEUR -333 (2015/16: TEUR -315) related to the hedge accounting reserve. Deferred tax assets were not recognised for the actuarial losses attributable to a pension plan in a British Group company because their utilisation is not sufficiently certain.

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 2015	**196,834**	**2,057**	**198,891**
FX effects	(3,187)	0	(3,187)
Addition to goodwill	13,386	0	13,386
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**

The original goodwill in the Thorn Lighting Group had a historical cost of TEUR 543,661. The accumulated impairment charges recognised up to 30 April 2015 totalled TEUR 338,278, and the accumulated foreign exchange effects equalled TEUR -8,549.

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR -2,884 to goodwill in 2016/17, which was not recognised through profit or loss (2015/16: TEUR -3,187). These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

Goodwill also includes goodwill from the acquisition of the acdc Group: In 2015/16 the Zumtobel Group acquired a controlling interest (60%) in the British LED lighting producer AC/DC LED Holdings Ltd (acdc) and therefore also a controlling interest in the acdc Group. The purchase price for this controlling interest (60%) was based on the balance sheet structure of acdc on the acquisition date.

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

The accounting treatment of this business combination will be adjusted if new information becomes known within one year of the acquisition date concerning facts and circumstances that existed as of that date and would have led to the adjustment of the recognised amounts or to the recognition of additional provisions. In this connection, the value of inventories was adjusted by TEUR -412 in the third quarter of 2015/16. The provision for license fees was also reduced by TEUR 2,255 in the previous year. Based on a contractual agreement with the seller, this reduction led to an increase of TEUR 766 in the purchase price.

In the first half of 2016/17, the adjustment of the accounting treatment applied to the acdc business combination led to a reduction of TEUR 8,396 in the liability for the obligation arising from the call/put option to TEUR 406. The goodwill from this business combination was therefore reduced from TEUR 13,386 to TEUR 4,990.

The following overview summarises the adjusted amounts for the acquired assets and assumed liabilities as well as the agreed purchase price for the acdc acquisition.

in TEUR	acdc
Other intangible assets	3,048
Property, plant and equipment	1,279
Financial assets	13
Inventories	1,622
Trade receivables & other assets	2,227
Cash and cash equivalents	44
Borrowings	(4,572)
Other provisions	(714)
Trade payables & other liabilities	(2,179)
Purchase price	5,758
thereof cash	*5,352*
thereof call/put option	*406*
Equity	768
Goodwill	**4,990**

2.6.6.2 Other intangible assets

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**

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38 "Intangible Assets". The additions to acquisition costs, including transfers, include capitalised development expenses of TEUR 13,123 (2015/16: TEUR 18,054). Most of these additions involve work on luminaires and lighting components, whereby TEUR 10,165 (2015/16: TEUR 10,424) were not yet available for use as of the balance sheet date.

2015/16 Financial Year

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

The impairment charge recognised in 2015/16 was related to a capitalised development project in the Components Segment, which was written off due to the adjustment of the product portfolio.

2.6.6.3 Property, plant and equipment

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 depreciation					
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 shown under acquisition costs and depreciation were related, above all, to the planned sale of the plant in Les Andelys, France, which was valued in accordance with IFRS 5 (also see section 2.6.6.12).

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

The Group has incurred obligations of TEUR 3,400 (2015/16: TEUR 3,463) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 593 (2015/16: TEUR 208), plant and machinery at TEUR 2,428 (2015/16: TEUR 2,988) and other non-current assets at TEUR 379 (2015/16: TEUR 267).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 283 (2015/16: TEUR 581), plant and machinery at TEUR 7,762 (2015/16: TEUR 7,052) and other non-current assets at TEUR 165 (2015/16: TEUR 194).

2015/16 Financial Year

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

The impairment charges to plant and machinery in 2015/16 included TEUR 2,702 for the Lighting Segment. Of this amount, TEUR 1,893 was related to the planned shutdown of the plant in Usingen, Germany, and TEUR 767 to the write-off of tools for two product lines whose production was basically terminated.

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in two (2015/16: 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 2017.

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

LEXEDIS Lighting GmbH, is classified as a joint venture in accordance with IFRS 11 "Joint Arrangements" because it is managed together with an equal partner. The valuation at equity was discontinued due to the accumulated losses. This company develops, produces and sells LED products (light-emitting diodes). The profit generated in 2016/17 was offset against previous losses. Valuation will be resumed when profits exceed the accumulated losses of TEUR 4,334. A participation right (risk capital) was granted in the past to finance the company, but this right was written off because of the accumulated losses.

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

in TEUR	Staff Iberica S.A.	LEXEDIS Lighting GmbH
30 April 2017		
Assets	**4,925**	**3,770**
Non-current assets	*438*	*0*
Current assets	*4,487*	*3,770*
Liabilities	**1,288**	**5,503**
Non-current liabilities	*0*	*3,500*
Current liabilities	*1,288*	*2,003*
Equity	**3,637**	**(1,733)**
Revenues	**4,228**	**16,359**
Net profit/loss for the year	**(832)**	**220**

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

Current trade receivables due from associated companies totalled TEUR 1,157 as of 30 April 2017 (2015/16: TEUR 775); no impairment charges were recognised to these assets. The respective parent companies have concluded agreements with the companies included at equity for the provision of goods and services.

As of 30 April 2017 a financial liability of TEUR 467 was due to an associated company (2015/16: financial liability of TEUR 325).

Deferred taxes of TEUR 155 (2015/16: deferred taxes of TEUR 259) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39 "Income Taxes".

2.6.6.5 Investments in other companies

The following companies have non-controlling interests:

Company	Country	Operating Segment	30 April 2017	30 April 2016
Zumtobel Lighting Saudi Arabia Limited	Saudi Arabia	Lighting Segment	0%	49%
Thorn Gulf LCC	UAE	Lighting Segment	51%	51%
Thorn Lighting Limited Liability	Qatar	Lighting Segment	51%	51%

The investment in Zumtobel Lighting Saudi Arabia Limited was sold at the applicable proportional share of equity in 2016/17. The share of annual results attributable to non-controlling interests totalled TEUR -376 up to the date of sale. The components of other comprehensive income equalled TEUR -97.

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	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
in TEUR	30. April 2017			30. April 2016			
Non-current assets	275	128	403	162	146	164	472
Current assets	6,820	4,740	11,560	248	8,926	3,050	12,224
Assets	**7,095**	**4,868**	**11,963**	**410**	**9,072**	**3,214**	**12,696**
Current liabilities	1,671	3,154	4,825	955	3,784	1,990	6,729
Equity	5,384	1,714	7,098	(545)	5,288	1,224	5,967
Equity and Liabilities	**7,095**	**4,868**	**11,963**	**410**	**9,072**	**3,214**	**12,696**
Capital increases				1,498			
Dividends					(989)		

Statement of Comprehensive Income	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
in TEUR	2016/17			2015/16			
Revenues	6,937	5,575	12,512	0	8,105	3,859	11,963
Net profit/loss for the year	(133)	443	310	(1,197)	1,274	738	815
thereof due to non-controlling interests	*(53)*	*222*	*169*	*(360)*	*510*	*369*	*519*
Subtotal other comprehensive income	229	47	277	24	(74)	(26)	(76)
thereof due to non-controlling interests	*92*	*24*	*116*	*8*	*(30)*	*(13)*	*(35)*
Dividends paid to non-controlling interests					(396)		(396)

Cash flow	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia	Thorn Gulf LCC, UAE	Thorn Lighting Limited Liability, Qatar	Total
in TEUR	2016/17			2015/16			
Cash flow from operating activities	131	1,061	1,192	(1,372)	3,399	515	2,542
Cash flow from investing activities	(181)	(2)	(183)	(10)	(152)	(174)	(336)
Cash flow from financing activities	(48)	141	93	1,503	(1,063)	15	455
Net increase/decrease in cash and cash equivalents	**(98)**	**1,200**	**1,102**	**121**	**2,184**	**356**	**2,661**

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 467; 2015/16: TEUR 0) and positive market values from hedged positions (TEUR 1,086; 2015/16: TEUR 2,294).

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 2017	30 April 2016
Coverage capital for Group life insurance	3,440	3,556
Other	1,435	878
Other non-current assets	**4,875**	**4,434**
Prepaid expenses and deferred charges	8,087	8,915
Amounts due from tax authorities	13,691	14,391
Prepayments made	871	1,056
Other	12,367	8,271
Other current assets	**35,016**	**32,633**

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

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

The position "other" consists mainly of the following: accrued research receivables of TEUR 3,637 (2015/16: TEUR 1,328), receivables of TEUR 980 (2015/16: TEUR 1,605) arising from part-time work for older employees in Germany and advance contributions of TEUR 1,113 (2015/16: TEUR 1,128) to pension plans in Switzerland.

2.6.6.8 Deferred taxes

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

	30 April 2017		30 April 2016	
in TEUR	Assets	Liabilities	Assets	Liabilities
Other intangible assets	104	10,149	73	11,188
Property, plant and equipment	1,833	2,172	1,672	2,751
Financial assets	7	0	0	288
Inventories	5,823	80	4,142	59
Trade receivables	1,022	648	950	846
Other receivables	31	3,998	0	4,679
Reclassification of deferred taxes on assets held for sale	326	0	0	0
Non-current provisions	19,898	0	20,248	27
Other provisions	1,253	870	3,799	1,327
Trade payables	3,353	340	4,282	229
Loss carryforwards	132,874	0	145,136	0
Deferred tax credits or liabilities	**166,524**	**18,257**	**180,302**	**21,394**
Valuation discounts for deferred taxes	(106,107)		(115,649)	
Offset of tax credits and liabilities due from/to the same taxation authority	(17,710)	(17,710)	(19,770)	(19,770)
Deferred taxes	**42,707**	**547**	**44,883**	**1,624**

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 424,429 (2015/16: TEUR 462,596) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 14,947 (2015/16: TEUR 32,957) 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 equals 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 -364 were recognised under other comprehensive income during the reporting year (2015/16: TEUR -1,527). This amount includes TEUR -31 (2015/16: TEUR -1,212) related to actuarial gains/losses on the provisions for pensions and severance compensation as required by IAS 19 "Employee Benefits" as well as TEUR -333 (2015/16: TEUR -315) 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 2017	30 April 2016
Raw materials	**60,143**	**66,093**
Gross value	*71,576*	*79,130*
Impairment charges	*(11,433)*	*(13,037)*
Work in process	**3,329**	**3,027**
Semi-finished goods	**10,393**	**10,261**
Gross value	*11,683*	*11,996*
Impairment charges	*(1,290)*	*(1,735)*
Merchandise	**30,553**	**23,486**
Gross value	*35,390*	*27,185*
Impairment charges	*(4,837)*	*(3,699)*
Finished goods	**92,594**	**84,570**
Gross value	*108,846*	*99,625*
Impairment charges	*(16,252)*	*(15,055)*
Inventories	**197,012**	**187,437**

Income was reduced by valuation adjustments of TEUR –286 to inventories during the reporting year (2015/16: TEUR –7,205).

Impairment charges of TEUR 1,237 were recognised to current assets in the Lighting Segment during 2016/17. These charges are 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 revaluation gains of TEUR 989.

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

Impairment charges of TEUR 814 were recognised to current assets in the Lighting Segment during 2015/16 in connection with the relocation of production from Landskrona, Sweden, to Spennymoor, Great Britain. Other impairment charges in 2015/16 included TEUR 430 related to the shutdown of the plant in Tianjin, China, and TEUR 500 related to the shutdown of the plant in Usingen, Germany.

2.6.6.10 Trade receivables

in TEUR	30 April 2017	30 April 2016
Trade receivables gross	**227,755**	**250,748**
Valuation adjustments to receivables	(10,764)	(10,598)
Provision for customer bonuses and discounts	(18,761)	(19,281)
Trade receivables	**198,230**	**220,869**

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts totalled TEUR 49,662 as of 30 April 2017 (2015/16: TEUR 35,720). The amounts received from factoring were deducted from the gross receivables shown in the above table.

2.6.6.11 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits TEUR 375 (2015/16: TEUR 205) 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

On 12 December 2016 the Zumtobel Group announced the evaluation of a long-term strategic partnership with Active'invest for the plant in Les Andelys (France). This partnership with Active'invest would transfer the Les Andelys plant to this French industrial group, whereby the Zumtobel Group would retain a 10% minority interest in the new company.

The advanced negotiations with Active'invest resulted in the valuation of the assets and liabilities connected with the plant (disposal group) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and their classification as current items. Assets held for sale represent assets that can be immediately sold in their current condition and whose sale is highly probable. Directly associated liabilities that are to be disposed together with the assets in the same transaction are also included in the disposal group. The conclusion of the negotiations and sale of the Les Andelys plant are targeted for summer 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 includes 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**

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	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Beginning balance, net liability	**79,740**	**99,994**	**48,717**	**49,348**	**11,527**	**13,433**
Foreign currency translation & reclassification	(2,862)	(4,232)	0	0	20	(15)
Reclassification consistent with IFRS 5	0	0	(2,151)	1	(212)	(412)
Changes recognised through profit or loss	3,935	5,218	2,324	2,419	1,157	1,801
thereof service cost	*1,400*	*1,419*	*1,424*	*1,650*	*684*	*1,590*
thereof past service cost	*0*	*0*	*0*	*0*	*115*	*76*
thereof plan reductions and settlements	*0*	*0*	*0*	*0*	*0*	*0*
thereof interest expense	*7,044*	*8,686*	*900*	*769*	*136*	*116*
thereof expected income from plan assets	*(4,509)*	*(4,887)*	*0*	*0*	*0*	*0*
thereof actuarial gain/loss	*0*	*0*	*0*	*0*	*222*	*18*
Actuarial gain/loss recognised to other comprehensive income	17,651	(13,466)	467	(1,439)	0	0
thereof financial adjustments	*(399)*	*(3,547)*	*0*	*(122)*	*0*	*0*
thereof demographic adjustments	*45,152*	*(7,475)*	*2,396*	*(2,059)*	*0*	*0*
thereof experience related adjustments	*(27,102)*	*(2,444)*	*(1,929)*	*743*	*0*	*0*
Payments	(4,659)	(7,776)	(1,556)	(1,613)	(2,226)	(3,279)
thereof to salaried employees	*(4,659)*	*(7,776)*	*(1,556)*	*(1,613)*	*(2,226)*	*(3,279)*
Ending balance, net liability	**93,805**	**79,740**	**47,801**	**48,717**	**10,266**	**11,527**

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

Experience-related adjustments represent the actuarial gains and losses caused by variances between the individual employee-based parameters and the parameters applied to the entire calculation base. Examples of these parameters are trends in salaries and wages, the number of deaths, early retirements, 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)	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Germany	1.6%	1.8%	0.0%	-	3.0%	3.0%	1.5%	1.3%	1)	1)
Great Britain	2.5%	3.3%	2.5%	3.3%	-	-	3.3%	2.9%	65/65	65/65
Switzerland	0.6%	0.6%	0.6%	0.6%	1.5%	1.5%	-	-	64/65	64/65
Sweden	1.8%	2.0%	0.0%	-	0.0%	-	1.8%	1.5%	65/65	65/65
Austria	1.5%	1.9%	0.0%	-	3.0%	3.0%	-	-	2)	2)
France	1.3%	1.7%	0.0%	-	1.0%	1.0%	-	-	3)	3)
Italy	1.4%	1.2%	0.0%	-	1.0%	1.0%	-	-	60/65	60/65
Australia	0.0%	3.5%	0.0%	3.5%	0.0%	3.0%	-	-	65	65

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

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

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

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

Pension obligations

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

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

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

Two major steps were taken to remedy the shortage of assets in this plan. An agreement was reached with the plan trustee to reduce the deficit by 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 this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 546 in 2016/17 (2015/16: TEUR 580). The asset coverage calculated in accordance with Swedish law equalled 152% (2015/16: 144%) 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 2017	30 April 2016
Obligations not financed through funds	31,108	31,421
Obligations financed through funds	278,598	250,891
Present value of defined benefit obligation (DBO)	**309,706**	**282,313**
Fair value of plan assets	(215,901)	(202,573)
Net liability as per balance sheet	**93,805**	**79,740**

The provision for pensions is classified by country as follows:

in TEUR	30 April 2017	30 April 2016
Germany	28,755	28,511
Great Britain	52,056	37,536
Switzerland	10,640	10,423
Other	2,354	3,270
Net liability as per balance sheet	**93,805**	**79,740**

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:

	2016/17		2015/16	
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2016	**282,313**	**202,573**	**316,720**	**216,726**
Foreign currency translation	(15,371)	(12,509)	(18,391)	(14,160)
Service cost	1,400	0	1,419	0
Plan reductions and settlements	0	0	0	0
Past service cost	(75)	(75)	(2,380)	(2,380)
Interest expense/income	7,044	4,509	8,687	4,887
Actuarial gain/loss recognised to other comprehensive income	44,665	27,014	(16,900)	(3,434)
thereof financial adjustments	*(399)*	*0*	*(3,547)*	*0*
thereof demographic adjustments	*45,152*	*0*	*(7,475)*	*0*
thereof experience related adjustments	*(88)*	*27,014*	*(5,878)*	*(3,434)*
Payments	(10,270)	(5,611)	(6,842)	934
thereof payments	*(10,270)*	*(5,611)*	*(6,842)*	*934*
thereof payments due to settlements	*0*	*0*	*0*	*0*
30 April 2017	**309,706**	**215,901**	**282,313**	**202,573**

The actual payments from the pension plans totalled TEUR 10,270 in 2016/17 (2015/16: TEUR 6,906).

Plan assets comprised the following as of 30 April 2017:

in TEUR	30 April 2017	thereof quoted on an active market
Liquid funds	1,469	1,424
Equity instruments	50,099	47,922
Debt instruments	99,647	95,628
Real estate	0	0
Assets held by insurance companies	32,288	0
Other	32,398	29,520
Plan assets	**215,901**	**174,494**

The actual income on the plan assets totalled TEUR 28,965 (2015/16: TEUR 1,454).

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

in TEUR	30 April 2017	30 April 2016
Present value	309,706	282,313
Plan assets	(215,901)	(202,573)
Deficit	**93,805**	**79,740**

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 2017	30 April 2016
Austria	44,315	43,321
France	1,552	3,434
Italy	1,934	1,961
Severance compensation obligation	**47,801**	**48,717**

IAS 19 Reserve

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

	Pensions	Severance compensation	Total
30 April 2015	**128,491**	**14,226**	**142,718**
Actuarial loss/gain	(13,466)	(1,439)	(14,905)
Foreign currency translation	(8,233)	0	(8,233)
Deferred taxes	865	346	1,211
30 April 2016	**107,658**	**13,133**	**120,791**
Actuarial loss/gain	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**

Deferred taxes of TEUR -31 were recorded directly in equity during the reporting year (2015/16: TEUR -1,211).

The actuarial losses in 2016/17 resulted primarily from a decline in the interest rate in the UK from 3.3% to 2.5%.

Sensitivity analysis

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

Effects on the DBO as of 30 April 2016:

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

Weighted average term of the obligation in years

	30 April 2017	30 April 2016
Pension plans	15	18
Severance compensation	13	13

In 2017/18 the contributions to pension plans are expected to total TEUR 4,999 and severance compensation payments are expected to equal TEUR 1,339.

Other long-term employee benefits

These obligations total TEUR 10,266 (2015/16: TEUR 11,527) and consist mainly of the following provisions: TEUR 6,706 (2015/16: TEUR 6,143) for service anniversary bonuses in Austria, TEUR 2,074 (2015/16: TEUR 3,424) for part-time work for older employees in Germany, TEUR 1,135 (2015/16: TEUR 1,137) for special leave in Australia and TEUR 351 (2015/16: TEUR 823) for legally required profit sharing and bonus payments for long-standing service in France.

2.6.6.14 Defined contribution obligations

Defined contribution payments of TEUR 6,144 were made by various group companies in 2016/17 (2015/16: TEUR 6,401). This amount also includes payments made in Austria based on the amended severance compensation regulations (“Abfertigung neu“).

2.6.6.15 Other provisions

2016/17 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2016	**17,832**	**24,870**	**1,464**	**33**	**11,252**	**55,451**
Addition	11,393	3,140	1,115	233	7,961	23,842
Utilisation	(4,755)	(18,214)	(1,447)	(25)	(6,769)	(31,210)
Reversal	(4,127)	(1,995)	(10)	(8)	(2,339)	(8,479)
Reclassifications	0	0	0	0	41	41
Foreign currency translation	(219)	17	0	12	(56)	(246)
30 April 2017	**20,124**	**7,818**	**1,122**	**245**	**10,090**	**39,399**
thereof current	*20,124*	*7,818*	*1,122*	*245*	*9,444*	*38,753*
thereof non-current	*0*	*0*	*0*	*0*	*646*	*646*

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 16,920 (2015/16: TEUR 14.440) for individual items as well as experience-based provisions of TEUR 3,204 (2015/16: TEUR 3,392) for cases not recognised individually or not known. The 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. These provisions are determined by applying separate percentage rates for the various product groups to product revenues for the respective period.

Provisions for restructuring

The decline in the provisions for restructuring resulted from the restructuring measures that are described in section 2.6.4.3 and which were still in progress as of 30 April 2017.

Provisions for legal proceedings

The provisions for legal proceedings as of 30 April 2017 were related primarily to litigation risks and the related legal costs for Zumtobel Lighting GmbH, Dornbirn.

Onerous contracts

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

2.6.6.16 Financial liabilities

in TEUR	30 April 2017	30 April 2016
Loans from financial institutions	109	0
Finance leases	610	438
Loans from public authorities	0	61
Loans from other third parties	49	375
Working capital credits	3,771	5,884
Current borrowings	**4,539**	**6,758**
Loans from financial institutions	145,205	184,826
Finance leases	18,321	20,022
Loans from public authorities	4,097	4,590
Loans from other third parties	644	0
Non-current borrowings	**168,267**	**209,438**
Borrowings	**172,806**	**216,196**

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 2021 and a maximum line of EUR 300 million. As of the balance sheet date on 30 April 2017, the amount drawn under this credit agreement totalled EUR 60 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 2017.

2.6.6.17 Finance leases

		Minimum lease payments				
		Future payments				
in TEUR	Expenses 2016/17	< 1 year	1-5 years	> 5 years	Total Liability	Net carrying amount assets
Land & buildings	2,196	2,254	10,183	20,294	32,731	8,149
Other equipment	0	109	328	0	437	444
Total minimum lease payments	**2,196**	**2,363**	**10,511**	**20,294**	**33,168**	**8,593**
Less: finance charge = interest expense	1,768	1,753	6,351	6,133	14,237	
Present value of net minimum lease payments	**428**	**610**	**4,160**	**14,161**	**18,931**	

There are no conditional lease payments for finance leases.

In 2008/09 a GBP 15.7 million finance lease was concluded for the plant building in Spennymoor, Great Britain. This lease has a term of 21 years, whereby no payments were due in the first year. The net present value of the minimum lease payments totalled TEUR 18,931 as of 30 April 2017 (2015/16: TEUR 20,460). The year-on-year change in the net present value of the minimum lease payments resulted primarily from foreign exchange translation effects.

2.6.6.18 Operating leases

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

in TEUR	Expenses 2016/17	Future payments to third parties < 1 year	1-5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	22,897	14,734	24,495	7,686	46,915
Less payments received from leases and sub-leases	200	255	740	0	995
Net minimum lease payments	**22,697**	**14,479**	**23,755**	**7,686**	**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.

The Zumtobel Group signed an operating lease with an external lessee for the mothballed 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	Income 2016/17	Future payments from third parties < 1 year	1-5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	488	492	1,804	0	2,296

2.6.6.19 Other liabilities

The components of other current liabilities are as follows:

in TEUR	30 April 2017	30 April 2016
Vacations, comp. in free time, special payments to employees	50,440	47,784
Amounts due to employees	7,914	11,563
Miscellaneous taxes	23,486	22,516
Social security	5,818	6,123
Prepayments received	18,048	30,057
Accrued interest	99	126
Deferred income	2,157	1,499
Derivatives (hedge accounting)	7,105	8,593
Derivatives held for trading	1,993	1,642
Customs	2,513	2,630
Other liabilities	7,222	9,233
Other current liabilities	**126,795**	**141,766**

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

The decrease in other non-current liabilities from TEUR 12,137 to TEUR 4,628 resulted chiefly from the adjustment of the purchase price for acdc (also see section 2.6.6.1).

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 rose by TEUR 14,947 to TEUR 107,514 in 2016/17 (2015/16: TEUR 92,567). This improvement resulted, above all, from the continuation of strict receivables management. The active management of accounts receivables generated positive cash flow effects of TEUR 21,531 (2015/16: TEUR 11,974). The increase of TEUR -19,697 (2015/16: TEUR 9,445) in inventories was nearly offset by an increase of TEUR 17,127 (2015/16: TEUR -28,280) in trade payables. As of 30 April 2017 working capital was slightly lower than the previous year at TEUR 220,119 (2015/16: TEUR 231,183).

The development of the other operating positions was related chiefly to a decline in current provisions (TEUR -14,397) and reflected the use of the provisions for restructuring. The change in non-current and current assets and liabilities is related primarily to the adjustment of amounts due to employees in connection with the bonus programme.

A total of TEUR 45,201 (2015/16: TEUR 58,366) was invested in non-current assets for various plants during the reporting year. These investments covered tools for new products, expansion projects and maintenance as well as capitalised R & D costs (TEUR 13,123; 2015/16: TEUR 18,054).

Proceeds from the sale of non-current assets resulted primarily from the sale of property in Ennenda, Switzerland, which generated a cash inflow of TEUR 4,191.

Cash flow from assets/liabilities held for sale includes the sale of Les Andelys plant in France. The related expenses amounted to TEUR 9,218, but did not represent cash items in 2016/17 (also see section 2.6.6.12).

Cash flow from financing activities consists primarily of repayments on the existing credit lines (TEUR -51,296), the dividend paid to the shareholders of Zumtobel Group AG for the 2015/16 financial year (TEUR 8,629) and interest payments (TEUR 7,202).

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 2017	30 April 2016
Liquid funds	81,352	81,394
Not available for disposal	(375)	(205)
Overdrafts	(3,772)	(5,884)
Cash and cash equivalents	**77,205**	**75,305**

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

2.6.8 Notes to the Statement of Changes in Equity

2.6.8.1 Share capital

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

The annual general meeting on 25 July 2014 passed the following resolution: The Management Board is authorised, in accordance with § 169 of the Austrian Stock Corporation Act and contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000.00 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches and also through indirect subscription rights as defined in § 153 (6) of the Austrian Stock Corporation Act – at a minimum issue price equalling 100% of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for five years beginning on the date the respective amendment to the articles of association is recorded in the company register, i.e. up to 30 August 2019. Furthermore, the Management Board is empowered to determine the issue price and conditions and to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board is also authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

A total of 43,146,657 shares were outstanding as of 30 April 2017 (2015/16: 43,146,657). As the last exercise window has been closed, no further options will be issued from the SOP. The company held 353,343 treasury shares as of 30 April 2017 (2015/16: 353,343).

2.6.8.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel Group AG. This item also includes transactions in treasury shares, 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 und USD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (also see sections 2.6.5.1 and 2.6.5.2) as well as the foreign exchange effects from an interest rate hedge. Foreign exchange-based adjustments to goodwill are also recorded under this position.

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

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 22 July 2016 authorised the payment of a EUR 0.20 dividend per share for the 2015/16 financial year. The resulting amount of TEUR 8,629 for the 43,146,657 shares outstanding as of 29 July 2016 (43,500,000 less 353,343 treasury shares) was distributed to shareholders on 2 August 2016.

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on current profitability, earnings forecasts and expected economic developments. Against the backdrop of the further positive development of business, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 21 July 2017, calling for a dividend of EUR 0.23 per share for the 2016/17 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 2021 and a maximum line of EUR 300 million. As of 30 April 2017, the amount drawn by the Zumtobel Group under this credit agreement totalled EUR 60 million. The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights and also includes clauses covering an increase of up to EUR 200 million and a further one-year extension. 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 2017. 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 2017 with a debt coverage ratio of 0.86 (2015/16: 1.48) and an equity ratio of 32.8% (2015/16: 31.2%). A deterioration or improvement in these financial indicators could lead to a gradual increase or decrease in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

2.6.10 Financial Instruments

2.6.10.1 Categories of financial instruments as defined in IAS 39

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

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

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

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

The fair value of current financial instruments reflects the carrying amount of these items because of their short term. The fair value of fixed rate instruments amounts to TEUR 110,217. The fair value of other financial instruments not measured at fair value is not reported because the carrying amounts represent appropriate values for these items.

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Assets

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	L&R	Cash
Non-current financial assets	1,243	577	-	666	-
Securities and similar rights	*577*	*577*	*-*	*-*	*-*
Loans originated and other receivables	*666*	*-*	*-*	*666*	*-*
Current financial assets	1,591	-	1,086	505	-
Securities and similar rights	*-*	*-*	*-*	*-*	*-*
Loans originated and other receivables	*37*	*-*	*-*	*37*	*-*
Positive market values of derivatives held for trading	*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	Non-FI
Non-current borrowings	168,267	-	-	168,267	-	-
Loans received	*149,946*	*-*	*-*	*149,946*	*-*	*-*
Finance leases	*18,321*	*-*	*-*	*18,321*	*-*	*-*
Other non-current liabilities	4,628	355	-	-	-	4,273
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	126,795	-	1,993	99	7,105	117,598
Negative market values of derivatives held for trading	*1,993*	*-*	*1,993*	*-*	*-*	*-*
Negative market values of derivatives (hedge accounting)	*7,105*	*-*	*-*	*-*	*7,105*	*-*
Other	*117,697*	*-*	*-*	*99*	*-*	*117,598*
Total	**461,303**	**355**	**1,993**	**329,979**	**7,105**	**121,871**

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).

The financial instruments carried at fair value through profit or loss as of 30 April 2017 are categorised as follows:

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Securities and similar rights	577	577	-	-	577
Loans originated and other receivables	-	-	-	-	-
Current financial assets					
Loans originated and other receivables	-	-	-	-	-
Positive market values of derivatives held for trading	1,086	1,086	-	1,086	-
Other	-	-	-	-	-
Total	**1,663**	**1,663**	**-**	**1,086**	**577**

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other non-current liabilities	**355**	**355**	**-**	**-**	**355**
Other current liabilities	**9,098**	**9,098**	**-**	**9,098**	**-**
Derivatives held for trading	1,993	1,993	-	1,993	-
Derivatives (hedge accounting)	7,105	7,105	-	7,105	-
Total	**9,453**	**9,453**	**-**	**9,098**	**355**

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 1,086, 2015/16: TEUR 2,294; negative market values TEUR –9,098, 2015/16: TEUR –10,235). 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 primarily represent obligations arising from the call/put option for the purchase of the remaining 40% of acdc in 2020, which were adjusted during the first half of 2016/17 in connection with the initial accounting. 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 of the Zumtobel Group as of 30 April 2017 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 2016 and no distributions of profit were received from these investments during the reporting year.

2015/16 Financial Year

Assets

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

Liabilities

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

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

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

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

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

in TEUR	2016/17	2015/16
Net gains or net losses	**(4,893)**	**5,177**
Financial instruments measured at amortised cost	*(3,394)*	*(3,244)*
Held for trading	*(1,209)*	*8,057*
Net investment hedge – ineffective portion of changes in fair value	*62*	*594*
Realised gains/losses from the hedge of a net position	*(349)*	*(219)*
Losses on sale	*(3)*	*(11)*
Interest expense	**(7,289)**	**(9,169)**
Interest expense for financial assets measured at amortised cost	*(5,833)*	*(7,362)*
Interest expense hedge accounting	*(1,456)*	*(1,641)*
Interest expense held for trading	*0*	*(166)*
Interest income	**448**	**497**
Interest income at amortised cost	*448*	*439*
Interest income hedge accounting	*0*	*58*
Valuation adjustments to loans and receivables	**(308)**	**(1,036)**

Other financial income and expenses (TEUR –8,464; 2015/16: TEUR 491) include the net income or expense (TEUR –4,893; 2015/16: TEUR 5,177) as well as the interest component as defined in IAS 19 "Employee Benefits" after the deduction of income on plan assets (TEUR –3,570; 2015/16: TEUR –4,686).

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

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

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

2.6.11 Information on Risk Management

The use of financial instruments exposes the Zumtobel Group, 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. In 2016/17 losses on receivables, i.e. derecognised receivables, totalled 0.07% (2015/16: 0.1%) of Group revenues. The ten largest customers were responsible for 25% of Group revenues in 2016/17 (2015/16: 24%).

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 2017	30 April 2016
Beginning balance	**10,598**	**10,119**
Addition	2,447	3,128
Utilisation	(693)	(1,058)
Reversal	(1,588)	(1,591)
Ending balance	**10,764**	**10,598**

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 2017		30 April 2016	
in TEUR	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	196,267	1,932	225,015	1,890
Overdue 1-60 days	19,545	66	13,674	60
Overdue 61-90 days	2,343	609	1,583	305
Overdue 91-120 days	694	166	956	290
Overdue 121-180 days	1,021	577	1,067	532
Overdue > 180 days	7,885	7,414	8,453	7,521
Total	**227,755**	**10,764**	**250,748**	**10,598**

The nominal value of trade receivables includes TEUR 8,068 (2015/16: TEUR 8,600) that are classified as doubtful. These doubtful receivables were adjusted by a total of TEUR 7,736 (2015/16: TEUR 7,914).

- Liquid funds, non-current 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 282,411 as of 30 April 2017 (2015/16: TEUR 305,775). 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 2017 liquidity was secured by the consortium credit agreement and two other credit agreements (see section 2.6.6.16) as well as short-term unsecured lines of credit totalling TEUR 88,107 (2015/16: TEUR 88,378). 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 2017 will result in the following payments.

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*
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**

30 April 2016

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

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

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*

30 April 2016			**Contractual cash flow**		
in TEUR	**Carrying amount**	**Total**	**< 1 year**	**1-5 years**	**> 5 years**
Financial assets	2,294	2,170	2,170	0	0
Derivatives held for trading	*2,294*	*2,170*	*2,170*	*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 60,000) is considered long-term because of its maturity date on 30 November 2021. However, this credit carries a variable interest rate (EURIBOR-based money market interest 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, the Zumtobel Group concluded EUR-interest rate swaps with various banks. These swaps have a current effective nominal volume of TEUR 80,000. These interest rate instruments are structured over various terms (up to June 2021 at the latest) and convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 2.694%. 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 2016/17	Fair value in TEUR 2015/16
EUR	80,000	(1,334)	(2,676)
CHF	25,228	(5,771)	(5,917)
Negative market values of interest rate hedging instrument (hedge accounting)		**(7,105)**	**(8,593)**

>> 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 2017	30 April 2016
Borrowings	(108,390)	(116,196)
Fixed rate instruments	**(108,390)**	**(116,196)**
Financial assets	2,833	3,512
Liquid funds	81,352	81,394
Borrowings	(64,416)	(100,000)
Variable rate instruments	**19,769**	**(15,094)**
Total	**(88,621)**	**(131,290)**

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 165 (2015/16: TEUR 252) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, a change in the interest rate would not lead to any valuation effects on the income statement or 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 447 (2015/16: TEUR 516).

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 2017 (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 2017 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	19,710	(10,832)	(19,710)	10,832
EUR - USD	2,803	(412)	(2,803)	412
EUR - AUD	487	(205)	(487)	205

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	(693)	5,410	(5,642)
EUR - CHF	428	(2,424)	2,436
EUR - GBP	(281)	(3,536)	2,875
EUR - AUD	212	(542)	493
EUR - NOK	53	(193)	175

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 Thorn, Zumtobel, Zumtobel Group Services, SPP and acdc 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 -416 (2015/16: TEUR -61) for the Lighting Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR 144 (2015/16: TEUR 3,716) of impairment charges, whereby TEUR 90 (2015/16: TEUR 1,014) are attributable to the Components Segment and TEUR 54 (2015/16: TEUR 2,702) to the Lighting Segment. The elimination of inter-segment revenues is included in the reconciliation column.

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	2016/17	2015/16	2014/15	2016/17	2015/16	2014/15	2016/17	2015/16	2014/15	2016/17	2015/16	2014/15
Net revenues	**999,899**	**1,028,413**	**989,907**	**377,245**	**410,353**	**393,819**	**(73,260)**	**(82,222)**	**(71,106)**	**1,303,884**	**1,356,544**	**1,312,620**
External revenues	*999,627*	*1,027,665*	*988,419*	*304,226*	*328,799*	*323,897*	*31*	*80*	*304*	*1,303,884*	*1,356,544*	*1,312,620*
Intercompany revenues	*272*	*748*	*1,488*	*73,019*	*81,554*	*69,922*	*(73,291)*	*(82,302)*	*(71,410)*	*0*	*0*	*0*
Adjusted EBIT	**53,472**	**48,220**	**63,701**	**39,630**	**34,978**	**28,412**	**(20,698)**	**(24,521)**	**(25,630)**	**72,404**	**58,677**	**66,483**
Special effects	(28,904)	(37,624)	(21,507)	2,632	3,282	(3,742)	(341)	(515)	(143)	(26,613)	(34,857)	(25,392)
Operating profit/loss	**24,568**	**10,596**	**42,194**	**42,262**	**38,260**	**24,670**	**(21,039)**	**(25,036)**	**(25,773)**	**45,791**	**23,820**	**41,091**
Investments	**26,425**	**33,858**	**49,186**	**13,015**	**20,091**	**19,899**	**5,761**	**4,417**	**7,491**	**45,201**	**58,366**	**76,576**
Depreciation	**(36,190)**	**(38,937)**	**(35,321)**	**(19,532)**	**(24,596)**	**(21,109)**	**(4,718)**	**(3,998)**	**(2,618)**	**(60,440)**	**(67,531)**	**(59,048)**

in TEUR	30 April 2017	30 April 2016	30 April 2015	30 April 2017	30 April 2016	30 April 2015	30 April 2017	30 April 2016	30 April 2015	30 April 2017	30 April 2016	30 April 2015
Assets	690,327	736,685	743,925	172,920	173,395	207,140	156,382	158,568	135,210	1,019,629	1,068,648	1,086,275

	30 April 2017	30 April 2016	30 April 2015	30 April 2017	30 April 2016	30 April 2015	30 April 2017	30 April 2016	30 April 2015	30 April 2017	30 April 2016	30 April 2015
Headcount (full-time equivalent)	4,767	4,913	5,302	1,590	1,638	1,752	205	210	180	6,562	6,761	7,234

The reconciliation column comprises the following:

in TEUR	2016/17	2015/16
Group parent companies	(21,529)	(23,557)
Group entries	490	(1,479)
Operating profit/loss	**(21,039)**	**(25,036)**

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 2017	30 April 2016
Assets used by more than one segment	149,044	150,848
Group parent companies	46,634	59,827
Group entries	(39,296)	(52,107)
Assets	**156,382**	**158,568**

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

2.6.12.2 Regional segments

The restructuring of the Zumtobel Group's sales organisation led to minor adjustments in the sales regions during 2015/16. The most important changes involved the reclassification of the Latin American countries to the America region and the reclassification of the Central Asian countries and Turkey to Benelux & Eastern Europe.

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

	External revenues		Assets	
in TEUR	2016/17	2015/16	30 April 2017	30 April 2016
D/A/CH	381.882	393.042	479.191	494.280
Northern Europe	341.422	356.747	133.372	146.146
Southern Europe	183.031	192.008	50.842	63.319
Benelux & Eastern Europe	165.659	153.762	29.296	27.317
Middle East & Africa	61.194	80.725	14.853	14.541
Asia & Pacific	126.957	140.005	60.471	68.025
Americas	43.739	40.255	16.841	13.406
Reconciliation	0	0	234.763	241.613
Total	**1.303.884**	**1.356.544**	**1.019.629**	**1.068.647**

Reconciliation of regions:

in TEUR	30 April 2017	30 April 2016
Assets used by more than one segment	246,246	241,585
Group entries	(11,483)	28
Assets	**234,763**	**241,613**

2.6.13 Contingent Liabilities and Guarantees

Group companies have accepted liabilities of TEUR 7,042 (2015/16: TEUR 8,586) for bank guarantees.

2.6.14 Subsequent Events

On 5 May 2017 the Zumtobel Group exercised the offer of the unilateral binding purchase agreement for the purchase of the French Les Andelys plant to Active' Invest SAS (France). According to this agreement the Zumtobel Group is obliged - after the completion of the hive down of the French Les Andelys plant to Europhane SAS (France) - to sell 90% of the shares of the respective entity to the strategic partner Active' Invest. The sale of the shares is currently targeted for summer 2017.

2.6.15 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel Group AG. As of 30 April 2017 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (also see section 2.6.6.4). Trade receivables due from associated companies totalled TEUR 1,157 as of 30 April 2017 (2015/16: TEUR 775) and trade payables amounted to TEUR 3,211 (2015/16: TEUR 1,839). No receivables due from associated companies were derecognised due to failed collection in 2016/17, and no receivables due from associated companies were classified as uncollectible as of 30 April 2017.

As of 30 April 2017 a financial receivable of TEUR 467 was due from an associate (2015/16: financial liability of TEUR 325).

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2016/17	2015/16
Total remuneration for the Management Board	**2,643**	**1,476**
thereof fixed component	*1,520*	*1,189*
thereof short-term variable component	*283*	*67*
thereof long-term variable component	*840*	*220*

in TEUR	2016/17	2015/16
Ulrich Schumacher (as of 1 October 2013)	**1,190**	**945**
thereof fixed component	*650*	*750*
thereof short-term variable component	*108*	*39*
thereof long-term variable component	*432*	*156*
Karin Sonnenmoser (as of 1 May 2014)	**667**	**483**
thereof fixed component	*400*	*400*
thereof short-term variable component	*80*	*25*
thereof long-term variable component	*187*	*58*
Alfred Felder (as of 1 April 2016)	**786**	**47**
thereof fixed component	*470*	*39*
thereof short-term variable component	*95*	*2*
thereof long-term variable component	*221*	*6*

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	2016/17	2015/16
Total Supervisory Board remuneration	**516**	**512**
thereof fixed remuneration	*420*	*420*
thereof variable remuneration	*75*	*75*
thereof expense allowances and reimbursements	*21*	*17*

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	2016/17		2015/16	
	Average	Balance sheet date	Average	Balance sheet date
Production	3,171	3,044	3,290	3,305
R&D	577	564	598	602
Sales	1,937	1,958	1,990	1,943
Administration	558	561	544	554
Miscellaneous	451	435	590	357
Total	**6,694**	**6,562**	**7,012**	**6,761**

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 2016/17:

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	2010	2020	7 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	7 years
Fritz Zumtobel	Member	1996	2020	21 years
Rüdiger Kapitza	Member	2015	2020	2 years
Hans-Peter Metzler	Member	2010	2020	7 years
Dietmar Dünser	Delegated by the Employees‘ Council	2015		2 years
Richard Apnar	Delegated by the Employees‘ Council	2012		5 years
Erich Zucalli	Delegated by the Employees‘ Council (up to 4 May 2016)	2012		5 years
Kai Arbinger	Delegated by the Employees‘ Council (since 4 May 2016)	2016		1 year

The following persons served as members of the Management Board in 2016/17:

Name	Function	Initially appointed on	Term ends on	Service time to date
Ulrich Schumacher	CEO (Chief Executive Officer)	1 October 2013	30 April 2020	4 years
Karin Sonnenmoser	CFO (Chief Financial Officer)	1 May 2014	30 April 2020	3 years
Alfred Felder	COO (Chief Operating Officer)	1 April 2016	30 April 2019	1 year

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

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

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

Dornbirn, 14 June 2017

The Management Board

Ulrich Schumacher	Karin Sonnenmoser	Alfred Felder
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

2.8 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 Raiffeisen-Immobilien-Leasing 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	99.97	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	Zumtobel LED 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	Belgien	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	Europhane SAS	France	100	full	30 April	EUR
36	Tridonic France Sarl	France	100	full	30 April	EUR
37	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
38	ZG Innovation France SAS	France	100	full	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	Netherlands	100	full	30 April	EUR
69	ZG Lighting Netherlands B.V.	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	Thorn Lighting LLC	Qatar	49	full	30 April	QAR
74	R Lux Immobilien Linie SRL	Romania	100	full	31 December	RON
75	Zumtobel Lighting Romania SRL	Romania	100	full	31 December	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 SRB d.o.o.	Serbia	100	full	30 April	EUR
81	ZG Lighting d.o.o.	Slovenia	100	full	30 April	EUR
82	Tridonic SA (Proprietary) Limited	South Africa	100	full	30 April	ZAR
83	ZG Lighting Iberia S.L.	Spain	100	full	30 April	EUR
84	Staff Iberica S.A.	Spain	50	equity	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	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
92	Thorn Gulf LCC	UAE	49	full	31 December	AED
93	Tridonic (ME) FZE	UAE	100	full	30 April	AED
94	Tridonic Inc., US	USA	100	full	30 April	USD
95	acdc Corp.	USA	100	full	31 December	USD
96	Lemgo Realty Corp.	USA	100	full	30 April	USD
97	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidated in 2016/17:

1	ATCO Industrial Pty. Ltd.	Australia	100	full	30 April	AUD
2	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
3	acdc lighting systems limited	Great Britain	100	full	30 April	GBP
4	Zumtobel Hongkong Limited	Hong Kong	100	full	30 April	HKD
5	Luxmate Ltd	Great Britain	100	full	30 April	GBP
6	Zumtobel Lighting Saudi Arabia Limited	Saudi Arabia	51	full	31 December	SAR

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 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 April 2017, 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 Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and 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. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

In our opinion the key audit matters are the following:

1. Recoverability of goodwill allocated to Lighting Segment
2. Accounting for the disposal group Les Andelys

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

1. Recoverability of goodwill allocated to Lighting Segment

Refer to notes section 2.6.3.2 and 2.6.6.1 / management report chapter 1.8

Risk for the Financial Statements

The book value of goodwill recorded in the consolidated financial statements, amounting to EUR 197.810k, mainly relates to the goodwill allocated to and tested for recoverability at the level of the Lighting Segment in the amount of EUR 195.753k. 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, which are primarily based on past experience as well as on the management's assessment of the expected market environment. 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. We have discussed the assumptions regarding the market development with those responsible for planning. 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). In addition to that we analyzed alternative scenarios, taking into account uncertainties in forecasts, as well as possible changes in costs of capital and long-term growth rates.

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.

2. Accounting for the disposal group Les Andelys

Refer to notes section 2.6.3.2 and 2.6.6.12 / management report chapter 1.4

Risk for the Financial Statements

The book values of assets and liabilities recorded in the consolidated financial statements, which are part of a disposal group classified as held for sale, amount to EUR 1.503k and EUR 9.425k respectively. These relate to the sale of the production plant in Les Andelys, France, which has not yet been closed at the balance sheet date.

The assessment of the classification of disposal groups as held for sale is complex and involves discretionary decisions of the management. These include the assessment whether the prerequisites for the specific disclosure as held for sale are fulfilled as well as the determination of the fair value less costs to sell of the assets allocated to the disposal group.

Our Response

In cooperation with our experts, we have assessed the assumptions made by the management regarding the classification of the disposal group as held for sale, as well as the determination of the fair value less costs to sell by analyzing the relevant contractual arrangements.

We have also assessed whether the accounting for the disposal group held for sale and the corresponding presentation within the notes are appropriate.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of 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, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

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

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

— We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation 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 entity's internal control.

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

— We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

— We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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, among 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 in the course of our audit.

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

— From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

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

Report on Other Legal Requirements

Group Management Report

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.

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 has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. 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 the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any assurance on it.

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

Engagement Partner

The engagement partner is Mr Thomas Smrekar.

Vienna, 14 June 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
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 2016/17

Contents

3. Corporate Governance

3.1 Corporate Governance in the Zumtobel Group

Information on corporate governance also under www.zumtobelgroup.com

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

Management encourages employees to report possible violations of the code of conduct, whereby all such information is treated confidentially. Employees may contact the chief ethics & compliance officer of the Zumtobel Group as well as specially trained colleagues in the legal and internal audit departments. Reports of violations of questions on the code of conduct can also be directed to internal contact partners such as the respective supervisor, human resources staff and employee representatives. The accounts of possible violations received during the reporting year were investigated and the results of these evaluations were reported.

Further developments in the 2016/17 financial year

The Zumtobel Group continued its efforts to strengthen the efficiency and effectiveness of the corporate governance system in 2016/17 and thereby meet the changes in the operating environment. The resignation of the former compliance officer was followed by the appointment of a qualified chief ethics & compliance officer who has headed the corporate integrity department since 1 February 2017. He is responsible for the further development of the measures defined in previous years for the implementation and expansion of the compliance management system (CMS).

Corporate integrity continues to work closely with the legal department, internal audit, risk management, human resources and IT. The chief ethics & compliance officer reports regularly on current compliance issues as well as planning and progress on the establishment and expansion of the CMS at the Management Board meetings. 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.

3.2 The Austrian Corporate Governance Code

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

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

As in previous years, Zumtobel Group AG complied with nearly all provisions of the code in 2016/17. The Group's actions deviated in part from only two C-Rules of the 83 Rules in the code. These differences are described below.

3.2.1 Comply or Explain

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

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

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

3.2.2 External evaluation of compliance with the Corporate Governance Code

The Austrian Corporate Governance Code requires a regular external evaluation of compliance with its rules by the company. This evaluation was carried out by the Group's auditor during the audit of the annual financial statements for 2016/17. Following the completion of this evaluation, the auditor concluded that the corporate governance report prepared by Zumtobel Group AG meets the applicable legal requirements (§ 243b of the Austrian Commercial Code).

3.2.3 Other reporting requirements

3.2.3.1 Auditor's fees

The annual general meeting on 22 July 2016 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and separate financial statements of Zumtobel Group AG for the 2016/17 financial year. KPMG also performs tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2016/17:

In TEUR	2016/17	2015/16
Total Fees	**277**	**265**
thereof audit and audit related services	224	224
thereof other services	53	41

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 1,310 (2015/16: TEUR 1,328).

3.2.3.2 Measures to support the development of women in the Group

As an equal opportunity employer (EOE), the Zumtobel Group is committed to ensuring equal opportunities for its entire workforce regardless of gender, ethnic origin etc. This orientation is reflected in the Zumtobel Group's code of conduct, which was first issued in 2004 and has always prohibited all forms of discrimination. Experience, qualifications and performance represent the basis for personnel decisions in all areas of the corporation and at all management levels. Women currently represent roughly 36% (2015/16: approx. 34%) of the Zumtobel Group's workforce. There are no specific targets for the appointment of women to management positions, but an increasing focus is placed on efforts in this area through internal and external recruiting and personnel development measures. 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. The Zumtobel Group also helps working parents to create a positive work-life balance, e.g. through flexible working schedules or the use of a home office. In this connection, company agreement on home offices was concluded with the Employees' Council representatives during the reporting year.

Women filled 17% of management positions as of 30 April 2017 (2015/16: 17%). As in the previous year, the Supervisory Board included no female delegates in 2016/17. The Zumtobel Group's efforts to increase the share of women in key positions are demonstrated, in particular, by the appointment of Karin Sonnenmoser, a very experienced financial manager, as Chief Financial Officer for a term extending to 30 April 2020. The share of women on the Management Board equals 33% (2015/16: 33%).

3.3 Risk Management and the Internal Control System

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

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

In accordance with § 243a (2) of the Austrian Corporate Code as well as Rules 69 and 70, the management report must disclose the major elements of the internal control system and risk management system related to accounting processes. The relevant information can be found in the Group Management Report under sections 1.7 (Internal Control System) and 1.8 (Risk Management).

Internal audit

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

The internal audit charter approved by the Management Board represents the working basis for all internal audit activities. This charter and the entire audit process in the Zumtobel Group are based on the international standards defined by the Institute of Internal Auditors (IIA). Compliance with these standards is reviewed and confirmed at least every five years by an external specialist, where by the last review took place in March 2016.

The standard corporate internal audits are defined in an annual schedule, which is approved by the Management Board and coordinated with the Audit Committee. It is the result of the Group-wide structured identification and analysis of qualitative and quantitative risk factors relating to processes, units and projects.

The preparation of the audit schedule is closely coordinated with risk management and covers the content-related review of the risk trends and efficiency in operating processes as well as the monitoring of compliance with legal regulations and internal guidelines. The activities of corporate internal audit also include ad hoc audits at the request of the Management Board and, depending on the team's available expertise, consulting projects.

3.4 The Corporate Bodies and Committees of Zumtobel Group AG

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

3.4.1 Shareholders and the annual general meeting

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

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

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

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

3.4.2 The Management Board

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

Name	Function	Appointed on	Term ends on	Service time
Ulrich Schumacher	CEO (Chief Executive Officer)	01.10.2013	30.04.2020	4 years
Karin Sonnenmoser	CFO (Chief Financial Officer)	01.05.2014	30.04.2020	3 years
Alfred Felder	COO (Chief Operating Officer)	01.04.2016	30.04.2019	1 year

Ulrich Schumacher – CEO

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

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

Karin Sonnenmoser – CFO

Karin Sonnenmoser was appointed CFO of Zumtobel Group AG as of 1 May 2014. Her term of office extends to 30 April 2020. Mrs Sonnenmoser was born in 1969 in Biberach (Germany), studied business administration at the University of Augsburg (Germany) and also received a master of business administration from the University of Dayton in Ohio (USA). Her professional career began in 1995 in a trainee programme with Volkswagen AG. She held a number of financial positions in the Volkswagen Group starting in 1996, beginning with a position in the accounting department of the Spanish subsidiary Seat in Barcelona. Karin Sonnenmoser later took over various functions in controlling and accounting for the Volkswagen auto brand. She headed the general secretariat of the Volkswagen brand group from 2002 to 2006, where she also served as secretary general for the chief executive officer of Volkswagen AG in Wolfsburg. From 2007 to 2010 she was the commercial managing director and later chief executive officer of AutoVision GmbH. In 2010 she was appointed managing director for controlling and finance of Volkswagen Sachsen GmbH and commercial director of Volkswagen Bildungsinstitut GmbH in Zwickau. She also took over as managing director of finance and controlling at Gläserne Manufaktur, Dresden, in 2011, where she shared responsibility for revenues of EUR 5.5 billion and 9,600 employees at four locations.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board (chairwoman of the audit committee) of Vivantes – Netzwerk für Gesundheit GmbH, Berlin (Germany) since 25 February 2014; substitute member of the supervisory board of Schweizer Electronic AG, Schramberg (Germany) since 1 July 2016.

Alfred Felder – COO

Alfred Felder was appointed COO of Zumtobel Group AG as of 1 April 2016 for a term of office extending to 30 April 2019. Mr. Felder was born in 1963 in South Tyrol (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, served as technology manager for Siemen's Infineon subsidiary in Japan. In 2003 he transferred to OSRAM, a former Siemens subsidiary, and was responsible for various management functions in the areas of optoelectronic semiconductors and general lighting in the USA and China. Alfred Felder served as the managing director of the Zumtobel Group's Tridonic components subsidiary beginning in November 2012 and, in addition to his duties as COO, held this position during a transition period up to November 2016.

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

Distribution of duties on the Management Board

As a corporate body, the Management Board is responsible for jointly directing the business activities of the Zumtobel Group. Its members share the responsibility for the Group's success and long-term orientation. To facilitate daily work processes, individual board members were defined as the contact partners for specific functions and activities. These functions and activities cover the entire Group and do not necessarily reflect reporting lines.

The distribution of duties is as follows:

Ulrich Schumacher CEO	Karin Sonnenmoser CFO	Alfred Felder COO
- Corporate strategy, mergers & acquisitions, business processes - Business divisions - Sales, marketing & communication - Technology & development - Human resources - Investor relations	- Accounting and tax (incl. customs), finance & controlling - Procurement - Treasury - Legal - Risk management - Compliance - Internal audit - Insurance	- Plant network (Operations) - Supply chain - Quality - IT

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

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

3.4.3 The Supervisory Board

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

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	14 years
Stephan Hutter	First Vice-Chairman	2010	2020	7 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	7 years
Fritz Zumtobel	Member	1996	2020	21 years
Rüdiger Kapitza	Member	2015	2020	2 years
Hans-Peter Metzler	Member	2010	2020	7 years
Dietmar Dünser	Delegated by the Employees' Council	2015		2 years
Richard Apnar	Delegated by the Employees' Council	2012		5 years
Erich Zucalli	Delegated by the Employees' Council (up to 4 May 2016)	2012		5 years
Kai Arbinger	Delegated by the Employees' Council (since 4 May 2016)	2016		1 year

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

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

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

3.4.3.1 The Supervisory Board | committees

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

Audit Committee

Members: Johannes Burtscher (Chairman and Finance Expert), Fritz Zumtobel (Vice-Chairman), Jürg Zumtobel, Dietmar Dünser, Erich Zucalli (up to 4 May 2016) and Kai Arbinger (since 4 May 2016).

Duties: The Audit Committee is responsible for the audit and preparations for the approval of the annual financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2016/17 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), Jürg Zumtobel (Vice-Chairman), Rüdiger Kapitza.

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

Strategy Committee

Members: Jürg Zumtobel (Chairman), Stephan Hutter (Vice-Chairman), Rüdiger Kapitza, Hans-Peter Metzler, Dietmar Dünser, Erich Zucalli (up to 4 May 2016) and Kai Arbinger (since 4 May 2016).

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

3.4.3.2 The Supervisory Board | shareholder representatives

Jürg Zumtobel

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

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

Rüdiger Kapitza

Mr. Kapitza has been a member of the Supervisory Board of Zumtobel Group AG since 24 July 2015. His term of office extends to the annual general meeting for the 2019/20 financial year. Rüdiger Kapitza was born in Bielefeld, Germany, in 1955. He holds a doctorate in economics and served as the chairman of the management board of DMG MORI AG up to 6 April 2016 where he was responsible for the corporate strategy, key accounting, human resources, procurement, internal audit, compliance and corporate public relations.

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

Hans-Peter Metzler

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

Additional functions or inter-company relations outside the Zumtobel Group: president of the administrative board of CCS Group Holding AG, Lyss (Switzerland), chairman of the supervisory board of Aquin & Cie GmbH, Munich (Germany), member of the supervisory board of Dornbirner Sparkasse Bank AG, Dornbirn (Austria), 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).

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, Schweiz.

Stephan Hutter

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

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

Fritz Zumtobel

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

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

3.4.3.3 The Supervisory Board | employee representatives

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.

Erich Zucalli (up to 4 May 2016)

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

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

Kai Arbinger (since 4 May 2016)

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 jointed 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.

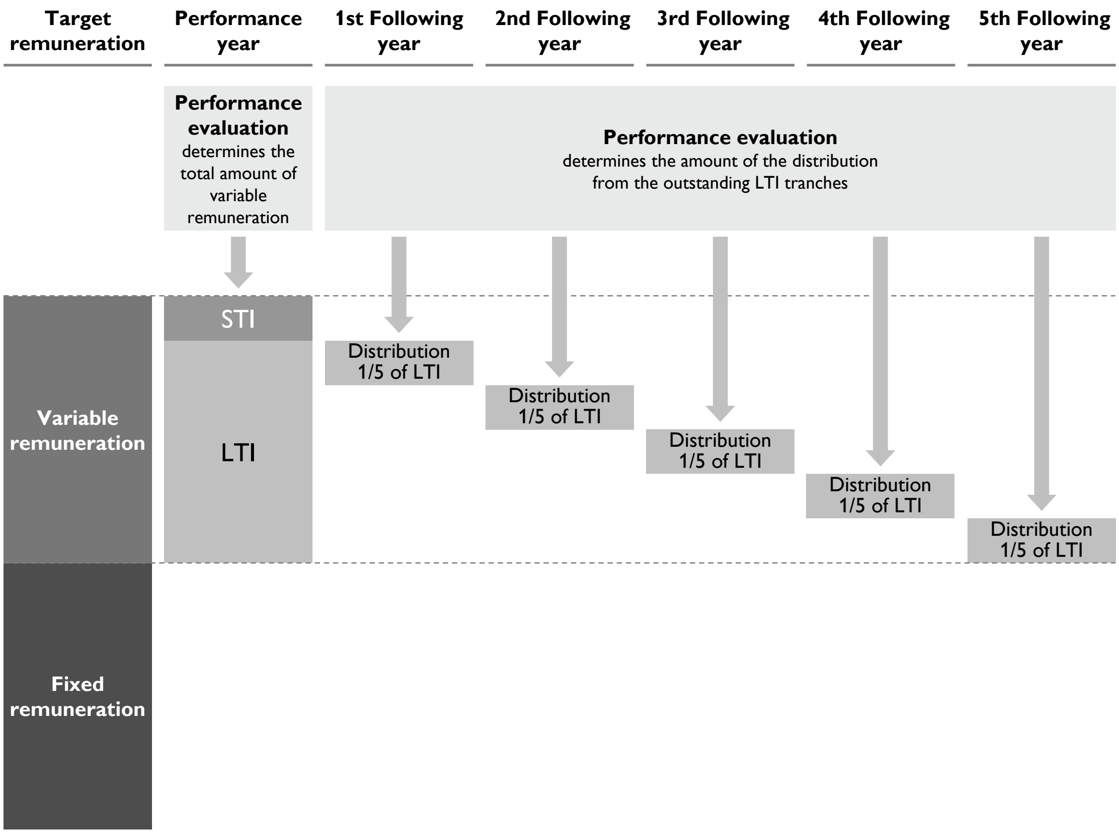
3.5 Remuneration Report

3.5.1 Management Board remuneration

The remuneration system for the Management Board and key management of Zumtobel Group AG is based on performance. Accordingly, above-average performance has a positive and below-average performance a negative effect on the amount of remuneration. The remuneration system is also linked to sustainable actions with a long-term orientation.

The remuneration of the Management Board comprises a fixed and a variable component. The fixed component is based on the responsibilities of the individual board member and, in accordance with customary procedures in Austria, is paid in 14 instalments at the end of the month. The basis for the variable component (target remuneration) is defined separately for each board member before the beginning of the respective financial year. This remuneration is paid out if a performance evaluation confirms the achievement of the defined targets. The amount of the remuneration for the performance year is increased or decreased in line with the over- or under-achievement of the targets.

Structure of the remuneration system for the Management Board:



The variable remuneration consists of a short-term component (Short-Term Incentive; STI) and a long-term component (Long-Term Incentive; LTI). The STI is paid out in cash during the respective performance year. The cash distribution from the LTI is spread over the five following 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 was changed slightly from 2015/16 to 2016/17. One company was removed from the peer group because it is no longer listed, and the weighting of the remaining companies was adjusted accordingly. In addition, the geographic allocation of the peer group companies was adjusted from 2015/16 to 2016/17 to exactly reflect the country distribution in the sales regions. The proportional adjustment of the weighting for the remaining companies in the peer group and the allocation of one company to another industrial sector (divestment) led to a change in the percentage distribution of the industrial sectors in 2016/17:

[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	39.4%
Northern Europe	17.5%
Benelux & Eastern Europe	2.9%
America	21.1%
Southern Europe	4.2%
Asia & Pacific	14.8%

Distribution by industrial sector	Share
Lighting	52.5%
Construction, same level of supply	24.3%
Construction, upstream level of supply	13.1%
Manufacturing and electrics	10.1%

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 C27.

Each year the compensation committee reviews and approves the composition of the peer group, the targets and their attainment in relation to the relative performance indicator as well as the individual bonus/reduction of up to 20% in the variable remuneration based on the development of business. This committee is responsible for decisions on the remuneration system and includes representatives from the Management Board, Supervisory Board and human resources department. The compensation committee is supported by an independent consulting firm[4].

The performance evaluation resulted in the following remuneration for the Management Board in 2016/17:

[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

Remuneration recognised for the Management Board[5]

Disclosures in accordance with Rules C29, C30 and C31:

	Total		Fixed	Variable			
In TEUR	Target remuneration[6]	Remuneration[7]	Basic salary	STI	LTI[8]	LTI payments from prior periods	Severance compensation
Total Management Board remuneration							
2016/17	**2,871**	**2,643**	**1,520**	**283**	**840**	**463**	**0**
2015/16	**2,292**	**1,476**	**1,189**	**67**	**220**	**307**	**0**
Ulrich Schumacher, CEO (since 1 October 2013)							
2016/17[9]	1,300	1,190	650	108	432	257	0
2015/16[10]	1,500	945	750	39	156	72	0
Karin Sonnenmoser, CFO (since 1 May 2014)							
2016/17	721	667	400	80	187	67	0
2015/16[11]	721	483	400	25	58	175	0
Alfred Felder, COO (since 1 April 2016)							
2016/17[12]	850	786	470	95	221	1	0
2015/16[13]	71	47	39	2	6	0	0
Martin Brandt, COO (up to 31 July 2014)							
2016/17[14]	0	0	0	0	0	138	0
2015/16[15]	0	0	0	0	0	60	0

5 Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2016/17 irrespective of the payment date.

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

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

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

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

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

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

12 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.

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

14 The allocated LTI segments from 2014/15 remain within the distribution scheme up to 2017/18.

15 The allocated LTI segments from 2013/14 and 2014/15 remain within the respective distribution scheme up to 2016/17, respectively 2017/18.

Mr. Felder was appointed to the Management Board as COO on 1 April 2016. During the transition phase up to 31 October 2016, he was also responsible for the operating business of the Tridonic components subsidiary together with the Tridonic management team. The contracts for Mr. Schumacher und Ms. Sonnenmoser were extended prematurely at the end of 2016/17, and their target remuneration was adjusted beginning with the 2017/18 financial year.

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

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

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

3.5.2 Supervisory Board remuneration scheme

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

Total Supervisory Board remuneration:[16]

In TEUR	2016/17	2015/16
Total remuneration of the Supervisory Board	**516**	**512**
thereof fixed remuneration	420	420
thereof variable remuneration	75	75
thereof expense allowances and reimbursements	21	17

[16] Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held during the respective financial year, irrespective of the date of payment.

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

In TEUR	2016/17	2015/16
Jürg Zumtobel	135	135
Hero Brahms	0	14
Rüdiger Kapitza	65	51
Johannes Burtscher	90	90
Fritz Zumtobel	70	70
Stephan Hutter	75	75
Hans-Peter Metzler	60	60

Dornbirn, 14 June 2017

The Management Board

Ulrich Schumacher
Chief Executive Officer (CEO)

Karin Sonnenmoser
Chief Financial Officer (CFO)

Alfred Felder
Chief Operating Officer (COO)

[17] Not included: expense allowances and reimbursements

3.6 Report of the Supervisory Board

Dear Shareholders,

Previous efforts to improve the Zumtobel Group cost structures were clearly noticeable in 2016/17. Management has continued to pursue the reorientation that began three years ago and the related restructuring measures. Measures were introduced and implemented to improve the competitive capability of our global plant network. A further milestone was also set to position our business for the future with the formation of our new Zumtobel Group Services Division (ZGS), which bundles our expertise in the service area. We are convinced that these measures, in total, have created a solid foundation for the successful future of the Zumtobel Group.

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 2017: Jürg Zumtobel, Rüdiger Kapitza, Fritz Zumtobel, Hans-Peter Metzler, Johannes Burtscher and Stephan Hutter.

Meetings of the Supervisory Board

The Supervisory Board met seven times during the 2016/17 financial year: in four scheduled meetings, one unscheduled meeting and two purely informative strategy meetings. One member of the Supervisory Board was excused at each of four meetings, and there was full attendance at all other meetings

The Supervisory Board meeting on 10 June 2016 dealt with strategic issues related to the "Internet of Things" and "Light as a Service".

The Supervisory Board meeting on 21 June 2016 focused, above all, on the 2015/16 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 2015/16 financial year, the Supervisory Board 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 0.20 per share was approved. The Supervisory Board 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 2016/17 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, the efficiency of the Supervisory Board's work and opportunities for improving its organisation and work processes were openly discussed.

The Supervisory Board on 23 September 2016 dealt with the management report and key financial data on the first quarter of 2016/17. In addition, Alfred Felder was recalled as the managing director of Tridonic GmbH as of 31 October 2016 and Guido von Tartwijk was appointed as his replacement as of 1 November 2016. The financial calendar for the 2017/18 financial year was also approved.

In a previously unscheduled meeting on 12 December 2016, the Supervisory Board approved the start of sales discussions for the French plant in Les Andelys with the investor Active'Invest.

The Supervisory Board met in a closed conference on 16 December 2016 to discuss strategic issues related to the Zumtobel Group's areas of business.

The main topics of the Supervisory Board meeting on 27 January 2017 included the management report on the first six months of 2016/17 and the outlook for the full financial year as well as status reports on various projects.

The central topics of the Supervisory Board meeting on 21 April 2017 included status reports on the production facilities in the global plant network, the management report on the third quarter of 2016/17, the budget for 2017/18 and the related medium-term planning for the financial years up to 2020/21. The Supervisory Board accepted the budget and the medium-term planning.

Audit Committee

The Audit Committee met twice during 2016/17. One member was excused from the meeting on 21 June 2016, and there was full attendance at the meeting on 27 January 2017.

The meeting on 21 June 2016 concentrated on the annual financial statements for 2015/16. 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 2016/17 financial year was approved and passed on to the Supervisory Board. The Management Board's recommendation for the distribution of profit was approved.

The Audit Committee meeting on 27 January 2017 dealt with the six-month financial statements as of 31 October 2016, 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 recognition of deferred taxes in the consolidated financial statements and the expected effects of the amendment to Austrian accounting regulations ("Rechnungslegungsänderungsgesetz 2014") on the separate financial statements of Zumtobel Group AG as of 30 April 2017 – 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 effects of the EU Audit Reform on Zumtobel Group AG were also presented and discussed including, among others, the mandatory approval of non-audit services provided by the auditor and a detailed audit opinion. In conclusion, the Audit Committee passed a resolution which covers the pre-approval of consulting services by the auditor within the framework of legal regulations to ensure the auditor's independence.

Committee for Management Board Matters

An important focal point of this committee's activities in 2016/17 was, similar to previous years, 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. It was also supported during the reporting year by FehrAdvice & Partners AG, an independent consulting firm located in Zurich.

The system introduced in 2014/15 to calculate the variable remuneration for the Management Board and key managers of Zumtobel Group AG was implemented and refined during the reporting year. 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 ("one firm" approach). 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.

In 2016/17 the Committee for Management Board Matters dealt with the specific design of the remuneration system and its application to the remuneration of the Management Board and key management. The effects of the performance-based remuneration system on the corporate culture and team spirit in the Zumtobel Group were also discussed with the members of the Management Board. Additional information is provided in the remuneration report.

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.

This committee held ten meetings and telephone conferences in 2016/17, which involved discussions and follow-up assessments of key topics. Additional telephone conversations were also held on the above-mentioned subject areas.

Strategy Committee

The members of the Strategy Committee held several meetings and telephone conferences before and after the Supervisory Board meetings and also met in a closed conference to deal with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the Strategy Committee in 2016/17 concerned the planned sale of the lighting plant in Les Andelys (France) to the French industrial group Active'invest, the development of a new low-wage location in Serbia and strategic considerations on the components business (Tridonic). In addition, the Strategy Committee dealt with issues involving the future organic and inorganic growth of the Zumtobel Group, also with the support of international investment banks which are experienced in this area.

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 2016/17 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 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 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 annual financial statements of Zumtobel Group AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements and the corporate governance report, which was reviewed by the Audit Committee.

The Supervisory Board supports the recommendation by the Management Board to the annual general meeting, which calls for the distribution of a EUR 0.23 dividend per share from annual profit for the 2016/17 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, 22 June 2017

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

Abbreviations and Technical Terms

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

Lighting solution

At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.

Luminaire

Luminaires are fittings in which the lamp and controls are mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire".

Luminous efficacy

Luminous efficacy is a measure of the efficiency of a lamp. It indicates how many lumens (lm) a lamp produces per unit of electricity (Watt) consumed. A lamp with a high ratio of lumens to Watts does a better job of converting the consumed power into light – which means it is more efficient.

OLED

Organic light-emitting diode. A component comprising a system of thin organic layers located between two electrode layers (anode and cathode). When voltage is applied, light is generated and emerges through at least one of the electrode layers. OLEDs give off wide-area light.

SMD

Surface Mounted Device LED. An alternative process for loading a circuit board. In this process the LED chip is first mounted in a casing, then assembled on a circuit board and contacted in the soldering bath.

Financial Calendar

Results for 2016/17	23 June 2017
Record Date for the Annual General Meeting	11 July 2017
41st Annual General Meeting	21 July 2017
Ex-Dividend Day	31 July 2017
Record Date Dividends	1 August 2017
Dividend Payout Day	2 August 2017
Report on the First Quarter 2017/18 (1 May 2017 - 31 July 2017)	5 September 2017
Report on the First Half-year 2017/18 (1 May 2017 - 31 October 2017)	5 December 2017
Report on the First Three Quarters 2017/18 (1 May 2017 - 31 January 2018)	6 March 2018

Contact Information

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

Press / Corporate Communications
Simone Deitmer
Head of Corporate Communications
Telephone +43 (0)5572 509-575
Email *simone.deitmer@zumtobelgroup.com*

Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com. The annual report 2016/17 will be available at our 41st Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1125.

More Information

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

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonic.com
www.acdclighting.co.uk
www.reiss-lighting.de

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Disclaimer

This annual financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. The statements on future developments are not to be understood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. They are also based on assumptions that may prove to be incorrect. Included here, for example, are unforeseeable changes in the political, economic and business environment, especially in the regions where the Zumtobel Group operates as well as the competitive situation, interest rates and foreign exchange rates, technological developments and other risks and incalculable events. 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.