ZUMTOBEL GROUP
ANNUAL FINANCIAL REPORT 2019/20

FRONT COVER DESIGN

Werner Sobek in collaboration with
Büro Uebele.

Architect and engineer Werner Sobek has gained international renown for his pioneering research and future-oriented buildings, and his work has been recognised with the highest honours. His objective is to create breath- takingly beautiful buildings for more people using less material and with a net zero carbon footprint.

Annual Financial Report 2019/20 Zumtobel Group AG

1 May 2019 to 30 April 2020

Five-Year Overview

in EUR million	2019/20	2018/19	2017/18	2016/17	2015/16
Revenues	1,131.3	1,162.0	1,196.5	1,303.9	1,356.5
Adjusted EBIT	53.9	27.6	19.7	72.4	58.7
as a % of revenues	*4.8*	*2.4*	*1.6*	*5.6*	*4.3*
Net profit for the period	14.5	(15.2)	(46.7)	25.2	11.9
as a % of revenues	*1.3*	*(1.3)*	*(3.9)*	*1.9*	*0.9*
Total assets	994.8	920.9	986.1	1,019.6	1,068.6
Equity	280.7	262.8	268.3	334.0	333.2
Equity ratio in %	*28.2*	*28.5*	*27.2*	*32.8*	*31.2*
Net debt	165.7	148.7	146.3	91.0	134.8
Cash flow from operating results	101.3	56.8	53.5	114.1	84.8
Investments	57.9	66.2	69.0	45.2	58.4
as a % of revenues	*5.1*	*5.7*	*5.8*	*3.5*	*4.3*
R&D total	65.9	66.2	73.4	82.4	87.9
as a % of revenues	*5.8*	*5.7*	*6.1*	*6.3*	*6.5*
Headcount incl. contract workers (full-time equivalent)	6,039	5,878	6,224	6,562	6,761

See section 5. Service – Financial Terms for the definition of the above indicators.

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Chief Executive's Review


Alfred Felder

Dear Shareholders,

We reached a number of important milestones during the 2019/20 financial year in spite of the more than challenging past weeks: the Zumtobel Group is again generating solid earnings. The strength of our operating development is underscored by the nearly doubling of adjusted Group EBIT to EUR 53.9 million – despite a slight decline in revenues due to the Covid-19 crisis. Moreover, the adjusted EBIT margin of 4.8% places us at the upper end of our target range of 3% to 5%.

The improvement in earnings shows that we are on the right course with the consequent implementation and further refinement of the strategy implemented in 2018. However, we have found ourselves in exceptional circumstances since the beginning of March. The measures introduced by governments throughout the world to contain the Covid-19 pandemic have had, and will continue to have, a fundamental impact on our social and economic life. We reacted quickly and took all necessary steps to ensure effective crisis management and steer the company safely through the crisis. Our actions included hygiene guidelines for the entire Group as well as flexible home office options and the use of short-time work.

Operating profit doubles despite slight decline in revenues due to the spread of Covid-19

The Zumtobel Group generated revenue growth of 1.5% up to and including February, meaning the first 10 months of 2019/20, but the worldwide restrictions to contain the pandemic led to a year-on-year decline of 2.6% to EUR 1,131.3 million for the full financial year. Our most important markets in Great Britain, France and Italy were particularly hard hit by the Covid-19 lockdowns. The Lighting Segment, in particular, was faced with a foreign exchange-adjusted revenue decline of 3.8%. However, the overall picture shows that the consistent application of previously implemented measures in 2019/20 – for example, the reorganisation of the sales function in our European core markets – also had a positive effect in the Lighting-Segment.

Revenue growth was recently slowed by the crisis, but we reached an important milestone in the development of operating profit: Group EBIT, adjusted for special effects, rose by 95% to EUR 53.9 million in 2019/20 (2018/19: EUR 27.6 million), and the adjusted EBIT margin increased from 2.4% to 4.8%. The improvement in Group EBIT was also supported by successful cost savings measures: for example, selling and administrative costs were reduced by 5.6% during the past financial year.

Substantial profit confirms successful reorganisation

Our results for 2019/20 were negatively influenced by special effects of EUR 18.8 million (2018/19: EUR 25.0 million), which included provisions for a guarantee case in Great Britain and restructuring costs connected with the implementation of the new strategy. Despite these obstacles, we recorded a substantial profit after two years of losses – net profit rose by nearly EUR 30 million to EUR 14.5 million. We are therefore in a position to let Zumtobel shareholders participate in this development after two years without dividends: For the 2019/20 financial year, we will therefore recommend a dividend of 10 euro cents per share to the Supervisory Board and subsequently to the Annual General Meeting.

Clearly positive free cash flow

Supported by the positive development of earnings during the reporting year, the higher cash flow from operating results and the reduction in investment activity led to a significant improvement in free cash flow from EUR 3.8 million in the previous year to EUR 53.3 million. The balance sheet total rose to EUR 994.8 million (2018/19: EUR 920.9 million) due to the initial application of IFRS 16, and the equity ratio subsequently declined from 28.5% as of 30 April 2019 to 28.2% at the end of the reporting year. Net

liabilities totalled EUR 165.7 million as of 30 April 2020 (2018/19: EUR 148.7 million) and – also due to the initial application of IFRS 16 – were EUR 17.0 million higher than the previous year.

Forward with a clear FOCUS

Together with our management team we continued to work on the systematic implementation of the FOCUS strategy in 2019/20. The Lighting and Components Segments were upgraded, which strengthened the three core brands – Zumtobel, Thorn and Tridonic – and positioned our sales activities even closer to customers. We also substantially reduced administrative costs through a cutback in central functions, streamlined the product portfolio, improved operating processes and, as a result, lowered production costs. The Group's competitive position has grown increasingly stronger, the company is now more robust, and the basis has been created to develop additional market opportunities. We intend to consistently pursue this course in the future but will also work to overcome the effects of the Corona pandemic.

Currently no guidance for 2020/21

In view of the visible negative effects of Covid-19 on the global economy, we see 2020/21 as a year of trials in the middle of a worldwide crisis. The primary objective is to master the effects of the most severe economic crisis in decades and limit the damage to our company. At the same time, we want to, and intend to, use this time, despite the pandemic, to build the foundation for future profitable growth. Together with the second management level, we are working to identify opportunities for further cost savings in all functional areas and directing our efforts to the development of new and innovative lighting generations. We also want to offer our customers attractive product solutions after the Corona crisis. Our goal is to return the Zumtobel Group as quickly as possible to the sound operating development recorded before the start of the Covid-19 pandemic.

The Corona pandemic has triggered an economic downturn whose development is difficult to estimate at the present time. Consequently, we are not in a position to issue any guidance on the development of revenues and earnings in 2020/21.

Dear Shareholders: The 2019/20 financial year has shown that we are on the right course and can now enjoy the first fruits of the strategy we have consistently followed since 2018. The Zumtobel Group's considerably stronger position represents an advantage, especially in the current exceptional situation. However, we will need to work intensively over the coming months to master the challenges created by the Corona crisis. The past weeks have also proven one thing: Even in these extraordinary times, we can rely on dedicated employees who react quickly and flexibly to new conditions. On behalf of my colleagues on the Management Board, I would expressly like to thank each of you for your commitment and your performance. We would also like to thank our customers, partners, suppliers and you, our shareholders, for your confidence, support and open dialogue – and hope we can also count on you in these challenging times.

Alfred Felder
Chief Executive Officer (CEO)

1. Group Management Report

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1. Group Management Report

1.1 The Zumtobel Group – An Overview

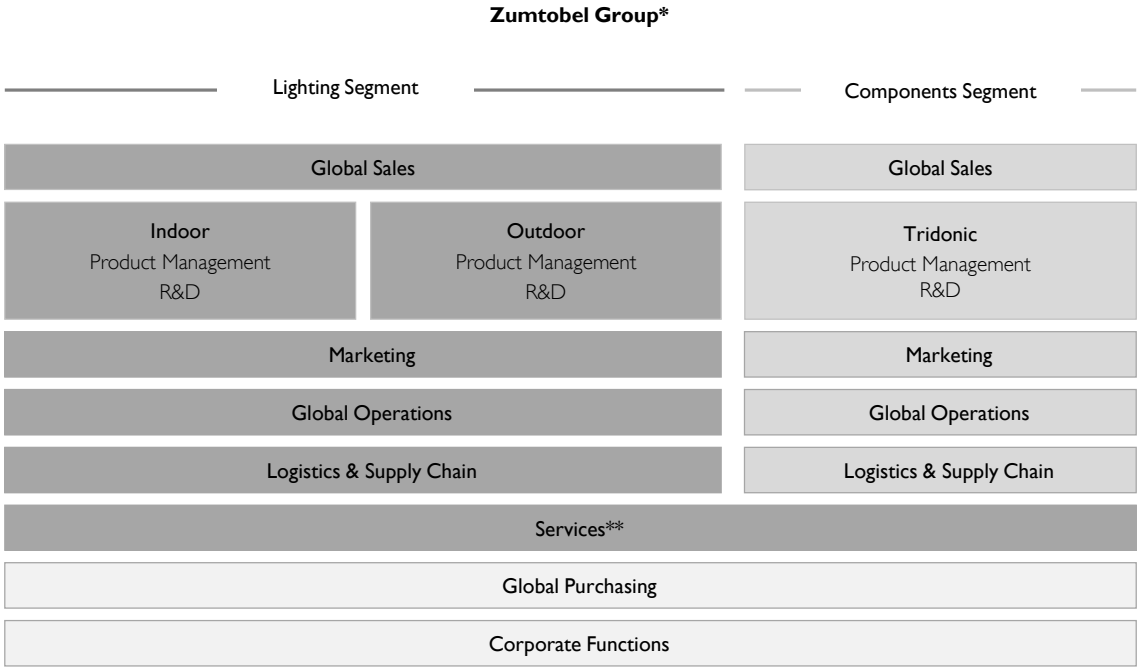
1.1.1 The Company

Leading company in the lighting industry

The Zumtobel Group is an international lighting corporation and a leading supplier of innovative lighting solutions, lighting components and related services. 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 6,039 as of 30 April 2020 and generated revenues of EUR 1,131.3 million in the 2019/20 financial year. The founding Zumtobel family has served as a stable core shareholder since the IPO in 2006 and holds roughly 37% of share capital. The company was founded in 1950 and is based in Dornbirn, Vorarlberg (Austria).

Wide-ranging product- and service portfolio

Customers throughout the world can rely on a wide-ranging portfolio of products and services provided by the Group's core brands – Thorn, Tridonic and Zumtobel. The Zumtobel Group consists of two operating segments which form the basis for corporate management: the Lighting Segment and the Components Segment. Each segment has its own global product portfolio, sales and production organisation. In the Lighting Segment, the company is one of the European market leaders with its Thorn and Zumtobel brands. The components brand Tridonic forms the basis for the Group's leading role in the production of hardware and software for lighting systems (LED light sources, LED drivers, sensors and lighting systems management). The service offering of the Zumtobel Group is one of the most extensive in the entire lighting industry: examples include consulting on intelligent lighting management and emergency lighting, light contracting, design, project management for turnkey lighting solutions and new data-based services with a focus on the integration of buildings and cities by way of the lighting infrastructure.



* Simplified illustration as of 30 April 2020

** part of Lighting Segment, also supports Tridonic and their customers

Focus on applications

Applications represent the focal point for both the Lighting Segment and the Components Segment. Indoor includes applications for industry (incl. logistics, halls and car parks), offices, education and health (incl. hospitals, schools and universities) as well as the retail trade (incl. supermarkets, home furnishing stores and high-end brand retail), art & culture and exhibition areas (incl. gastronomy). Outdoor addresses applications for roads, tunnels, sport facilities and exterior lighting for public areas, including facade lighting which is covered by the acdc brand. Services bundles all project and software-oriented services under a single roof. This application-based orientation determines the form of the product portfolio and extends into the sales organisation.

Sales structure based on target groups and types of business

The sales organisation, which is clearly separated between the two segments, reflects business models with country specifics. Its responsibilities in the Lighting Segment include project sales for construction projects and the related target groups (e.g. architects, lighting and electrical planners, contractors and developers), sales through retail channels, sales of outdoor lighting solutions and direct sales to large customers. Sales in the Components Segment involve OEM sales (Original Equipment Manufacturer) to luminaire producers as well as advance sales of intelligent solutions to electrical and system planners.

Management and service functions for the entire Group

Zumtobel Group AG serves as the parent company of the Group and provides numerous corporate management and service functions for the brands. These central functions include finance, human resources, legal, audit & compliance, insurance, IT, strategy and transformation, central procurement as well as corporate communications and investor relations.

1.1.2 Products and production locations

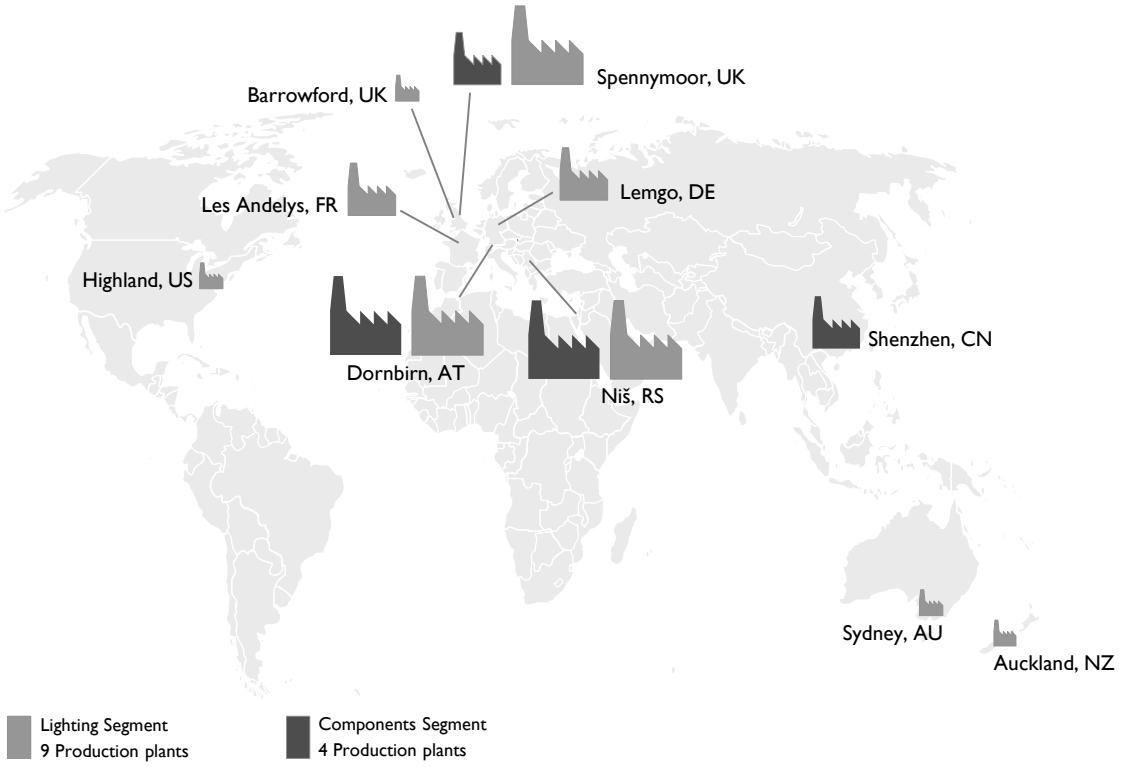
Full coverage of the value chain

The Zumtobel Group's business model covers the entire value chain in professional lighting. With its core brands – Thorn, Tridonic and Zumtobel – the Group offers its customers an extensive range of products and services for all applications in professional indoor and outdoor lighting, including light management components and systems as well as upstream and downstream services.

Global production network

The Zumtobel Group's lighting and components plants are organised in a 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. Close geographical proximity to the target markets allows for fast and highly flexible deliveries to customers ("local for local"). The FOCUS strategy for product costs is based on continuous improvement through the consequent application of the lean management approach and the use of optimal factor costs. The new production facility in Serbia started operations in 2018 and is still in the ramp-up phase, whereby roughly 15% of worldwide production is now sourced in Niš. Lighting and components production operate in organisationally and physically separate areas at this location. In connection with the continuing optimisation of the operating business, the decision was taken to regain management control over the lighting plant in Les Andelys, France, which was sold to the French industrial corporation Active'Invest in 2017. This plant, which is specialised in exterior lighting, is once again part of the Zumtobel Group's global production network. The repurchase is intended to stabilise the delivery process and provide better service for the Group's outdoor lighting customers. It is also expected to have a positive effect on revenue development in the outdoor lighting business. The Zumtobel Group had 13 plants on four continents as of 30 April 2020.

Production network of Zumtobel Group as of 30 April 2020



1.1.3 Market and brand positioning

Leading position in a highly fragmented lighting market

The Zumtobel Group is active worldwide, but Europe remains the most important market with approximately 80% of Group revenues. The professional lighting industry in Europe is still highly fragmented but is currently going through an accelerated concentration process. In this fragmented market, the Zumtobel Group holds a strong position with a market share of approximately 8% in Europe. The worldwide conventional components industry, in contrast, is characterised by greater consolidation. With Tridonic, the Zumtobel Group holds a strong position in lighting management and control gears with a share of roughly 6% on the global market and nearly 24% on the principal market in Europe.

Zumtobel – the premium brand for architectural lighting

The Zumtobel brand, as an innovation leader, develops sustainable lighting solutions which are tailored to the needs of people in the respective application areas. With a comprehensive portfolio of high-end luminaires and intelligent lighting management and emergency lighting systems, Zumtobel offers the right lighting for every activity and time of the day, for working and living spaces, and for every interior area. The most important applications are industry, offices, education, healthcare, retail and presentation, hotel and wellness, as well as art and culture. Valuable impulses for the further development of the portfolio are created not only through state-of-the-art research and technology, but also by long-standing cooperation with leading international architects, lighting planners, designers and artists. An increasingly important component of this business is the growing portfolio of project- and software-oriented services.

Thorn – the performance brand for the international volume business

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

facilities. THORNeco products are characterised by excellent value for money and are marketed exclusively by wholesalers. Its products for outdoor lighting are complemented by the acdc brand, which offers a high-quality product portfolio of exterior lighting solutions for architecture, building environments and house facades.

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

Tridonic, the technology company in the Zumtobel Group, supports its customers with intelligent hardware and software. As a global innovation driver for light-based network technology, Tridonic develops future-safe and scalable solutions that make it possible for lighting producers, building managers, system integrators and many other customer groups to develop new business models. Tridonic is not only active in the production of components and system solutions for the Group's lighting brands, it also serves as an OEM supplier (Original Equipment Manufacturer) for luminaire producers throughout the world and generates over 80% of its revenues outside the Zumtobel Group. More than 2,500 patents document this brand's innovation strength. Tridonic continued its concentration on digitalisation and connectivity in 2019/20 to develop technologies for smart and integrated lighting systems, new services and business models. The related activities also included the founding in 2019 of a group-wide software competence centre for lighting technology under Tridonic's organisational leadership in Porto (Portugal).

1.1.4 Key success factors for the Zumtobel Group

Multi-brand strategy for customer-specific target groups

The Zumtobel Group's strong competitive position is based, above all, on the three established core brands with broadly diversified market access, extensive know-how in lighting applications and a convincing technology position. The sales function – which had more than 1,800 employees in 2019/20 – plays a key role in the Zumtobel Group's business model. The systematic alignment of sales with the three strong core brands allows the Zumtobel Group to optimally meet the diverse needs of its customers. Customer orientation was further optimised during the reporting year through a survey which involved responses from over 8,000 customers. The results show an improvement (based on the Net Promoter Score, NPS) over the previous year in customer satisfaction for the Zumtobel Group as well as its segments. The goal is to develop and implement concrete measures based on these findings to achieve further measurable improvements in the next customer survey which will be carried out in late autumn 2020.

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 – and be able to convey – 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 2019/20 the Zumtobel Group spent EUR 65.9 million on research and development (R&D) to further strengthen its outstanding technology position. The further development of lighting quality based on LED technology, increasing digitalisation and the complexity of intelligent lighting systems represent a continuous challenge for R&D. The digital light source LED has made luminaires and their components an integral part of the Internet of Things (IoT) and, consequently, part of the new applications and business models which go beyond lighting. 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, combined with wide-ranging cooperation with international light design partners and architects, underscores the company's innovative power also protects growth, competitive advantages and access to strategic cooperation with other industrial companies.

1.1.5 Structural revenue drivers for professional lighting

The most important structural revenue driver for the professional lighting industry in recent years was the issue of energy efficiency, which has become increasingly important since the turn of the century with the steady advancement of LED as a new light source. However, the technological maturity of LEDs will lead to a greater focus on the continuous improvement of lighting quality and the adaptation and design of LED-based product solutions in the future to meet the individual needs of users and applications. The opportunities provided by digitalisation – through the use of integrated intelligent lighting solutions – have become another focal point, and the use of the lighting infrastructure to support applications outside the scope of actual lighting is growing. This development has been reflected in a range of new applications and business models, e.g. digital services.

Energy efficiency remains a central growth driver

The subject of energy efficiency is, nevertheless, still relevant due to the efforts required to reduce CO_2 emissions, but has been supplemented by additional sustainability factors (e.g. the circular economy). Intelligently managed lighting solutions can reduce electricity consumption by up to 80% compared with conventional lighting solutions. Marketing activities for energy-efficient products are concentrated increasingly on the comparison of energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership). In addition to a significant cost savings potential, the growing demand for energy-efficient lighting is supported by legal regulations that include the EU directives on the energy efficiency of buildings and ecodesign.

Increased demand for innovative business models and services

The transformation from conventional lighting sources to LED has been largely completed, in both the industry and the Zumtobel Group's portfolio, but the market is still dominated by conventional equipment which must be replaced over the coming years. 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 which represent the next phase in the lighting industry's transformation. 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 Things will create new and better experiences and services for the retail trade, buildings and cities and unlock a wide range of opportunities for the development of innovative business models. The Zumtobel Group has one of the most comprehensive integrated service offerings in the entire lighting industry.

Growing importance of light as a marketing instrument

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

1.1.6 Corporate strategy

FOCUS strategy

FOCUS, the Zumtobel Group's strategy, was developed and approved by the Management Board which was installed in spring 2018. Its main focus – with a substantially leaner management team – is to strengthen customer orientation while reducing process complexity and costs. This strategy is designed to generate sustainable added value for all stakeholders (shareholders, customers and employees).

F	O	C	U	S
Focus Markets & Applications – Lighting: European Market – Components: Global Market – Sustainable and profitable applications	**Operational & Process Excellence** – Lean organisation for competitive cost base in operations, administration & sales – Digitalisation of business processes	**Components** – Integral part of Zumtobel Group – IoT as driver for business – Innovation driver for components & sensors	**Unique Brands** – 3 strong brands: Zumtobel, Thorn, Tridonic – Lighting: dual brand strategy with differentiated portfolio – Special focus on specification business	**Services & Turnkey Solutions** – Differentiator & enabler for growth – Services as integral part of lighting solutions – Innovative turnkey solutions for products, systems & services

- **Focus Markets & Applications:** We will concentrate on our target markets and on sustainable, profitable applications. Our activities will focus on Europe in the Lighting Segment and on the global market in the Components Segment.

- **Operational & Process Excellence:** In line with our lean management approach, we will continue to concentrate on the improvement of our cost basis in all areas (production, administration and sales). This also includes the progressive digitalisation of all our business processes.

- **Components:** We believe in the seamless interaction of components and lighting as the drivers for digitalisation. Tridonic therefore represents an integral part of the Zumtobel Group.

- **Unique Brands:** Our Group has three strong core brands – Zumtobel, Thorn and Tridonic. In the Lighting Segment, we will achieve and maintain a successful market position with a dual brand strategy (Zumtobel and Thorn) and a clearly differentiated portfolio.

- **Services & Turnkey Solutions:** Services and turnkey solutions play an integral role in the lighting and components segments and represent a key driver for future growth. Innovation is an essential part of all our products, technologies, services and business processes.

Consistent implementation of strategy

This strategy has been consistently implemented and refined since its roll-out: The three core brands were strengthened, and the sales function was reoriented and positioned even closer to customers. Corporate functions were cut back, and administrative costs were substantially reduced. The product portfolio was streamlined, and operating processes were adjusted to lower production costs. All these steps combined to improve the Zumtobel Group's competitive ability and build a more robust position. The financial indicators for 2019/20 underscore the successful implementation of this strategy: Profitability is now substantially and sustainably stronger due to the adjustment of the cost structure and the concentration on focus markets and applications – a situation that also proved to be successful during the last two months of the reporting year, which were overshadowed by the Corona crisis.

1.2 General Economic Environment

Up to the outbreak of the COVID-19 pandemic in spring 2020, the global economy generated moderate growth during the 2019/20 financial year (May 2019 to April 2020). The International Monetary Fund (IMF) estimated the worldwide growth at 2.9%[1] in 2019 (2018: 3.6%), whereby Europe, in particular, was faced with an increasing loss of momentum. The eurozone GDP rose by 1.2% in 2019, compared with 1.9% in the previous year. The economy in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, also weakened. The German economy grew by only 0.6% in 2019 (2018: 1.5%), while Austria and Switzerland recorded slightly higher growth rates of 1.6% and 0.9%, respectively. Great Britain was able to retain the previous year's growth dynamics with an increase of 1.4% (2018: 1.3%) despite the political uncertainty surrounding the Brexit negotiations. Other major European economies like France (1.3%) and Italy (0.3%) also recorded only moderate growth which failed to match the previous year. The US economy, in contrast, was comparatively stronger with a GDP increase of 2.3% (2018/19: 2.9%). Economic growth in China reached 6.1% in 2019 (2018 6.7%).

Euroconstruct data for the 2019/20 financial year confirmed a moderate upturn for the construction industry in Europe, but there was little real growth. The slight initial increase in volumes was hardly reflected in higher revenues because of the steady downward trend in prices. The spread of the Covid-19 pandemic led to declining orders and revenues at the end of the financial year.

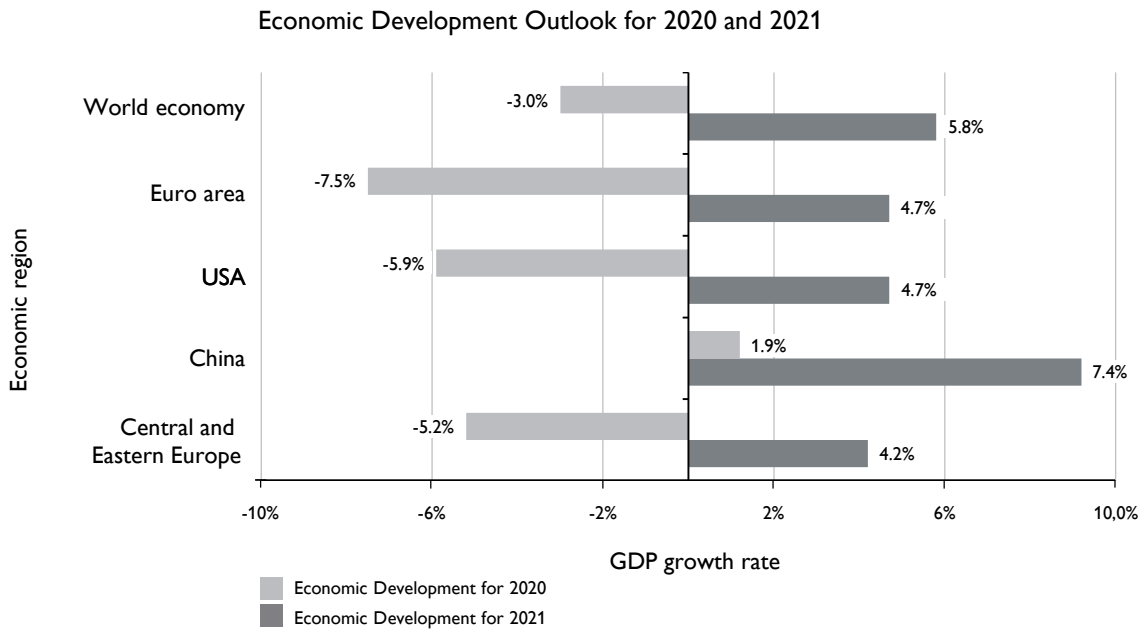
COVID-19 shocks the world economy

The worldwide outbreak of COVID-19 and the resulting measures implemented to limit the spread of the pandemic, e.g. curfews and business shutdowns, have had an enormous impact on the global economy. The USA, China and a large part of the eurozone are confronted with a complex and far-reaching crisis. In addition to the health emergency, the consequences for the global economy are particularly severe. Estimates over the intensity and duration of the pandemic continue to differ widely. COVID-19 has also created substantial uncertainty over the further development of the economy because it is dependent on many different, interconnected factors. That is why, for example, the further spread of the virus, the intensity and effectiveness of containment measures, the availability and functioning of supply chains, changing financial market conditions and, above all, a shift in people's behaviour and spending habits all play a key role.

Global decline of 3% expected in 2020

In its latest forecast (April 2020), the International Monetary Fund issued a substantial downward revision to its forecast for the global economy. The current estimate signals a decline of 3% in 2020, compared with the 3.3% growth announced in the January update. A substantial reduction in GDP is projected for the eurozone (-7.5%) and for the USA (-5.9%) in 2020, while Great Britain is expected to see a decline of 6.5%. The IMF's basic scenario for 2021 points towards an increase of 5.8% in the global economy, assuming a normalisation of economic activity supported by monetary and fiscal policies.

[1] Source: IMF forecast, World Economic Outlook, April 2020



1.3 The Zumtobel Group Share

COVID-19 leads to a sharp drop in share prices on global stock markets

Disappointing year for global stock markets

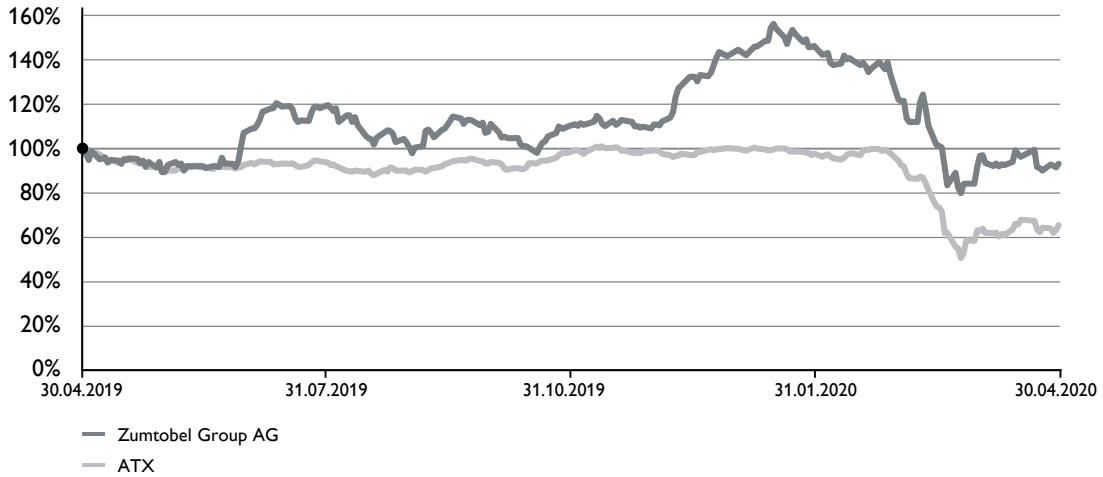
For Zumtobel Group AG, the 12 months of the 2019/20 financial year (1 May to 30 April) were an extremely turbulent period on the capital markets. The first months were shaped by the uncertainty surrounding the trade dispute between the USA and China, while the BREXIT negotiations and growing fears of recession served as a source of further movement. The markets settled down during the second half of the 2019 calendar year and the resulting positive climate, in the end, was reflected in all-time highs on many exchanges. The Dow Jones and DAX, among others, rose to new record levels in February 2020. This upturn was, however, brought to an abrupt halt by the first signs of the outbreak of COVID-19 and an unprecedented collapse on the global exchanges. Panic-like selling led to the largest losses since the 2008 financial crisis. Most recently, the capital markets recorded a slight recovery and partial reduction of share price losses due to the introduction of unprecedented monetary and fiscal measures. The Austrian ATX (Austrian Traded Index) fell by 30.7% from 3,215 to 2.227 points during the 2019/20 financial year. Other stock indexes reported negative performance during this period, for example the DAX (minus 12.0%) in Germany and the European Euro Stoxx 50 (minus 16.7%). The US Dow Jones Index followed a record high by closing with a year-on-year decline of 8.5% on 30 April 2020.

Zumtobel Group share with mixed performance

Negative development for the Zumtobel Group share

The Zumtobel share initially followed an upward course during the 2019/20 financial year and reached the annual high of EUR 10 in January 2020. The following months brought a trend reversal, in line with the reaction of other shares on international exchanges to fears triggered by the COVID-19 outbreak. The price of the Zumtobel Group share fell by 8.1% from 1 May 2019 to 30 April 2020. This performance was comparatively better than the Austrian ATX and other indexes, which recorded even higher losses during the above-mentioned 12-month period. The main reasons for this performance were the company's positive operating development and the improvement in financial indicators. The Zumtobel Group share closed the 2019/20 financial year on 30 April 2020 at EUR 5.91.

Development of the Zumtobel Group Share



Market capitalisation of EUR 257 million

The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2019/20. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 257 million on 30 April 2020 (2018/19: EUR 280 million). The average daily turnover on the Vienna Stock Exchange equalled 103,917 shares in 2019/20, compared with 230.307 shares in the previous year (double-count, as published by the Vienna Stock Exchange). The Zumtobel Group share is listed in the ATX Prime.

Key Data on the Zumtobel Group Share FY 2019/20

Closing price at 30.04.2019	EUR 6.430	Currency	EUR
Closing price at 30.04.2020	EUR 5.910	ISIN	AT0000837307
Performance FY 2019/20	(8.1)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.2020	EUR 257 million	Market segment	ATX Prime
Share price - high at 09.01.2020	EUR 10.040	Reuters symbol	ZUMV.VI
Share price - low at 18.03.2020	EUR 5.140	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	103,917	Number of issued shares	43,500,000

Shareholder structure

Zumtobel family holds 37.0%

The shareholder structure of Zumtobel Group AG changed slightly in comparison with the previous year. The Zumtobel family increased its holding from 36.1% to 37.0% of the voting rights and, consequently, has remained the stable core shareholder of Zumtobel Group AG since the initial public offering. 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 2019/20 financial year.

Dividend policy

Dividend recommendation for FY 2019/20: EUR 0.10 per share

The Zumtobel Group AG follows a continuous dividend policy, which calls for a distribution of approximately 30% to 50% of consolidated net profit after the deduction of any special effects. The payment of a dividend was waived in 2017/18 and 2018/19 due to the loss recorded for these years. The reporting year brought an improvement in operating profit and positive net profit of EUR 14.5 million. In view of this solid operating development, the Management Board plans to make a recommendation to the Supervisory Board and, in turn, to the annual general meeting of the Zumtobel Group AG which is scheduled for 24 July

2020, to distribute a dividend of 10 euro cents per share for the 2019/20 financial year (2018/19: 0 euro cents), which represents approximately 30% of net profit.

Investor relations activities focused on transparency and dialogue

Intensive contact with investors and analysts

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. The Management Board and investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows, conferences and one-on-one meetings. In 2019/20 four well-known Austrian and international analysts issued regular reports on the Zumtobel Group share together with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Berenberg (London), Erste Bank (Vienna), Kepler Cheuvreux (London) and Raiffeisen Centrobank (Vienna).

In connection with quarterly reporting and the publication of the annual financial report, the Zumtobel Group holds regular conference calls to provide details on the latest results. The financial community is also supplied with a wide range of interesting information on the investor relations website under www.zumtobelgroup.com/en/investor_relations: corporate publications, contact data, the financial calendar and additional information on the Zumtobel Group as well as the corporate governance report.

1.4 Significant events since 30 April 2019

Zumtobel Group opens software competence centre in Portugal

The official opening of the Group-wide software competence centre for lighting technology in Porto, Portugal, was held on 11 June 2019. This new technology and innovation centre will be responsible for the development of software for intelligent light management and light control systems. Another focal point involves research in areas like smart buildings and smart cities to develop integrated lighting solutions for intelligent energy, mobility and IoT technologies.

No dividend for FY 2018/19

The 43rd Annual General Meeting on 26 July 2019 approved the waiver of a dividend for the 2018/19 financial year. In addition, Eva Kienle and Karin Zumtobel-Chammah were elected to the Supervisory Board at this meeting.

Extension of contract with CFO Tschol to 2021

On 14 November 2019, the Supervisory Board of Zumtobel Group AG announced the extension of the contract with CFO (Chief Financial Officer) Thomas Tschol to 30 April 2021. This contract would have ended on 30 April 2020.

Lighting plant Les Andelys once again part of Zumtobel Group

In connection with the continuing optimisation of the operating business, the decision was taken to regain management control over the lighting plant in Les Andelys, France, which was sold to the French industrial corporation Active'Invest in 2017. This plant, which is specialised in exterior lighting, is since February 2020 once again part of the Zumtobel Group's global production network.

Zumtobel Group reacts to COVID-19 with numerous measures

The global outbreak of the COVID-19 pandemic had noticeable effects on the Zumtobel Group's markets, production and materials procurement during March and April 2020. The company immediately implemented an extensive package of global measures to react as best as possible to the resulting circumstances. Specific actions included the short-term adjustment of capacity and the changeover short-time work at several locations. In order to protect the safety and health of all employees, home office solutions for the office staffs and safety measures for the production employees were introduced.

No other significant events occurred during the reporting year.

1.5 Review of Business Performance

1.5.1 Revenues

>> Group revenues decline by 2.6% year-on-year (FX-adjusted: minus 3.1%)
>> Lighting Segment revenues 3.2% below previous year (FX-adjusted: minus 3.8%)
>> Components Segment 2.0% below previous year (FX-adjusted: minus 2.1%)

Group revenues (FX-adjusted) decline by 3.1%

Up to February 2020, the Zumtobel Group recorded a growth in revenues compared to the previous year, with the Lighting Segment serving as a key driver for growth. As a result of the COVID-19 crisis and the related economic restrictions, Group revenues for the 2019/20 financial year (1 May 2019 to 30 April 2020) declined by 2.6% year-on-year to EUR 1,131.3 million (2018/19: EUR 1,162.0 million) in a lighting industry environment that remained challenging. Revenue development was influenced by positive currency translation effects of EUR 5.2 million, primarily from the decline in the euro versus the Swiss franc, US dollar and British pound. After an adjustment for these foreign exchange effects, the decline in revenues amounted to 3.1%.

Segment development in EUR million	2019/20	2018/19	Change in %	FX adjusted in %
Lighting Segment	845.5	873.7	(3.2)	(3.8)
Components Segment	341.4	348.3	(2.0)	(2.1)
Reconciliation	(55.6)	(60.0)	(7.3)	
Zumtobel Group	1,131.3	1,162.0	(2.6)	(3.1)

Lighting Segment: FX-adjusted revenues 3.8% below previous year

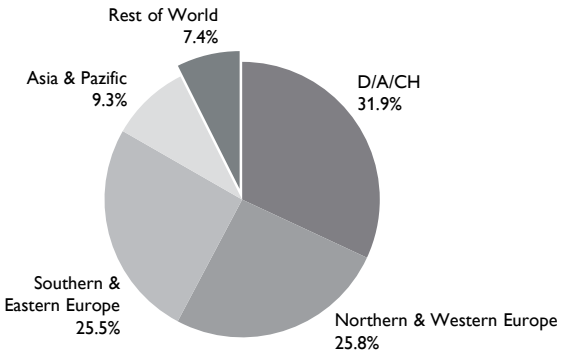
The Lighting Segment is still challenged by a difficult industry environment, aggressive price competition and the economic consequences of the COVID-19 crisis. Great Britain, France and Italy, which are important markets for the Lighting Segment, were hit particularly hard by the crisis. The reorientation of the sales organisation, which began during the 2018/19 financial year, has started to produce the intended results and supported an increase in revenues up to February 2020. Due to the economic restrictions caused by the COVID-19 crisis, revenues in the Lighting Segment fell by 3.2% to EUR 845.5 million in 2019/20 (2018/19: EUR 873.7 million). After an adjustment for negative foreign exchange effects, revenues were 3.8% lower than the previous year.

Components Segment: FX-adjusted revenues slightly below previous year

The Components Segment recorded a decline of 2.0% in revenues for 2019/20 (FX-adjusted: minus 2.1%), above all due to a drop in demand during the COVID-19 crisis months of March and April. Revenue growth was also negatively influenced by continuing strong pressure on prices in the mid-single digit percentage range, despite an increase in the volume of units sold during 2019/20. It is clearly apparent that a focus on margins in an increasingly competitive environment leads to satisfactory earnings, but also to slower revenue growth.

Distribution of regional revenues

Revenues in EUR million	2019/20	Change in %
D/A/CH	361.2	1.5
Northern and Western Europe	292.3	(4.7)
Southern and Eastern Europe	288.5	(2.5)
Asia & Pacific	105.4	(12.8)
Rest of the World	83.9	1.5
Total	1,131.3	(2.6)



The last two months of the 2019/20 financial year were responsible for a negative turn in the otherwise sound business trend. A very positive development in Switzerland, combined with an increase in the value of the franc, as well as good results in Germany were unable to fully offset the year-on-year decline in revenues from the core markets in Austria, Great Britain, Italy and France. The revenue declines attributable to the COVID-19 crisis were particularly substantial on the markets in Great Britain, France and Italy. In Great Britain and France, revenues exceeded the previous year up to February 2020.

Substantial declines in Great Britain, Nordic and Asia & Pacific regions

The D/A/CH region, the strongest market in the Zumtobel Group, recorded an increase of 1.5% in revenues (FX-adjusted: minus 0.1%) to EUR 361.2 million in 2019/20. Revenues were substantially higher than the previous year in Switzerland and slightly higher in Germany, but considerably lower in Austria. Revenues in the Northern and Western Europe region fell by 4.7% to EUR 292.3 million. In the Lighting Segment, a significant drop in revenues was registered in Great Britain and the Nordics region during 2019/20. The Southern and Eastern Europe region reported a 2.5% decrease in revenues to EUR 288.5 million. Positive trends in the East European countries were more than offset by volume declines on the Italian and French markets, where COVID-19 had an especially strong negative effect. Results in the Asia & Pacific region were significantly lower year-on-year with a drop of 12.7% (FX-adjusted: minus 12.2%) in revenues to EUR 105.4 million in 2019/20. In Australia, the negative effects of COVID-19 were compounded by natural disasters that included bush fires and floods. Revenues in the region "Rest of the World" rose by 1.5% (FX-adjusted: minus 0.6%) to EUR 83.9 million, above all due to the contribution from the America region.

1.5.2 Earnings

- >> Earnings negatively affected by revenue declines due to COVID-19 and ongoing aggressive price competition
- >> Efficiency and cost savings measures with a significant impact on fixed costs
- >> Adjusted Group EBIT rises to EUR 53.9 million
- >> High one-off costs for restructuring measures influence net profit: EUR 14.5 million

Income statement in EUR million	2019/20	2018/19	Change in %
Revenues	1,131.3	1,162.0	(2.6)
Cost of goods sold	(771.6)	(810.2)	(4.8)
Gross profit	359.7	351.8	2.2
as a % of revenues	*31.8*	*30.3*	
SG&A expenses	(305.8)	(324.2)	(5.7)
Adjusted EBIT	53.9	27.6	95.0
as a % of revenues	*4.8*	*2.4*	
Special effects	(18.8)	(25.0)	24.9
EBIT	35.1	2.7	>100
as a % of revenues	*3.1*	*0.2*	
Financial results	(12.4)	(12.8)	2.6
Profit before tax	22.7	(10.1)	>100
Income taxes	(8.3)	(5.2)	60.2
Net profit/loss for the year	14.5	(15.2)	>100
Earnings per share (in EUR)	0.33	(0.35)	>100

1) Excluding special effects
Note: EBITDA in 2019/20 totalled EUR 106.7 million (2018/19: EUR 55.8 million).

Adjusted Group EBIT rises to EUR 53.9 million

Group EBIT adjusted for special effects rose to EUR 53.9 million in 2019/20 (2018/19: EUR 27.6 million), and the return on sales increased from 2.4% to 4.8%. The improvement in Group profitability during the reporting period was supported primarily by the Lighting Segment, where adjusted EBIT rose from EUR 21.1 million to EUR 48.3 million. Adjusted EBIT in the Components Segment equalled EUR 23.0 million (2018/19: EUR 25.4 million). In addition to successful cost reduction measures, the measures such as short-time work played an important role in moderating the effects of the COVID-19 pandemic.

Increase in development costs

The gross profit margin (after development costs) for the Zumtobel Group rose to 31.8% in 2019/20 (2018/19: 30.3%). Development costs included in the cost of goods sold were EUR 0.5 million higher at EUR 62.1 million (2018/19: EUR 61.6 million).

Reduction in selling and administrative expenses

Efficiency and cost reduction programmes as well as the measures related to COVID-19 led to a decline in selling and administrative costs. Selling expenses (incl. research) fell by 3.6% to EUR 286.2 million (2018/19: EUR 297.0 million), and administrative expenses were 21.3% lower at EUR 28.5 million (2018/19: EUR 36.2 million). Other operating income, excluding special effects, reflected the previous year at EUR 8.9 million (2018/19: EUR 9.0 million).

Negative special effects from transformation process

In 2019/20, negative special effects of EUR 18.8 million were recorded (2018/19: EUR 25.0 million). They are related to provisions for a guarantee case in Great Britain, the write-off of software purchased externally or respectively developed internally, restructuring costs for the reintegration of the Europhane plant, adjustments to pension obligations as well as adjustments to the global production network and sales organisations.

The following table shows EBIT after the exclusion of the above-mentioned special effects:

Adjusted EBIT in EUR million	2019/20	2018/19	Change in %
Reported EBIT	35.1	2.7	>100
thereof special effects	(18.8)	(25.0)	24.9
Adjusted EBIT	53.9	27.6	95.0
as a % of revenues	*4.8*	*2.4*	

Financial results below prior year

Financial results improved by EUR 0.3 million year-on-year to minus EUR 12.4 million (2018/19: minus EUR 12.8 million). Interest expense is attributable primarily to the current credit agreements and to finance leases. Other financial income and expenses totalled minus EUR 5.6 million (2018/19: minus EUR 6.3 million) and include the interest expense on pension obligations as well as the income and expenses from exchange rate fluctuations caused by the high volatility on the foreign currency market.

Financial result in EUR million	2019/20	2018/19	Change in %
Interest expense	(7.3)	(6.9)	6.1
Interest income	0.3	0.4	(29.7)
Net financing costs	(7.0)	(6.5)	(8.3)
Other financial income and expenses	(5.6)	(6.3)	(12.0)
Result from companies accounted for at-equity	0.2	0.1	>100
Financial results	(12.4)	(12.8)	2.6

Net profit totals EUR 14.5 million

Profit before tax amounted to EUR 22.7 million (2018/19: minus EUR 10.1 million), and income taxes totalled EUR 8.3 million (2018/19: EUR 5.2 million). Income taxes include current tax expense of EUR 7.8 million and deferred taxes of EUR 0.5 million. Additional information is provided in note 2.6.4.6 of the consolidated financial statements. Net profit for the reporting year therefore totalled EUR 14.5 million (2018/19: minus EUR 15.2 million). Earnings per share for the shareholders of the Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.33 (2018/19: minus EUR 0.35).

1.5.3 Cash flow, financial and asset position

- >> Continued positive development of working capital
- >> Capital expenditure slightly lower year-on-year at EUR 57.9 million (2018/19: EUR 66.2 million)
- >> Free cash flow rises to EUR 53.3 million (2018/19: EUR 3.8 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 summer and autumn and the lighting installation 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.

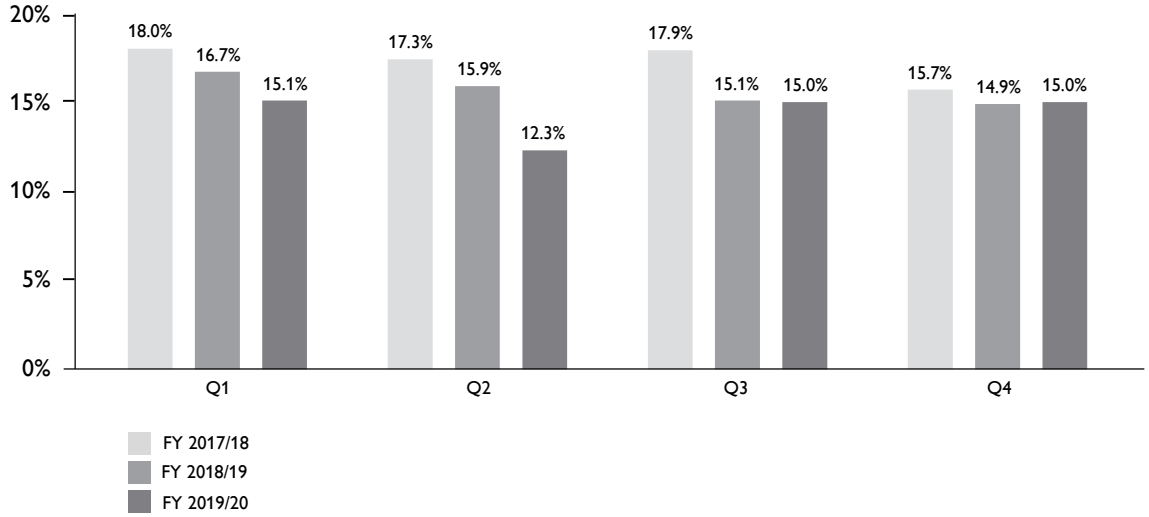
Cash flow is calculated on a monthly basis using the indirect method. The resulting monthly cash flows are translated at the average monthly exchange rate and then aggregated, while balance sheet positions are translated at the exchange rate in effect on the balance sheet date. This procedure leads to 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.

Cash flow from operating results increased significantly year-on-year, primarily due to the improvement in profitability and also due to the increase in amortisation from EUR 56.8 million to EUR 101.3 million which resulted from the application of IFRS 16.

Positive development of working capital

Working capital was further optimised during the reporting year, whereby the positive trend from the first 10 months of the financial year was slowed by COVID-19 during the last quarter. The improvement in absolute numbers was based on strict inventory management and an increase in advance payments received during 2019/20. Trade receivables were further reduced by consistent receivables management. The receivables sold through factoring agreements totalled EUR 62.5 million as of 30 April 2020 (2018/19: EUR 72.9 million). Working capital amounted to EUR 169.2 million as of 30 April 2020, which represents a reduction of EUR 1.5 million compared with the balance on 30 April 2019. As a per cent of rolling 12-month revenues, working capital increased from 14.9% in the previous year to 15.0%. The change in other operating positions amounted to minus EUR 6.6 million (2018/19: minus EUR 6.7 million). The cash outflows reported under this position resulted chiefly from additions to the provisions for restructuring and guarantees. Cash flow from operating activities increased from EUR 72.7 million in 2018/19 to EUR 108.2 million in 2019/20.

Working Capital as % of rolling 12-month revenues



Slight decline in capital expenditure

Investments in non-current assets were slightly lower year-on-year at EUR 57.9 million in 2019/20 (2018/19: EUR 66.2 million). These expenditures consisted mainly of tools and equipment for new products, expansion and maintenance investments as well as capitalised development costs of EUR 16.5 million (2018/19: EUR 18.2 million). The investments in 2019/20 included EUR 34.1 million (2018/19: EUR 26.9 million) for the facilities in Dornbirn and EUR 10.0 million (2018/19: EUR 21.7 million) for the lighting and components plant in Serbia (including capitalised development costs). Cash flow effects reported under the "changes in non-current and current financial assets" resulted chiefly from gains and losses realised on interest rate hedges. The increase in cash flow from operating activities and the reduction in investments were reflected in an improvement in free cash flow to EUR 53.3 million (2018/19: EUR 3.8 million).

Cash flow from financing activities was adjusted to exclude the non-cash additions from lease liabilities which resulted from the initial application of IFRS 16. This position includes cash outflows of EUR 15.3 million for the payment of lease liabilities and EUR 3.6 million for interest payments on lease liabilities. Fixed-interest loans of EUR 40.0 million were repaid and refinanced through an increase in the draw-down from the consortium credit agreement. In view of the operating development in 2018/19, no dividends were distributed to shareholders during the reporting 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 with a current maximum line of EUR 200 million and two other long-term credit agreements of EUR 40 million each, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 63.3 million (2018/19: EUR 61.4 million) at its disposal as of 30 April 2020. The interest rates are dependent on local market conditions and reflect the prevailing situation in the respective countries.

The consortium credit agreement concluded on 1 December 2015 represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of the balance sheet date on 30 April 2020, the amount drawn under this credit agreement totalled EUR 75 million (2018/19: EUR 25 million). The consortium credit agreement includes a clause for an increase of up to EUR 200 million in the volume. The Zumtobel Group has also concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB) which call for bullet repayment in September 2024, respectively February 2025; these credits were fully drawn as of 30 April 2020. The consortium credit agreement and the EIB loans include a change of control clause that would take effect if there were a change in the absolute majority of voting rights. The consortium credit agreement also requires compliance with financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). These financial covenants were met in full as of 30 April 2020 with a debt coverage ratio of 1.55 (2018/19: 2.66) and an equity ratio of 28.2% (2018/19: 28.5%).

Balance sheet data in EUR million	30 April 2020	30 April 2019
Total assets	994.8	920.9
Net debt	165.7	148.7
Debt coverage ratio	*1.55*	*2.66*
Equity	280.7	262.8
Equity ratio in %	*28.2*	*28.5*
Gearing in %	*59.0*	*56.6*
Investments	57.9	66.2
Working capital	169.2	172.8
As a % of rolling 12 month revenues	15.0	14.9

Improvement in balance sheet structure

The balance sheet total rose to EUR 994.8 million as of 30 April 2020 (2018/19: EUR 920.9 million), above all due to an increase of EUR 45.7 million in property, plant and equipment following the initial application of IFRS 16. As a result, the equity ratio declined from 28.5% as of 30 April 2019 to 28.2% at the end of the 2019/20 financial year. The increase of EUR 17.0 million in net liabilities from EUR 148.7 million in the previous year to EUR 165.7 million as of 30 April 2020 also includes EUR 46.6 million from the initial application of IFRS 16 and an increase of EUR 5.1 million in borrowings. A contrasting factor was the increase of EUR 34.5 million in cash and cash equivalents as of 30 April 2020. Gearing – the ratio of net debt to equity – rose from 56.6% to 59.0%.

1.6 Non-financial Statement for the Group

The Zumtobel Group is an international lighting corporation and a leading supplier of innovative lighting solutions, lighting components and related services. A detailed description of the business model is provided in this management report under "The Zumtobel Group – an Overview".

Sustainable and responsible actions are firmly anchored in the Zumtobel Group. The Group accepts its social responsibility and is committed to the principle of sustainable corporate development. This includes a contribution to providing future generations with a stable economic, social and ecological environment. In reaching its economic goals, the Zumtobel Group therefore also takes ecological, social and ethical factors into consideration.

Werner Sobek designs annual report with focus on sustainability

The Zumtobel Group sees the issues of light and sustainable construction as areas in which the industry can make an important contribution. This led to a decision to design the artistic annual report for 2019/20 together with Werner Sobek. As an architect and engineer, Werner Sobek takes a unique view of the ecological and economical challenges facing the construction industry. He has gained an international reputation for his future-oriented research and buildings and received numerous awards for his work. Werner Sobek developed 17 pioneering theses on sustainability based on his many years of experience, which are published for the first time in this year's annual report by the Zumtobel Group.

Zumtobel Group supports UN Global Compact

In connection with its efforts on behalf of sustainability, the Zumtobel Group supports the world's largest initiative on corporate Social Responsibility (CSR) and sustainable development and joined the United Nations Global Compact in February 2020. The central element of the UN Global Compact are its 10 universal principles and support for the 17 sustainable development goals (SDGs). These 10 principles cover, among others, labour standards, human rights, environmental protection and the protection of corruption.

The Zumtobel Group actively supported the SDGs for the first time in 2019/20, whereby it is important to note that not all 17 SDGs are equally relevant for our company. On the one hand, specific goals are directed more towards government activities (e.g. state development aid). On the other hand, some of the goals can only be reached by the Zumtobel Group to a limited extent (e.g. the fight against poverty) because we are a producing company. However, a clear link can be established between most of the SDGs and our business activities – for example, decent work and economic growth, sustainable consumption and production and climate protection.

12 of the 17 SDGs are relevant for the Zumtobel Group

Although the Zumtobel Group makes a positive direct or indirect contribution to all goals, the company concentrates on the goals which have the greatest importance for its business activities. A first step involved evaluating the relevance of the 17 goals and their 169 targets for the Zumtobel Group. This was followed by a survey of the positive and negative effects of the relevant goals along the entire value chain based on the circular economy model to strengthen the positive impact and minimise the negative effects of our actions. The Zumtobel Group has identified 12 goals and 49 targets as important.

NFI Statement not prepared according to an applicable framework (e.g. GRI)

This year's consolidated management report includes the summarised non-financial statement for the Group (NFI Statement) required by § 267a of the Austrian Commercial Code. The Zumtobel Group meets its reporting requirements under the Austrian Sustainability and Diversity Improvement Act ("Nachhaltigkeits- und Diversitätsverbesserungsgesetz") on environmental, social and employee issues, the respect for human rights and the fight against corruption and bribery. All information in this report refers to the Zumtobel Group, including its subsidiaries, unless indicated otherwise. This NFI statement applies to the 2019/20 financial year and was not prepared in accordance with an applicable guideline. The GRI standards issued by the Global Reporting Initiative (GRI) merely served as orientation. The reporting was expanded to place greater focus on the issues important to the Zumtobel Group and its stakeholders. In addition to the NFI statement, part of the required content is included in the 2019/20 group management report, the corporate governance report and the consolidated financial statements.

NFI statement reviewed and released by Supervisory Board

The summarised non-financial statement of the Zumtobel Group in this management report was reviewed by the Supervisory Board for agreement with legal requirements, correctness and appropriateness and subsequently released.

1.6.1 Strategy and management

Materiality analysis forms the basis for the NFI statement

The materiality analysis carried out together with an external consulting firm in 2017/18 was retained for this reporting year and also forms the basis for the NFI Statement in 2019/20. A new stakeholder survey is planned for the 2020/21 financial year.

The starting point for this materiality analysis was formed by a catalogue of roughly 150 subject areas. In addition to the sustainability issues from the initial materiality analysis in 2014/15, peer group concerns, current reporting standards (ISO 26000, GRI) and relevant industry topics and trends were also included. Various specialist areas in the Zumtobel Group then carried out an internal evaluation based on a structured written questionnaire. It led to the definition of nine issues through which the Zumtobel Group has a significant impact on the economy, environment and society and which are therefore considered particularly relevant for the company's future. These findings were subsequently validated by the Management Board.

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

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

Reference table for the NFI Statement:

Non-financial aspect	Major issues	Page reference
Fight against corruption and bribery	● Corporate governance and compliance	34
Environmental concerns	● Sustainable products and services	33
	● Sustainable procurement	41
	● In-house environmental protection	42
Employee concerns	● Training and continuing education	36
	● Work-life balance	37
	● Health protection and occupational safety	37
Social concerns	● Sustainable and profitable growth	32
	● Sustainable products and services	33
Respect for human rights	● Corporate governance and compliance	34
	● Sustainable procurement	41

No risks that could result in severe negative effects

The Zumtobel Group has installed a group-wide internal risk management and control system. This non-financial group statement pursuant to § 267a of the Austrian Commercial Code takes a net view of risks, meaning the evaluation also includes risk-minimising measures. In connection with the non-financial aspects, the Zumtobel Group was unable to identify any material risks arising from its business activities or business relationships, products or services which could have a significant negative effect. Risk management was adapted to reflect the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework and externally audited in 2019/20.

Sustainable corporate culture

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

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

Concrete concepts for the major issues

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

Major issue	Goals	Measures	Performance indicator
1. Sustainable management			
Sustainable and profitable growth	Sustainable increase in the value of the company, taking economic, social and ecological factors into account	• Consistent implementation of FOCUS strategy with concentration on a lean organisation and the digitalisation of business processes • Concentration on profitable core markets and applications	• Revenues from core markets
	Expansion of the service business	• Significant increase in service revenues	• Revenues from services
2. Corporate governance and compliance			
Corporate governance	Further development of the compliance management system	• Revision, expansion and communication of the code of conduct of Zumtobel Group AG • Revision of target group-oriented content for compliance training and continuation of e-learning-based compliance training and on-site training • Preparation and communication of specific compliance guidelines on anti-corruption, competition and anti-trust law and money laundering (based on risk assessment) • Mapping of responsibilities for compliance issues	• Per cent of employees trained, number and per cent of successfully completed compliance training certificates
	Global responsibility for data protection issues	• Continuous process and updating of data protection guideline and data protection software	• Number of inquiries answered on time
3. Responsible employer			
Training and continuing education	Increase in employee-specific and job-related training	• Expansion of e-learning training offering	• Training and education hours
	Increase in individual personal development appraisals	• Continuous training for involved employees and further development of accompanying system solution • Annual talent review meetings and development conferences for structured and standardised succession planning	• Number of employees who receive regular performance evaluations and continuous training
Health protection and occupational safety	Continuous improvement of health programme	• Integration of health programmes in standard processes	• Development of sick leave in the Group and ratio of long-term to short-term sick leave
	Prevention of work accidents	• Continuous improvement of occupational safety and health • Implementation of pro-active training courses to prevent work accidents	• Frequency of accidents • Severity of accidents
Work-life balance	Support for employees' work-life balance	• Increase in offering of flexible working time models to reflect the expectations of different generations • Retention of free-time option	• Number of part-time employees • Number of employees with a free-time option
4. Product responsibility and innovation			
Innovation	Expansion of competitive product portfolio	• Continuous product development • Increase in technology partnerships	• Ratio of new products to revenues (in %) • R&D ratio • Number of registered patents
	Increase in brand reputation through research projects	• Participation in national and international research projects • Continuation of long-term, internal research and pre-development projects	• Grant quota in % • Grant amount in euros

Major issue	Goals	Measures	Performance indicator
Sustainable products and services (incl. product safety and quality)	Compliance with high safety standards through use of legal and voluntary test marks	• Internal measurements and tests • Cooperation with external testing institutes and commissioning of external audits	
	Inclusion of sustainability aspects throughout the entire product lifecycle	• Use of energy-efficient, intelligently managed lighting technology • Reduction of product-related resource consumption • Continuous improvement in product efficiency	• Energy savings through energy-efficient Zumtobel Group products in MWh • Reduction in CO2 emissions through energy-efficient Zumtobel Group products in tonnes
	Expansion of innovative product and service offering	• Increase in share of revenues from LED products • Significant increase in service revenues • Development of innovative business models	• Share of revenues from LED products • Revenues from services
Sustainable procurement	Compliance with high environmental and social standards in the supply chain	• Regular, annual sustainability audits for new and existing suppliers • Commitment of suppliers to compliance with RoHS/REACH and conflict minerals • Requirement for all suppliers to maintain an environmental management system • Inclusion of social or environmental clauses in supplier contracts	• Number of sustainability audits • Number of suppliers with an environmental management system
	Further development of supplier code of conduct (SCOC)	• Requirement for all new suppliers to sign and comply with SCOC • Supplement to supplier self-assessment questionnaire in SCOC • Requirement for existing major suppliers to comply with SCOC	• Signing of revised SCOC by all new suppliers • Signing of revised SCOC by 95% of existing suppliers (based on procurement volume)
5. Environmental protection			
In-house environmental protection	Careful and efficient use of resources	• Certification under the expanded requirements of ISO 14001:2015 at the major locations • Expansion of environmental certifications in the service & solution business • Performance of energy audits at the six locations certified under ISO 50001 • Implementation of energy efficiency measures at the local level • Expansion of environmental data collection to include non-producing locations	• Number of certified locations
	Inclusion of ecological aspects throughout the entire product lifecycle	• Evaluation and monitoring of environmental data and identification of need for action • Support for holistic approach to include ecological aspects throughout the entire product lifecycle • Compliance with internal and external environmental protection guidelines	

Continuous stakeholder dialogue

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

Membership in professional associations

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

1.6.2 Sustainable and profitable growth

FOCUS on core markets and applications

The Management Board continued to refine the FOCUS strategy in 2019/20. The central elements of this strategy include a concentration on profitable core markets and applications combined with a leaner organisation, the digitalisation of processes, a renewed emphasis on the three core brands and the expansion of the service business. The consistent implementation of the strategy was reflected in a significant improvement in operating results during the reporting year.

Financial flows to stakeholders

The Zumtobel Group generated EUR 1,144.4 million of economic value in the 2019/20 financial year. After the deduction of costs incurred, payments to equity and debt providers and public authorities, the remaining economic value equals EUR 80.4 million. This presentation reflects the definition under GRI and represents the financial flows derived from the income statement and cash flow statement.

Financial flows to stakeholders in EUR million	2019/20	2018/19
Corporate revenues[1]	1,144.4	1,173.2
Operating expenses[2]	(666.8)	(723.1)
Personnel expenses	(375.3)	(399.2)
Payments to shareholders	0.0	0.0
Payments to provider of borrowed capital	(7.2)	(6.7)
Payments to public bodies	(14.7)	(9.0)
Residual economic value	**80.4**	**35.1**

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

1.6.3 Sustainable products and services

Sustainability is closely related to the core business

The Zumtobel Group's commitment to sustainability is closely related to the core business because of the important role played by energy-efficient, intelligently managed lighting technology in conserving the world's resources. This trend is supported by the continuous increase in the efficiency (lumes/watt) of LED luminaires and a parallel decline in the cost of LED chips. However, the steady increase in efficiency will slow when the physical limits are reached in the coming years. Artificial lighting is currently responsible for roughly 13% of worldwide electricity consumption and will continue to decline by 2030 due to the use of state-of-the-art lighting solutions. Commercial buildings and outdoor lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group – are responsible for nearly two-thirds of this consumption. Most of the energy consumption in the lifecycle of lights still occurs during the use of the light, but other issues like resource consumption and the circular economy are also becoming more important because of the slower increase in efficiency. The Zumtobel Group has been working for many years to steadily improve the energy efficiency of its products while, at the same time, integrating sustainability aspects along the product life cycle.

Change in calculation method to improve energy efficiency

In order to illustrate the Zumtobel Group's contribution to energy efficiency, the annual financial reports in past years included a hypothetical estimate of the savings potential which would result from the replacement of fictitious equipment based on older technology (fluorescent lamps) with newer equipment, assuming average use. This theoretical calculation became increasingly unrealistic with the growing market popularity of LEDs and the related increase in modern LED equipment in buildings. In the future, i.e. beginning with this annual financial report, the Zumtobel Group will report on the average energy efficiency of its marketed solutions and show the actual improvement over the last reporting year. The total lighting output marketed during the reporting period (i.e. the number of luminaires multiplied by the rated luminous flux) will be compared with the total connected load (i.e. the number of luminaires multiplied by the rated connected load) to develop a ratio.

High contribution to reducing electricity consumption

In the 2019/20 financial year, the Zumtobel Group marketed luminaires with an average energy efficiency of 121.8 lm/W; in the previous year, this value equalled 116.4 lm/W. That represents an improvement of 4.6% in energy efficiency compared with the previous period. Efficiency efforts by the global lighting industry could reduce the share of electrical energy required for artificial lighting from roughly 20% in the early years of the 21st Century to nearly 13%. The further renovation and upgrading of older equipment and the continuing increase in the energy efficiency of new equipment will reduce this value to the single-digit level in the coming decades.

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

Further development of innovative product and service offering

The transformation of the lighting industry has increased the importance of the LED business and led to a stronger focus on intelligent and Internet-linked lighting. The result has been a growing demand for innovative LED-based lighting solutions and comprehensive, integrated service offers. The development, production and sale of innovative, sustainable products and services therefore represent fundamental building blocks for the sustainable success of the Zumtobel Group over the medium- and long-term. Clear goals have been defined to safeguard the development of an innovative product and service portfolio. The portfolio is now based almost entirely on LED technology, and there has been a steady increase in the revenues from project- and software-oriented services. There is also a growing interest in networking with other trades as a means of generating added value and realising energy savings. This will also protect the Zumtobel Group's high contribution to energy savings in the future.

Compliance with high quality and safety standards

Comparative measurements and procedural validations are carried out internally and with international testing institutions to maintain and improve the high quality of benchmarks and analysis standards. The Zumtobel Group cooperates with national and international testing institutes that include OVE (Österreichischer Verband für Elektrotechnik), TÜV (Technischer Überwachungsverein), and UL (Underwriters Laboratories). All production facilities in the Zumtobel Group's worldwide network, with the exception of the two plants in the USA and New Zealand, have been certified according to the ISO 9001 international standard for quality management systems. The standardised, centrally defined selling processes are also certified. The primary goal is to continuously improve the quality of production and selling processes and, in this way, increase customer satisfaction and confidence in the Group's products. In this connection, the ISO 9001:2015 monitoring audit was successfully completed without deviations in 2019/20. The Zumtobel Group guarantees, based on internal audits and measurements, that its entire product portfolio meets all applicable standards and regulations in the respective regions and countries. This applies, in particular, to directives for light quality and energy efficiency as well as labelling requirements and health and safety aspects. Many of the Zumtobel Group's products carry the voluntary European ENEC symbol (European Norms Electrical Certification), which stands for compliance with the relevant safety norms and performance requirements that is confirmed by independent testing institutes.

Research and platform strategy to conserve resources

All new product development procedures are based on a platform strategy, which is designed to conserve resources and increase customer benefits by expanding the range of application-specific options. For example: Three new luminaire families which access the same electronic components platform were introduced in 2019/20. Research and development on optical controllers have also made it possible to reduce the material usage in optical boards by 33 tonnes per year.

1.6.4 Corporate governance and compliance

For the Zumtobel Group, corporate governance represents a comprehensive model for the management and monitoring of the company. The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code in the current version. This framework is operationalised through the corporate values, the code of conduct and Group policies.

Binding code of conduct for all employees

Compliance with legal requirements represent the basic values for entrepreneurial actions and is defined in a code of conduct which is binding for all employees. New employees receive a copy of this document when they join the company and are required to formally confirm their compliance. The updating of the code of conduct which was originally planned for 2019/20 was postponed, and this time was used to discuss and validate the concept in an iterative process with stakeholders. The draft concept was approved by the Management Board in spring 2020 and the roll-out is scheduled to begin in the second quarter of 2020/21.

Data protection is an important focal point

The data protection programme which was started in the previous year was successfully completed in 2019/20. Although it required an unexpectedly high amount of resources, the goal to efficiently achieve data protection conformity in business processes was generally met. Of particular note are the following measures:

- Governance structure established and updated
- Updating of the global guideline which was published last year
- Updating of the Group's order processing contracts
- Preparation and Intranet launch of a data protection toolbox
- Replacement of the Excel-based production register with system-supported workflows
- Continuation of training in the specialist departments

A compliance training tool was acquired to support training activities and in preparation for the updating of the code of conduct. This tool includes a wide variety of material on various compliance issues in different formats (e.g. presentations, videos). A training concept covering the three-year contract term was developed for this teaching programme in close cooperation with the respective process owners and is being successively implemented throughout the Group.

Continuous improvement of the compliance management system

The continuous improvement of the compliance management system represents an important focus of activities as a means of optimally preparing the Zumtobel Group to deal with current and future issues. The external whistleblowing system installed in the previous year was well received and was expanded in 2019/20 to include internal instructions for processing incoming reports ("suspected cases"). This whistleblowing system allows employees and third parties to anonymously report possible compliance violations through a link to the company's website. The protection of the whistleblower's identity is guaranteed in accordance with the EU Whistleblower Protection Directive, which took effect on 16 December 2019.

The Zumtobel Group has extensively investigated and assessed the risks and measures connected with the prevention of money laundering. The control steps identified during this process were also communicated. Compliance training was carried out at the annual managers' conference and the financial directors' meeting, with the subjects specifically tailored to the circle of participants. Work has already started on the documentation of the compliance management system and will continue during the coming financial year.

No serious violations of legal requirements were reported or identified during the 2019/20 financial year. This also applies to incidents or proceedings related to violations of human rights, discrimination, competitive or antitrust behaviour, corruption or environmental regulations.

Full commitment to respect for human rights

As an international company, the Zumtobel Group is fully committed to the protection of human rights and compliance with high social standards and the legal regulations applicable in Austria and other countries. Our commitment to responsible management was reconfirmed during the reporting year and strengthened by the voluntary membership of the Zumtobel Group in the UN Global Compact Initiative.

1.6.5 Responsible employer

The success of the Zumtobel Group is based on qualified, committed and motivated employees. With its wide-ranging product portfolio and open, growth-oriented corporate culture, the Group offers attractive career opportunities for internal development and advancement. Corporate human resources, a headquarters department, defines the strategic focal points for personnel policies based on the corporate strategy and in close cooperation with the Management Board. The most important sustainability issues in the personnel area at the Group level are training and continuing education, work-life balance and health protection as well as occupational safety.

Corona pandemic, short-time work and positive experience with home office

The last two months of the 2019/20 financial year were influenced by the Corona pandemic and its economic consequences. The company decided to utilise the government-supported model for short-time work from April 2020 up to and including June 2020. This model led to a reduction in working time, but work continued in all areas. We were therefore always available for our customers and were also able to deliver at any time. The positive experience with home office, virtual meetings and online customer contacts will sustainably change the way we work and move the "future of work" a large step forward. The working world will also be changed by subjects like long-distance management and virtual teams.

Extensive training and continuing education

Annual employee review forms the basis for training measures

The limited number of trained specialists also creates major challenges for the international Zumtobel Group in attracting qualified applicants and recruiting the right people for the right jobs. Employee development and systematic professional advancement therefore represent a key element for sustainable business success. The framework for human resources development (employee reviews and advancement) and the search and selection process is provided by a company-specific "competency model" which is based on the corporate strategy and includes five generic ambition levels for desired conduct and the level of expertise. Together with the functional description established and documented during the employee review, specific qualification requirements can also be derived and defined. The competency model LIGHT developed by HR – L (Level of knowledge, skills & experience), I (Innovation & Transformation), G (Getting things done), H (Habit to develop), T (Together we shine) – was rolled out throughout the Group via e-learning during the past financial year. The annual employee reviews are an important building block in the interaction between employees and their managers and form the basis for the identification of targeted, individualised training and continuing education measures as part of human resources development. In this structured discussion, managers and their employees define goals and develop a common understanding for the corporate 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. In the 2019/20 financial year, annual reviews were held with 4,416 employees (76.06%; 2018/19: 4,597 or 78.2%).

Targeted talent management

The global establishment of a human resources development process with annual talent review meetings and development conferences provides an opportunity to define potential and performance at all levels of the Group and helps to identify and develop top performers. This process supports structured and standardised succession planning.

Extensive training offering

In addition to external training opportunities, the Zumtobel Group offers an extensive range of internal training programmes for specialised and personal development in line with the skills, know-how and needs of the respective persons. The range of e-learning programmes was further expanded in 2019/20. The average training hours per employee declined slightly to 12 in the reporting year (2018/19: 13 hours), but two months of on-site training were lost due to the Corona pandemic. The basis for this initiative was formed by the "myCAMPUS" learning management system which was introduced in the previous year. It provides all employees in the Zumtobel Group with easy access to online training content at any time. These training programmes focused on product know-how, applications and sales skills in 2019/20.

Average trainings hours per employee	2019/20	2018/19
Salaried employees	15	16
Wage employees	8	8
Total employees	**12**	**13**

Continuation and further development of apprenticeship training

The Zumtobel Group views training for young people as part of its social responsibility. As of 30 April 2020, 83 apprentices were employed in the Zumtobel Group. This company-based professional education is an important instrument to actively deal with the growing shortage of trained specialists that has resulted from demographic shifts. Apprentices are being trained in the following fields: electrical engineering (incl. automation and process control engineering), electronics, plastics engineering, mechatronics (incl. a special robotics module) and IT engineering. Of the apprentices trained in the Zumtobel Group, 76% remained with the company after completing their education.

Work-life balance

Support for employees' work-life balance

An effective work-life balance for employees is an important factor for strengthening the Zumtobel Group's position as an attractive employer. The key points in this context are the fundamentally changing demands of new generations on the labour market and measures to support the reconciliation of career and family life for working parents. The Zumtobel Group helps to improve the work-life balance by continually increasing the offering of flexible working time models. Part-time employment, educational leave, sabbaticals, parental leave for fathers, home office options or other models are arranged where needed and permitted by the respective position. The number of part-time employees declined slightly from 8.5% of the total full-time equivalent workforce in the previous year to 8.3% in 2019/20. A works agreement also provides for a free-time option under which employees can reduce their working hours – for personal reasons and without changing to part-time status – in exchange for waiving part or the entire amount of their salary or wage increase and arrange for paid time-off (for example, for age-based work, educational programmes or to accumulate longer free-time periods over several years). This free-time option has been elected by roughly 380 employees. At the end of 2019/20, 66 employees in Austria were on parental leave (2018/19: 80). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Health protection and occupational safety

Prevention of work accidents

Accident prevention and health protection for employees have high priority for the member companies of the Zumtobel Group and are the subject of regularly discussions in employer-employee committees. Local officers monitor compliance with specific environmental, health and safety guidelines at all locations. Measures are implemented on a continuous basis to increase workplace safety and include employee training, improvements to protective clothing and the replacement of machinery. The LTI rate (Lost Time Injury: number of work accidents with lost time >8 hours x 1,000,000 / Total hours worked) is calculated monthly at all plants. In the Zumtobel Group, the LTI-rate rose to 6.3 in 2019/20 (2018/19: 5.2). The LTI rate declined to 2.3 in the components plants (2018/19: 2.7) but rose to 10.1 in the lighting plants (2018/19: 7.3) due to several minor incidents at the lighting plant in Dornbirn. This is demonstrated by the accident severity indicator (number of day lost x 1,000,000 / Total hours worked), which fell by nearly 34% from 88.1 in the previous year to 58.1 in 2019/20. There were no fatal accidents in 2019/20 or in earlier years. The company's goal is to continuously reduce the TRI rate over the coming years and to develop a pronounced safety culture, for example through an increase in training on the prevention of work accidents.

Occupational safety	2019/20	2018/19
Total recorded injuries Lighting Plants (LTI-rate)	10.1	7.3
Total recorded injuries Components Plants (LTI-rate)	2.3	2.7
Number of fatal accidents	0	0

Continuous improvement of health programme

The annual evaluation of the age structure and age trends in the Zumtobel Group and a statistical comparison of the generations in different areas of the business confirm the demographic shift in our society. Healthcare and prevention measures, combined with the maintenance and promotion of employees' fitness for work, have high priority and are the responsibility of "Health & Age", a special unit in the human resources department. The following areas of activity represent the key elements of the Zumtobel Group's health management programme.

- Worker protection legislation
- Presence management
- Workplace health promotion
- Leadership and management behaviour
- Integration management
- Generation management

Various programmes in these areas have been implemented by the local Group companies to meet the specific needs of their employees. For example: A pilot project was carried out at the Dornbirn plant in 2019/20 to optimise workplace design and further increase health protection for employees. The Zumtobel Group's efforts to protect and promote health, to support age-appropriate workplaces and the maintenance of work fitness were recognised in March 2019 with the two-year "Salvus" quality seal from the province of Vorarlberg (Austria) for the third time in succession.

Reintegration of employees after long-term sick leave

The implementation of measures from the health protection project "women in production" at the Dornbirn plant has been reflected in the positive development of lost workdays for female employees. Health management programmes in 2019/20 focused on occupational integration management. The demographic trend in the company has been reflected in an increase in long-term sick leave. As part of the retention offensive and the goal not to lose any employees through illness, the Zumtobel Group has implemented a reintegration process. It gives employees on long-term sick leave an opportunity to return to their previous job or to an alternative function, subject to health-related constraints (e.g. daily working time, job content, etc.). An integration team accompanies this process.

Employee rights and remuneration

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

As an employer with a strong corporate culture that has grown over many decades, the Zumtobel Group is well aware of its social responsibility for all employees throughout the world and remains focused on the further development of responsible working conditions. The Zumtobel Group promotes the open and regular exchange of information between the Management Board, employees and their representatives. Compliance with the legal participation rights of employees and the principles and standards defined by the International Labour Organisation (ILO) represent an integral part of the code of conduct, which is mandatory for all legal entities in the Zumtobel Group. Collective agreements cover roughly 51% of the worldwide workforce.

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 nearly 80 different nations, whereby the staff at the corporate headquarters in Dornbirn, Austria, represent roughly 50 nations. The Zumtobel Group is an employer that stands for equal opportunity regardless of gender and ethnic origin. This policy is also part of the Group's code of conduct, which prohibits all forms of discrimination. Accordingly, the personnel decisions in all corporate areas and at all management levels are based on experience, qualifications and performance. The share of women in the Zumtobel Group's workforce currently equals 35.8% (2018/19: 35.7%). There is no specific target for the appointment of women to management positions, but internal and external recruiting and personnel development measures are increasingly aimed in this direction.

Employee awards

The Dr Walter Zumtobel Value Award, which carries the name of the Group's founder, was also presented in 2018/19. It is awarded 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 the corporate culture.

Performance-based remuneration schemes

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

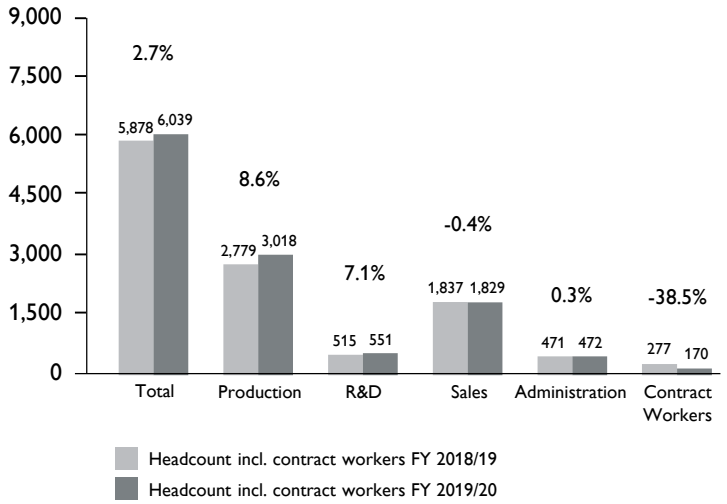
The performance benchmark for all employees eligible for bonuses – who do not participate directly in a sales bonus scheme – is based on two financial indicators (adjusted EBIT and free cash flow) with different weightings. The variable remuneration for upper management consists of a short-term component 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 total shareholder return of Zumtobel Group AG in comparison with a defined peer group as the performance indicator. This structure is intended to support sustainable decisions by management.

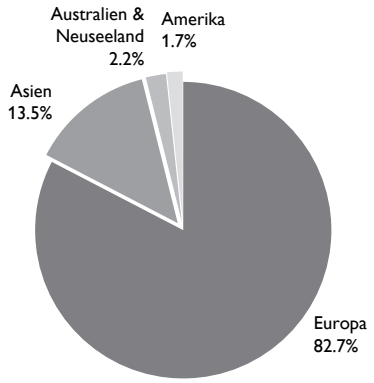
Workforce development

Year-on-year increase in workforce

The number of employees increased during the 2019/20 financial year, above all due to the start of operations at the new production facility in Niš, Serbia, and the reintegration of the lighting plant in Les Andelys, France. The Zumtobel Group had 6,039 full-time employees (including contract workers) as of 30 April 2020. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region





Labour productivity – calculated as adjusted EBIT in relation to personnel expenses – improved from 6.9% in 2018/19 to 14.3% in 2019/20 due to the increase in operating results and the reduction in personnel expenses. Average revenues per employee (including contract workers) was slightly lower than the previous year at EUR 187,332 (2018/19: EUR 197,699). The average length of service with the Zumtobel Group equalled 10.3 years in 2019/20. The classification of employees by gender, age group, type of employment and employment relationship is shown in the following table (excluding contract workers):

	Percentage in FY 2019/20	Percentage in FY 2018/19
Men	64.2	64.3
Women	35.8	35.7
Total	**100.0**	**100.0**
< 30 years old	16.5	16.5
30-45 years	45.9	45.4
45-55 years	24.1	25.0
> 55 years old	13.5	13.1
Total	**100.0**	**100.0**
Salaried employees	62.6	62.5
Wage employees	34.6	33.1
Contract workers	2.8	4.4
Total	**100.0**	**100.0**
Full-time	91.7	91.5
Part-time	8.3	8.5
Total	**100.0**	**100.0**

1.6.6 Sustainable procurement

Procurement concept includes economic, ecological and social aspects

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

Central bundling of procurement activities

The Zumtobel Group's procurement organisation is globally positioned, and the procurement volumes from all plants are bundled under designated commodity managers. External procurement volumes for direct materials totalled approximately EUR 357 million in 2019/20 (2018/19: EUR 390 million). The Zumtobel Group works with over 692 suppliers from 32 countries and attempts to purchase most of the raw materials, merchandise and services in the regions where its plants are located. Key raw materials like steel, copper, aluminium and plastic granulate are purchased in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers are located. The share of the procurement volume from Asia amounted to over 63% (2018/19: 65%) in the Components Segment and nearly 9% (2018/19: 11%) in the Lighting Segment. The consolidation of suppliers and components for direct material deliveries continued during the reporting year and led to a reduction of nearly 1.5% in this network (2018/19: 4.8%). The goal is to reduce the total number of suppliers by 5% annually over the medium-term through increased standardisation. At least two suppliers are always approved and available for high-revenue procurement articles (multi-sourcing strategy). This approach protects supply security and strengthens the Group's negotiating position towards suppliers which, in turn, creates greater synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). However, it also creates the basis for helping preferred suppliers strengthen their focus on sustainability and continuity.

Further development of code of conduct for suppliers

The Zumtobel Group also works to implement its high ecological, social and ethical standards in its business relations with suppliers. The most important instrument in this respect is the code of conduct for suppliers, which is regularly revised and expanded, where necessary, to include new relevant topics. It formed an integral part of the contracts with all new suppliers during the reporting year. This code combines major international standards and conventions, like compliance with the core norms of the International Labour Organisation (ILO), and addresses important issues like compliance, the environment, health protection and human rights. All key suppliers with which the Zumtobel Group operates are required to observe the revised code of conduct. That covers 95.9% of the current suppliers based on procurement volumes.

Systematic supplier approval process

All new suppliers undergo a Group-wide qualification process and, among others, must confirm compliance with the Zumtobel Group's code of conduct in writing. A release audit is also carried out to review and document the availability of a verifiable quality management system, compliance with environmental and energy management standards and the fulfilment of legal requirements that include RoHS (Restriction of hazardous substances) and REACH (EU directive on chemicals). The supplier approval process was expanded in 2015/16 to also include explicit questions on the avoidance of conflict materials. In order to reduce transport costs and the related environmental pollution, an increased number of local suppliers for the new plant in Serbia were audited and approved. This helps to avoid longer supply routes from other EU states and Asia.

Regular evaluation and audits of existing suppliers

An important instrument for the joint development of suppliers is the standardised process for the regular, annual evaluation of all existing suppliers. In addition to the recognised success factors of supplier reliability, quality, costs and service, ecological and social responsibility aspects are also evaluated. Based on the "partners4excellence" international supplier day in 2018, various initiatives to strengthen the partnerships with regional and global suppliers were introduced during the reporting year. Sustainability audits with various focal points are also scheduled for selected suppliers each year. In 2019/20 136 audits (2018/19: 103 audits) were carried out – including 51 audits with a special focus on sustainability in the areas of occupational safety and environmental management. Any violations of the code of conduct or environmental standards by business partners are documented and immediate optimisation measures are requested. If these measures are not implemented within an appropriate period, the business relationship is terminated. Recommendations are also made, which allow the Zumtobel Group to encourage all its suppliers to implement an environmental management system.

Introduction of supplier sustainability self-assessment questionnaire

The introduction of a supplier sustainability self-assessment questionnaire (SSAQ) is planned for the coming financial year, which will give suppliers a regular and recurring benchmark to evaluate their sustainability level. Follow-up programmes and training courses will then be introduced based on the suppliers' estimates. This sustainability assessment will be integrated in the standardised supplier evaluation.

A new version of the conflict mineral reporting template (CMRT) will be issued at the beginning of the 2020/21 financial year as the basis for confirmations concerning conflict materials. The form will be requested from all Lighting Segment suppliers and be used to update the supplier confirmations in the Components Segment.

1.6.7 In-house environmental protection

Environmental management concept based on three supporting elements

Environmental protection is of great importance for the Zumtobel Group, not only with respect to the development of energy-efficient, environmentally friendly products but also in connection with efforts to make procurement, production and logistics 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 and the entire value chain of products and services. Environmental management in the Zumtobel Group is based on three supporting elements: environmental management systems that are certified according to international standards (ISO 14001 and ISO 50001), strict compliance with internal and external environmental protection guidelines and efforts to continuously improve the company's environmental and energy-related performance.

The goal was met to achieve certification under the expanded ISO 14001:2015 standards at the major locations, and other locations in the Zumtobel Group are scheduled for certification under ISO 14001. Based on a recommendation from an external audit by Quality Austria, the integrated approach of the environmental management system was further developed. Standardised business processes for environmental issues, binding obligations and opportunities and risks were defined and implemented for the Lighting Brands locations. A segment-wide environmental programme was developed and implemented for the Lighting Brand, and a new standardised energy efficiency indicator for our manufactured products was defined and introduced. The collection of environmental data at the Barrowford (UK) plant was expanded as planned. Data for the individual locations was simplified and is used as the basis for continuous and targeted improvements.

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 improve the company's environmental performance, to meet environmental goals for the prevention of negative effects on the environment and to guarantee compliance with legal, and government and voluntary obligations. 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. Moreover, the development of products and services covers the entire lifecycle from the selection of materials to the required technologies, production, transportation, use and recycling. All major production plants in the Zumtobel Group are currently certified under ISO 14001, and plans call for the expansion of certification.

	ISO 14001:2015	ISO 50001:2011	ISO 9001:2015
Headquarters in Dornbirn, AT	×	×	×
Service & Solutions Dornbirn, AT			×
Lighting plant in Dornbirn, AT	×	×	×
Lighting plant in Lemgo, DE	×		×
Lighting plant in Spennymoor, UK	×	× (50001:2018)	×
Lighting plant in Niš, RS	×		×
Lighting plant in Sydney, AU			×
Lighting plant in Barrowford, UK			×
Lighting plant in Highland, US			
Lighting plant in Auckland, NZ			
Lighting plant in Les Andelys, FR	×		×
Components plant in Dornbirn, AT	×	×	×
Components plant in Niš, RS	×		×
Components plant in Spennymoor, UK	×	× (50001:2018)	×
Components plant in Shenzhen, CN	×		×
Development location in Jennersdorf, AT*	returned	returned	×
Total	10	5	14

* The Jennersdorf plant terminated production in 2019 and has therefore returned this certificate.

Energy management certified under ISO 50001

Production is responsible for the highest energy consumption in the Zumtobel Group. The goal of an energy management systems under ISO 50001 is to continuously improve a company's energetic performance and, in this way, reduce greenhouse gas emissions, energy costs and other relevant effects on the environment. Energy-related performance is defined as the result of efficient energy use, appropriate energy use and energy consumption. The Zumtobel Group carries out regular energy audits at selected locations to identify opportunities for savings and develop measures for improvement. The continuous implementation of these energy efficiency measures is intended to ensure the efficient use of energy. Five locations in the Zumtobel Group are currently certified under ISO 50001.

Training on environmental protection

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

Waste management

The Zumtobel Group places special emphasis on the economical use of resources and the recycling of materials. Key factors include the efficient and economical use of materials as well as the minimisation of production scrap and unnecessary waste. Valuable materials are recycled to conserve resources. The Zumtobel Group recorded roughly 6,714 tonnes of waste from its production processes in 2019/20 (2018/19: 6,879 tonnes; reduction of 2.2%), whereby 460 tonnes were classified as hazardous. The production processes result, above all, in the following hazardous waste: waste oil, cooling materials and lubricants from metal processing, residual adhesives and waste from the lacquering processes. Material recycling was further optimised during the reporting year and led to an increase in the recycling quota from 81% to 85%. This, in turn, makes an important contribution to conserving valuable raw materials. The installation of a new electrostatic lacquering robot at the Lemgo plant cut the use of solvents by roughly 50% from 12.8 tonnes to 6.9 tonnes. In Dornbirn, a system was implemented to analyse residual waste as a means of sustainably lower the resulting volumes. The multiple use of packaging materials and reduction in the use of paper based on lean office methods have, for example, led to a cutback in waste at the plant in Niš. A Six Sigma project in the injection moulding area at the plant in Spennymoor decreased the use of polycarbonate materials by 20%.

Waste Disposal in Production in tonnes	2019/20	2018/19
Recyclable waste	5,686	5,614
Residual waste	567	884
Hazardous waste	460	381
Total	**6,714**	**6,879**

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. Procedures ensure that wastewater meets municipal requirements before it is transferred to local treatment plants and hold the related indicators clearly below the permissible limits wherever possible. These indicators are monitored and confirmed internally and externally on a regular basis. The Zumtobel Group used approximately 61,976 cubic metres of water in production during 2019/20, compared with 89,239 cubic metres in the previous year, which represents a reduction of nearly 30%. This water was drawn primarily from municipal supplies.

Energy consumption

The Zumtobel Group is working to minimise energy consumption in production. An important contribution is made by the plant in Spennymoor, where electricity consumption was reduced by 19% (approx. – 1,000,000 kWh) and natural gas consumption by 24% (ca. – 1,740,000 kWh). Energy consumption based on production output was reduced by roughly 4% in 2019/20. An analysis by process shows the highest energy consumption in the Lighting Segment's plastic injection moulding and lacquering processes and in the Components Segment's soldering and hardening processes. Most of the energy in production is used in Europe (94%). The various energy sources and consumption in production are shown in the following table:

Production Process Energy Consumption in MWh	2019/20	2018/19
Process energy		
Electricity	48,260	48,340
Gas	10,316	15,153
Local heating/district heating	1,015	673
Oil	0	116
Heating energy		
Gas	9,597	7,658
Local heating/district heating	5,671	3,985
Total	**74,859**	**75,925**

The introduction of an energy management system based on ISO 50001 in Spennymoor and the related activities to optimise the use of energy led to a significant reduction in energy consumption at this location, as indicated above. Kaizen workshops in several areas – compressors, lacquering and injection moulding – led to significant savings. This location was also converted to 100% LED lighting with efficient lighting controls and intelligent heating controls. The plant in Niš (Serbia) decreased transport-related CO_2 volumes by optimising disposal, but the ramping up of production at this location was naturally reflected in higher energy consumption.

Greenhouse gas emissions

The development of greenhouse gas emissions from production generally reflects the changes identified for energy consumption as well as the use of environmentally friendly energy sources. CO_2-equivalents are evaluated and verified at regular intervals. Two locations (Spennymoor and Niš) reported an improvement in these indicators based on national standards, while Dornbirn recorded a lower improvement in the CO_2-equivalent due to a more environmentally friendly energy mix supplied by the local utility company. The overall improvement in CO_2 emissions amounted to roughly 10%.

CO_2-Emissions in Production in tonnes	2019/20	2018/19
Oil CO_2-equivalent	0	32
Gas CO_2-equivalent	4,248	6,185
Electricity CO_2-equivalent	16,130	16,339
District heating CO_2-equivalent	419	583
Total	**20,797**	**23,139**

Optimisation of resource use through global production system

In addition to quality and lean management, environmental, energy and safety management also represent important elements of the Zumtobel Group's global production system. Clear standards and tools support the effective and efficient use of resources and help the company to meet customers' high expectations and demands. The related activities involve the optimisation of labour-intensive production and support processes as well as the use of commodities (including energy), the protection of employees' health and the prevention of negative effects of processes on the environment. The Zumtobel Group is committed to the continuous improvement of its business processes, products and services. Processes have been implemented to identify and assess opportunities for improvement, which are then combined into action programmes and implemented in structured form.

Sustainable energy consumption in Dornbirn

The connection to a local district heating network in Dornbirn allowed for the partial substitution of natural gas with biogenic-generated heat and led to a reduction in CO_2. The photovoltaic equipment (approx. 7,300 m² and roughly 1,300 kWp) installed on the roof of the lighting plant is now fully operational and supplies the location with environmentally friendly energy. It has generated 1,691 MWh of solar energy since installation and saved 1,100 tonnes of CO_2. In 2019/20 alone, this equipment produced 1,360 MWh of environmentally friendly energy.

1.7 Research and Development

Competitive product portfolio through research and development

Research and development (R&D) remain a decisive factor for the success and economic sustainability of the Zumtobel Group through the search for new technologies and their application at an appropriate stage in the creation of new products and systems. In order to protect and expand a competitive product portfolio, it is necessary to further strengthen the Zumtobel Group's outstanding technology position and innovative power with research and development investments that reflect industry levels as well as an extensive portfolio of patents, consistent product and system development and extensive cooperation with external research partners. The increased use of product configuration and variant management, the consistent development of component platforms which support multiple product families and the increased capitalisation of development expenses led to the realisation of additional synergy effects in 2019/20 as well as a slight reduction of 0.4% in R&D costs to EUR 65.9 million.

Research and Development in EUR million	2019/20	2018/19	Change in %
Development costs	62.1	61.6	0.8
Research costs	3.9	4.7	(16.7)
R&D total	65.9	66.2	(0.4)
as a % of revenues	5.8	5.7	
Headcount (full-time equivalent) R&D	551	515	7.0

Strong patent portfolio and technology partnerships

R&D makes an important contribution to the Zumtobel Group's innovative strength. An extensive patent portfolio, also in new technologies, gives the Zumtobel Group a competitive advantage as well as access to strategic cooperation with other companies and the opportunity to conclude cross-licensing agreements with key market players. In 2019/20, the Lighting Segment registered 75 patents (2018/19: 40) and the Components Segment 70 patents (2018/19: 59) which underscore the growing importance of intelligent components. The number of active commercial property rights – currently 8,379, including 4,846 patents – speak for the company's exceptional innovative strength.

The Zumtobel Group is also placing a greater focus on the expansion of technology partnerships as a means of protecting its competitive product portfolio. Participation in national and international research projects allows the Zumtobel Group to continuously demonstrate its brand reputation and innovation capabilities.

Demands on luminaires exceed pure lighting

The focal points for R&D in the Zumtobel Group include, among others, new optical concepts for the direction of light, new control gears and concepts for the operation of LEDs, new wire-guided and wireless information transfer with new data formats, sensors to compile relevant data and new approaches for the management of lighting systems. The efficiency increase in LEDs is slowing, but still requires platform concepts to manage material and process complexity as the basis for offering diversity as a resource-friendly customer benefit.

Luminaires as part of the Internet of Things

R&D is still influenced by the further development of LED technology and issues related to the "quality of light". This is reflected in the Zumtobel Group's active participation in numerous established national and international standardisation committees along its value chain (IEC - International Electrotechnical Commission, CIE - Commission internationale de l'éclairage) which are working to develop standards for security, electromagnetic compatibility and lighting norms and applications. The implementation of these standards on the market is supported by the participation in national associations like ZVEI (Zentralverband Elektrotechnik- und Elektronikindustrie) as well as the Lighting Industry Association and Lighting Europe.

Cooperation with universities and industry

Additional demands on our R&D staff are created by the increasing intelligence of systems and the need for higher performance interfaces. The importance of software as a differentiation element is growing. Luminaires and, consequently, their components are becoming part of the Internet of Things (IoT). However, the required interfaces have not yet been defined or are still incomplete, and competing interfaces have already entered the market. Through its active membership in numerous alliances that are working on IoT solutions – i.e Thread, Fairhair and Bluetooth – the Zumtobel Group is contributing to the development of industry standards for these interfaces.

The Group is also a member of the Zhaga Alliance and DiiA (Digital Illumination Interface Alliance), which are addressing the standardisation of lighting components and digital interfaces for lighting equipment.

The Zumtobel Group is continuing its close cooperation with universities in the established areas of lighting and lighting technology as well as architecture. Its partners include the universities in Ilmenau, Berlin, Hamburg, Darmstadt and Karlsruhe (all in Germany), Innsbruck and Graz (both in Austria). The cooperation programmes include projects in applied lighting technology as well as project work for students, teaching and research.

The development of the lighting industry towards IoT and services also requires close cooperation with partners in hardware, software and communications technology. For example: Casambi, NTT Austria GmbH and Etteplan Embedded Finland are important and reliable partners for the development of systems. The Zumtobel Group also maintains development partnerships with industrial firms like IBM, Nichia, WHO Ingenieursbüro (Lübeck), Digital Elektronik (St. Leonhard / Salzburg, Austria), zactrack Lighting Technologies GmbH (Vienna) and others.

The Zumtobel Group is a frequent participant in EU-wide research projects. Current activities include the PHABULOUS project, which involves the development of production processes for microstructures on freeform surfaces. The international partners include Hella, the Fraunhofer Institute for Applied Research and Joanneum Research Forschungsgesellschaft (Graz).

In connection with an EFREtop subsidy, the Zumtobel Group is working closely together with the V-Research Institute (Dornbirn, Austria) and VRVis (Zentrum für Virtual Reality und Visualisierung Forschungs-GmbH) in the areas of lighting technology and power electronics.

1.8 Internal Control System

ICS structure and focus

The internal control system in the Zumtobel Group (abbreviated in the following as "ICS") supports the attainment of corporate goals. The ICS is defined as the total of all process-based monitoring and management measures to safeguard Group assets, to ensure the completeness and reliability of information and systems, to support the efficiency and effectiveness of processes and to guarantee 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 (COBIT) published by the Information Systems Audit and Control Association (ISACA), which are adapted where necessary to reflect the Group's business model. The scope of the design and formalisation of the ICS follows a strict risk orientation (benefits), which is critically compared with the expected added expense (costs).

ICS responsibility

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

ICS monitoring

Monitoring activities are carried out by the quality assurance units in the specialist departments together with the organisationally separate corporate audit and compliance department which has a dual reporting line to the Management Board and Audit Committee. The monitoring process covers the design of controls as well as their operational effectiveness. A strictly organised follow-up process ensures that any identified weak points are eliminated as quickly as possible. The designated monitoring functions are 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 (e.g. for invitations)
- The recently created anonymous whistle blower system
- Corporate policies and procedures
- Clearly defined organisational structures, job specifications and the formal delegation of duties and responsibilities according to the individual functional requirements
- Regular comparison of the actual situation (e.g. cost centre reports) with expected results (e.g. budget)
- Training programmes for employees

ICS in financial reporting

The ICS for financial reporting is based on these general ICS elements and contains specific, very detailed rules which are available to employees in the Zumtobel Group's Intranet. Examples of the ICS for financial reporting include the following:

- Written definition of processes and documentation
- Approval and release rules which are integrated in the respective processes
- Accounting and valuation principles (Finance Group Manual)
- Uniform closing checklists (applicable throughout the Group)

The ICS elements are updated and further developed as required based on a risk-oriented approach.

1.9 Risk Management

Risk policy approaches

Systematic approach for the early identification of opportunities and risks

The Zumtobel Group realises 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 risks 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 as well as an integral part of operational management. The basic instruments for the monitoring and management of risks are the risk management software which was installed in all Group companies as well as standardised planning and controlling processes, Group guidelines, regular reporting and the internal control system (see section 1.8).

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. Guidelines and process descriptions for risk management are available to all companies in the Zumtobel Group.

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. In addition, the Audit Committee of the Supervisory Board receives semi-annual reports on the Group's major risks and opportunities. The tools and processes used by the Group to identify and evaluate risks 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 under "The Zumtobel Group – An Overview". The major risks and countermeasures are discussed in the following sections:

Market and competitive risks in the lighting industry

Macroeconomic risks

The weak industry environment with the accompanying absence of economic growth represents the most critical risk factor for the lighting industry. The corona crisis has affected nearly all industrial sectors, whereby commercial construction and hotel and gastronomy have experienced the greatest pressure. A decline in the construction of office buildings is also expected over the medium-term because home office has been successful in many areas and less office space will be needed in the future. Certain manufacturing sectors (e.g. automobile industry) are faced not only with a decline in buyer interest, but also with a technology shift in favour of electromobility – which can also reduce the readiness to invest. Business volumes will most likely remain subdued until public authorities' efforts to stimulate the construction industry take hold through new construction and renovation programmes for education, health care and infrastructure. In the UK, these circumstances are intensified by the continuing uncertainty over a new bilateral contract with the EU. The result has been an increase in surplus capacity on the market, which can lead to additional downward pressure on prices and margins. Weaker market participants will probably disappear or be acquired by competitors, which will further accelerate the long-expected consolidation in the lighting industry.

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 can lead to additional restructuring costs and thereby have a negative effect on earnings. This is applicable, in particular, to the reintegration of the plant in Les Andelys, France. The new production plant for lighting and components which opened in Niš (Serbia) during September 2018 creates new opportunities, but also involves short-term risks. The adjustment of plant capacity and the transfer of products could lead to temporary inefficiencies in production and logistics as well as subsequent delivery problems.

Technology risks

In addition to the larger variety of products and shorter innovation and product lifecycles, the increasing complexity of lighting systems – and here especially the growing role of software – represents a major challenge for manufacturers as well as customers. Problems could also arise on the customer side if systems are not compatible. Additional costs could also arise from customer satisfaction and complaints.

Business risks

Access to global decision-making networks

Access to a global network of opinion leaders and decision-makers is an important success factor for the project business of the Thorn and Zumtobel brands as well as the Zumtobel Group's OEM business, but was severely limited in recent months by the "lockdown" measures. This will lead to a gap in new project and customer acquisition and could be reflected in a decline in incoming orders and low order levels for a longer period.

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. This challenge is met 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 roughly 85% 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 and war are considered to be low. Great Britain's exit from the European Union (BREXIT) could lead to a deterioration of the market environment in this most important single selling region for the Zumtobel Group.

Risks in human resources management

A lack of specialised personnel, for example 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 for employees in internal academies as well as external institutions. Other important elements of human resources work are performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance.

Procurement risks

The uncertainty surrounding the Covid-19 crisis has made developments on the raw materials commodity market highly volatile and difficult to predict. Latest assessments indicate that the price level has bottomed out and base prices can be expected to rise slightly as the markets recover. The growing demand for protective equipment could also lead to a short-term increase in demand and prices, especially on the plastics market.

The systematic, long-term approval of suppliers based on a multi-stage authorisation process allows for the evaluation of various risk clusters at the beginning of a possible supplier partnership. In this way, potential risks can be minimised or excluded with appropriate measures. Various risk minimisation mechanisms, e.g. multiple sourcing, regular supplier audits and continuous supplier development, are embedded in the product group strategies and used to react flexibly to risks or quality problems which arise over the short-term. This workable procedure, combined with close and frequent communications with suppliers, also made it possible to quickly achieve transparency over Covid-19 supplier risks in recent months. Quick clarification and the resulting actions played an important role in preventing longer supply disruptions for the Zumtobel Group's customers from the large number of Asian subcontractors or the government-ordered lockdowns for European suppliers (above all in Italy, Spain and France). In the meantime, the normalisation of the Asian supply chains has been followed by first signs of an easing in tensions among European producers.

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

Asset risks

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

Inventory valuation risks

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

Product liability risks

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

Legal risks

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

Financial risks

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

Financing risk

In order to protect its ability to meet financial obligations at all times, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset liquidity fluctuations arising from business activities. Liquidity reserves as of 30 April 2020 included the consortium credit agreement with a current maximum line of EUR 200 million and two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB) as well as short-term, unsecured credit lines totalling EUR 63.3 million (2018/19: EUR 61.4 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The consortium credit agreement and the bilateral credit agreements require compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). These financial covenants were met in full as of 30 April 2020 with a debt coverage ratio of 1.55 (2018/19: 2.66) and an equity ratio of 28.2% (2018/19: 28.5%). 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.

A cash pooling system for the major European countries is used to improve the efficiency and effectiveness of liquidity management. It allows for the optimisation of interest income and expense on short-term cash surpluses and borrowings and reduces the need for short-term unsecured overdrafts.

Balance sheet risks

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

Pension obligation risks

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

Other risks

The Zumtobel Group is faced with extensive strict environmental, health and safety regulations in many countries. The Group makes regular investments to minimise these risks.

Overall risk evaluation of the Zumtobel Group

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

The global outbreak of COVID-19 and the measures subsequently introduced to contain the pandemic, e.g. curfews and business shutdowns, have had an enormous impact on the global economy. This health crisis has affected the Zumtobel Group's end customer markets as well as production and material procurement. The medium- and longer-term effects are impossible to estimate at the present time but are not seen as a potential danger to the continuing existence of the Zumtobel Group.

A general analysis of the above risks and opportunities shows a concentration on market risks, which reflects the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. The technological transformation process is connected with risks in the form of rising product and system complexity, but also creates opportunities through the development of new market segments and applications. The technology shift to LED and system integration is shortening product innovation cycles and, in this way, increases the risk of write-offs to inventories and capitalised development costs. In contrast, internal production processes are associated with substantially lower risk.

Group controlling and the internal control system are able to quickly identify all major risks. Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

1.10 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2020 which would have led to a change in the asset, financial or earnings position of Zumtobel Group AG.

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

1. The share capital of Zumtobel Group AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.50 each in share capital. All 43,500,000 shares are securitised in a collective certificate, which is deposited with Österreichische Kontrollbank (OeKB). All the company's shares are listed under ISIN AT0000837307 and were admitted to trading on the Vienna Stock Exchange as of 30 April 2020. As of 30 April 2020, 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 (4,405,752 shares), ASTERIX private foundation (4,700,752 shares), GENVALOR private foundation (633,750 shares), Hektor private foundation (2,267,340 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 (5,760 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.. GENVALOR private foundation holds 400,000 shares outside the syndicate.

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

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

3. The syndicate held 36.1% of the company's share capital as of 30 April 2020. Together with the shares held by GENVALOR private foundation outside the syndicate (400,000), the investment in share capital equals 37.0%.

4. There are no shares with special control rights.

5. Employees who hold shares in the company exercise their voting rights directly at the annual general meeting.

6. A cash-based long-term incentive programme (LTI) was introduced for the Management Board and upper management of 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.

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 company's articles of association.

9. The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term ending in November 2022 and a maximum line that currently equals EUR 200 million. It also includes a clause for an increase of up to EUR 200 million which can be drawn under certain circumstances. As of the balance sheet date on 30 April 2020, the amount drawn by the Zumtobel Group under the credit agreement totalled EUR 75 million. The Zumtobel Group also concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB), which call for bullet repayment and have a term ending in September 2024, respectively February 2025; both credits were fully drawn as of 30 April 2020. These major financing agreements include change-of-control clauses which are linked to a change in the absolute majority of voting rights and require compliance with financial covenants (debt coverage ratio< 3.55 and equity ratio > 23.5%). These covenants were met in full as of 30 April 2020 with a debt coverage ratio of 1.55 (2018/19: 2.66) and an equity ratio of 28.2% (2018/19: 28.5%).

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 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 maximum payment covering a period of 24 months. The members of the Management Board have no other special claims or entitlements at the end of their function. The activities of Thomas Tschol on the Management Board are made available through a personnel leasing contract concluded with Management Factory Corporate Advisory GmbH. This contract can be terminated at the end of each month in keeping with a three-month notice period.

11. The most important elements of the risk management system and the internal control system are described in management report under "Internal Control System" and "Risk Management".

1.12 Outlook and Goals

Continuation of FOCUS strategy

The Zumtobel Group continued the implementation of the FOCUS strategy in 2019/20, with the primary goal to reach an EBIT margin of 6% by the 2020/21 financial year. The three core brands were strengthened, and the sales organisation was restructured and positioned even closer to customers. Additionally, corporate functions were cut back, which led to a substantial reduction in administrative costs. The product portfolio was streamlined, and operating processes were adjusted to lower production costs. The Group's competitive position has improved, above all due to the start of operations at the new plant in Niš, Serbia, which has also led to the company now being more robust. The financial indicators for 2019/20 underscore the successful implementation of the strategy. Profitability has been improved substantially and sustainably by the targeted optimisation of the cost structure and the concentration on focus markets and applications. The goal to reach an EBIT margin of 3 to 5% in 2019/20 was clearly reached at 4.8%. However, the goal to generate a slight increase in revenues was not met due to the downturn in March and April caused by the COVID-19 pandemic (minus 2.6% versus the previous year) – whereby it is important to note the 1.5% growth recorded for the first 10 months from May 2019 to February 2020.

Outlook on revenues and earnings obscured by COVID-19

The COVID-19 pandemic has led to the implementation of wide-ranging containment measures by many governments, which have had a noticeable effect on sales markets. The International Monetary Fund issued a substantial downward correction to its forecast for the global economy in April 2020 and now expects a decline of 3% in global output for 2020. A substantial decline in GDP is particularly projected for the eurozone (-7.5%) and for the USA (-5.9%) in 2020. In view of these developments, the Management Board of the Zumtobel Group was forced to retract the guidance communicated in March 2020 – which indicated slight revenue growth in 2019/20 as well as an adjusted EBIT margin of approximately 6% in 2020/21 – because these goals are unlikely to be reached due to the COVID-19 pandemic. The Management Board expects a further decline in revenues, above all during the first half of the 2020/21 financial year.

No guidance for 2020/21 at the present time

The Management Board of the Zumtobel Group sees 2020/21 as a year of probation in which the primary objective is to manage the effects of the COVID-19 pandemic and limit the subsequent damage to the company. In addition to strict cost control, efforts will concentrate on the committed development of the innovations currently in the pipeline to return the company as quickly as possible to the sound operating development recorded before the COVID-19 crisis. Against the backdrop of this unprecedented health crisis and the uncertain market environment, any forecast for the development of revenues and earnings in the 2020/21 financial year would be connected with significant uncertainty which is now impossible to precisely estimate. The Management Board of the Zumtobel Group will therefore not issue any guidance for the full 2020/21 financial year at the present time.

Dornbirn, 15 June 2020

The Management Board

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

2. Consolidated Financial Statements

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2. Consolidated Financial Statements

2.1 Consolidated Income Statement

in TEUR	Notes	2019/20	2018/19	Change in %
Revenues	2.6.4.1	1,131,299	1,162,017	(2.6)
Cost of goods sold	2.6.4.2	(779,592)	(810,196)	(3.8)
thereof special effects		*(7,984)*	*0*	
Gross profit		**351,707**	**351,821**	**0.0**
as a % of revenues		*31.1*	*30.3*	
Selling expenses	2.6.4.2	(286,172)	(296,989)	(3.6)
Administrative expenses	2.6.4.2	(28,500)	(36,217)	(21.3)
Other operating income	*2.6.4.3*	*11,332*	*9,217*	*22.9*
thereof special effects		*2,451*	*175*	*>100*
Other operating expenses	*2.6.4.3*	*(13,223)*	*(25,162)*	*(47.4)*
thereof special effects		*(13,223)*	*(25,144)*	*(47.4)*
Operating profit		**35,144**	**2,670**	**>100**
as a % of revenues		*3.1*	*0.2*	
Interest expense	2.6.4.4	(7,300)	(6,879)	6.1
Interest income	2.6.4.4	278	396	(29.8)
Other financial income and expenses	2.6.4.5	(5,574)	(6,331)	(12.0)
Result from companies accounted for at-equity	2.6.6.4	168	56	>100
Financial results		**(12,428)**	**(12,758)**	**2.6**
as a % of revenues		*(1.1)*	*(1.1)*	
Profit before tax		**22,716**	**(10,088)**	**>100**
Income taxes	2.6.4.6	(8,264)	(5,157)	60.2
Net profit/loss for the year		**14,452**	**(15,245)**	**>100**
as a % of revenues		*1.3*	*(1.3)*	
thereof due to non-controlling interests	*2.6.6.5*	*1,035*	*22*	*>100*
thereof due to shareholders of the parent company		*13,417*	*(15,267)*	*>100*
Average number of shares outstanding – basic (in 1,000 pcs.)		43,147	43,147	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,147	43,147	
Earnings per share (in EUR)	**2.6.4.7**			
Earnings per share (diluted and basic)		0.33	(0.35)	

2.2 Consolidated Statement of Comprehensive Income

in TEUR	Notes	2019/20	2018/19	Change in %
Net profit/loss for the year		**14,452**	**(15,245)**	**>100**
Actuarial gain	2.6.5.3	3,222	3,814	(15.5)
Deferred taxes due to actuarial gain	2.6.5.5	(581)	859	<(100)
Total of items that will not be reclassified ("recycled") subsequently to the income statement		**2,641**	**4,673**	**(43.5)**
Currency differences	2.6.5.1	1,243	3,053	(59.3)
Currency differences arising from loans	2.6.5.2	(1,220)	2,075	<(100)
Deferred taxes due to loans	2.6.5.5	288	0	
Hedge accounting	2.6.5.4	139	370	(62.4)
Deferred taxes due to hedge accounting	2.6.5.5	361	(198)	>100
Total of items that will be reclassified ("recycled") subsequently to the income statement		**811**	**5,300**	**(84.7)**
Subtotal other comprehensive income		**3,452**	**9,973**	**(65.4)**
thereof due to non-controlling interests	*2.6.6.5*	*61*	*161*	*(61.9)*
thereof due to shareholders of the parent company		*3,391*	*9,812*	*(65.4)*
Total comprehensive income		**17,904**	**(5,272)**	**>100**
thereof due to non-controlling interests		*1,096*	*183*	*>100*
thereof due to shareholders of the parent company		*16,808*	*(5,455)*	*>100*

2.3 Consolidated Balance Sheet

in TEUR	Notes	30 April 2020	in %	30 April 2019	in %
Goodwill	2.6.6.1	191,510	19.3	190,299	20.7
Other intangible assets	2.6.6.2	46,694	4.7	50,179	5.4
Property, plant and equipment	2.6.6.3	284,561	28.6	232,690	25.3
Financial assets accounted for at equity	2.6.6.4	4,029	0.4	3,863	0.4
Financial assets	2.6.6.6	1,410	0.1	993	0.1
Other assets	2.6.6.7	3,915	0.4	4,145	0.5
Deferred taxes	2.6.6.8	23,461	2.4	25,487	2.8
Non-current assets		**555,580**	**55.9**	**507,656**	**55.2**
Inventories	2.6.6.9	170,931	17.1	174,827	19.0
Trade receivables	2.6.6.10	145,876	14.7	162,829	17.7
Financial assets	2.6.6.6	1,307	0.1	700	0.1
Other assets	2.6.6.7	49,258	5.0	37,566	3.9
Liquid funds	2.6.6.11	71,838	7.2	37,332	4.1
Current assets		**439,210**	**44.1**	**413,254**	**44.8**
ASSETS		**994,790**	**100.0**	**920,910**	**100.0**
Share capital	2.6.8.1	108,750	10.9	108,750	11.8
Additional paid-in capital	2.6.8.2	335,316	33.8	335,316	36.4
Reserves	2.6.8.3	(179,563)	(18.1)	(167,687)	(18.2)
Net profit/loss for the year		13,417	1.3	(15,267)	(1.7)
Capital attributed to shareholders of the parent company		277,920	27.9	261,112	28.3
Capital attributed to non-controlling interests	2.6.6.5	2,762	0.3	1,666	0.2
Equity	**2.6.8**	**280,682**	**28.2**	**262,778**	**28.5**
Provisions for pensions	2.6.6.12	78,299	7.9	81,752	8.9
Provisions for severance compensation	2.6.6.12	49,189	4.9	47,479	5.2
Provisions for other employee benefits	2.6.6.12	10,524	1.1	9,671	1.1
Other provisions	2.6.6.14	12,484	1.3	10,580	1.1
Borrowings	2.6.6.15	208,597	21.0	126,167	13.7
Other liabilities	2.6.6.18	1,447	0.1	634	0.1
Deferred taxes	2.6.6.8	1,766	0.2	2,583	0.3
Non-current liabilities		**362,306**	**36.5**	**278,866**	**30.4**
Provisions for taxes		22,165	2.2	23,421	2.5
Other provisions	2.6.6.14	50,765	5.1	41,839	4.5
Borrowings	2.6.6.15	28,907	2.9	59,877	6.5
Trade payables		115,612	11.6	137,397	14.9
Other liabilities	2.6.6.18	134,353	13.5	116,732	12.7
Current liabilities		**351,802**	**35.3**	**379,266**	**41.1**
EQUITY AND LIABILITIES		**994,790**	**100.0**	**920,910**	**100.0**

2.4 Consolidated Cash Flow Statement

in TEUR	Notes	2019/20	2018/19
Profit before tax	2.1	22,716	(10,088)
Depreciation and amortisation	2.6.4.2	66,379	49,744
Impairment of property, plant and equipment and intangible assets	2.6.4.2	5,077	3,417
Gain/loss on the disposal of property, plant and equipment and intangible assets		283	810
Other non-cash financial results	**2.6.4.5**	5,574	6,331
Interest income/ Interest expense	2.6.4.4	7,022	6,483
Share of profit or loss in companies accounted for at equity	2.6.6.4	(168)	56
Changes in the scope of consolidation		(5,579)	0
Cash flow from operating results		**101,304**	**56,753**
Inventories		8,989	24,744
Trade receivables		25,171	(5,277)
Trade payables		(26,481)	(18,167)
Prepayments received		2,426	12,192
Change in working capital		**10,105**	**13,492**
Non-current provisions		(1,747)	86
Current provisions		8,958	1,688
Other assets		(7,691)	13,690
Other liabilities		7,119	(8,794)
Change in other operating items		**6,639**	**6,670**
Income taxes paid		**(9,881)**	**(4,211)**
Cash flow from operating activities		**108,167**	**72,704**
Cash inflows from the disposal of property, plant and equipment and other intangible assets		1,507	1,558
Cash outflows for the purchase of property, plant and equipment and other intangible assets		(57,909)	(66,240)
Change in non-current and current financial assets		453	(4,608)
Change in liquid funds from changes in the consolidation range		785	0
Interest received		281	392
Cash flow from investing activities		**(54,883)**	**(68,898)**
FREE CASH FLOW		**53,284**	**3,806**
Cash proceeds from non-current and current borrowings	2.6.7.2	51,362	81,525
Cash repayments of non-current and current borrowings	2.6.7.2	(56,482)	(132,147)
Dividend paid to non-controlling interests	2.6.6.5	0	(670)
Interest paid		(7,209)	(6,742)
Cash flow from financing activities		**(12,329)**	**(58,034)**
CHANGE IN CASH AND CASH EQUIVALENTS		**40,955**	**(54,228)**
Cash and cash equivalents at the beginning of the year	2.6.7.1	19,605	72,446
Cash and cash equivalents at the end of the year	2.6.7.1	59,739	19,605
Effects of exchange rate changes on cash and cash equivalents		(821)	1,387
Change absolute		**40,955**	**(54,228)**

2.5 Consolidated Statement of Changes in Equity

2019/20 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 2019		**108,750**	**335,316**	**(24,141)**	**(38,020)**	**(260)**	**(120,533)**	**261,112**	**1,666**	**262,778**
+/- Net profit/loss for the year	2.1	0	0	13,417	0	0	0	13,417	1,035	14,452
+/- Other comprehensive income	2.2	0	0	0	250	500	2,641	3,391	61	3,452
+/- Total comprehensive income		**0**	**0**	**13,417**	**250**	**500**	**2,641**	**16,808**	**1,096**	**17,904**
+/- Changes in the scope of consolidation		0	0	(185)	0	0	185	0	0	0
+/- Dividends	2.6.8.4	0	0	0	0	0	0	0	0	0
30 April 2020		**108,750**	**335,316**	**(10,909)**	**(37,770)**	**240**	**(117,707)**	**277,920**	**2,762**	**280,682**

2018/19 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 2018		**108,750**	**335,316**	**(10,900)**	**(42,987)**	**(432)**	**(125,206)**	**264,541**	**3,802**	**268,343**
Adjustment IFRS 9		0	0	377	0	0	0	377	0	377
1 May 2018		**108,750**	**335,316**	**(10,523)**	**(42,987)**	**(432)**	**(125,206)**	**264,918**	**3,802**	**268,720**
+/- Net profit/loss for the year	2.1	0	0	(15,267)	0	0	0	(15,267)	22	(15,245)
+/- Other comprehensive income	2.2	0	0	0	4,967	172	4,673	9,812	161	9,973
+/- Total comprehensive income		**0**	**0**	**(15,267)**	**4,967**	**172**	**4,673**	**(5,455)**	**183**	**(5,272)**
+/- Adjustments		0	0	1,649	0	0	0	1,649	(1,649)	0
+/- Dividends	2.6.8.4	0	0	0	0	0	0	0	(670)	(670)
30 April 2019		**108,750**	**335,316**	**(24,141)**	**(38,020)**	**(260)**	**(120,533)**	**261,112**	**1,666**	**262,778**

2.6 Notes

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 2019/20 financial year.

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 15 June 2020. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether it approves the consolidated financial statements. The relevant Supervisory Board meeting is scheduled for 22 June 2020 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 2019 bis 30 April 2020. The reporting currency is the euro. The business activities of the Group are carried out 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 2019/20 include 90 (2018/19: 94) fully consolidated companies which are controlled by Zumtobel Group AG. In accordance with IFRS 10, control exists when Zumtobel has the power of disposition over the subsidiary and can therefore determine the subsidiary's financial and business policies. One company was included in the consolidation at equity (2018/19: two). Ten companies (2018/19: nine) 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 2019	**94**	**2**	**96**
Included during reporting year for first time	1	0	1
thereof acquisition	*1*	*0*	*1*
Merged during reporting year	(1)	(1)	(2)
Liquidated during reporting year	(4)	0	(4)
30 April 2020	**90**	**1**	**91**

Acquisition

The remaining 90% of the shares in ZG Europhane SAS, France (formerly Europhane SAS, France) were acquired for TEUR 500 in February 2020. As a result of this transaction, the plant in Les Andelys, which was sold in September 2017 and subsequently accounted for as a 10% investment, is again under sole ownership of the Zumtobel Group.

The amounts recognised as of the acquisition date for the acquired assets and accepted liabilities are summarised as follows.

in TEUR	ZG Europhane SAS
Non-current assets	6,893
Current assets	12,842
Non-current liabilities	(2,395)
Current liabilities	(11,373)
Total identifiable net assets acquired	**5,967**

The negative difference from the initial consolidation is related to an identified need for restructuring, which was reflected in the recognition by the Group of provisions totalling TEUR 8,440. Expenses of TEUR 2,973 connected with the repurchase of the Les Andelys plant are reported under special effects.

ZG Europhane SAS contributed a loss of TEUR 11,585 to Group results since the acquisition in February 2020. If the acquisition had taken place on 1 May 2019, net profit would have equalled TEUR 10,879 for the 2019/20 financial year, according to an estimate by management. ZG Europhane SAS is a production company and its revenues are generated primarily within the Zumtobel Group. Therefore the revenues since acquisition date and the impact on Group revenues - if the acquisition had taken place on 1 May 2019 – are not material.

Merger

Zumtobel Lumière Sarl, France, was merged into ZG Lighting France S.A. during March 2020.

Liquidation

ZG Innovation France SAS, France, was liquidated and deconsolidated in September 2019.

Tridonic Finance Pty. Ltd, Australia, was liquidated and deconsolidated in November 2019.

ZG Lighting CEE GmbH, Austria, and Thorn Lighting s.r.l., Italy, were liquidated and deconsolidated in April 2020.

At equity

The remaining shares in the previously equity-accounted LED FMT GmbH, Austria (formerly LEXEDIS Lighting GmbH, Austria) were acquired and merged with Zumtobel LED GmbH, Austria, in May 2019. The initial consolidation resulted in income of TEUR 1,970, which is included under special effects.

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 unless they are 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 2020	30 April 2019	30 April 2020	30 April 2019
AUD	1.6429	1.5862	1.6598	1.5911
CHF	1.0900	1.1422	1.0558	1.1437
USD	1.1083	1.1497	1.0876	1.1218
SEK	10.6804	10.3775	10.6639	10.6350
NOK	10.1584	9.6245	11.1840	9.6678
GBP	0.8759	0.8813	0.8691	0.8625

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 relevant for the Zumtobel Group for the first time in2019/20:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IAS 19	Change: Plan amendments, curtailments and settlements	1 January 2019
IAS 28	Change: Long-term investments in associates and joint ventures	1 January 2019
IFRS 9	Change: Prepayment options with negative compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Accounting for tax risk positions with negative compensation	1 January 2019
Various	Annual Improvements to IFRS-Cycle 2015–2017: Changes to IAS 23, IFRS 3 and IFRS 11	1 January 2019

IFRS 16 – Leases

The IASB issued IFRS 16 "Leases" in January 2016 as a replacement, among others, for IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease" as of 1 January 2019. 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 usage rights and corresponding liabilities for leases with a term of more than 12 months.

The application of IFRS 16 results in the balance sheet recognition of operating leases, generally in line with the accounting treatment previously applied to finance leases. The accounting rules for lessors were transferred nearly unchanged from IAS 17 to IFRS 16, which means the lessor can continue to classify leases as financing or operating leases.

The Zumtobel Group waived the early introduction of this standard and decided in favour of the modified retrospective method for the initial application. Consequently, IFRS 16 was initially applied as of 1 May 2019. The comparative prior year data were not adjusted. The cumulative effects as of the initial application on 1 May 2019 are as follows:

in TEUR	As of 30.04.2019	IFRS 16 - Adjustment	As of 01.05.2019
ASSETS			
Non-current assets			
Property, plant and equipment	232,690	52,534	285,224
EQUITY AND LIABILITIES			
Non-current financial liabilities			
Lease liabilities	16,063	38,918	54,981
Current financial liabilities			
Lease liabilities	1,023	13,616	14,639

For the identified leases, lease liabilities were recognised for future lease payments and discounted at the incremental borrowing rate applicable to the respective lessee. The weighted average incremental borrowing rate of the lessees equalled 4.13% as of 1 May 2019. The incremental borrowing rates were based on a reference interest rate plus a risk premium. Rights of use were recognised at an amount corresponding to the lease liabilities. This led to an increase of TEUR 52,534 in the carrying amount of property, plant and equipment. Land and buildings, motor vehicles and other items of property, plant and equipment were identified as categories. Most of the contracts, based on the number, involve motor vehicle leases. Most of the contracts, based on the value of the right of use, represent building leases (TEUR 45,804).

The following practical expedients were used in connection with the initial application of IFRS 16:

- >> Leases with a term ending within 12 months of the initial recognition date were not recognised.
- >> Initial direct costs were not included in the valuation of the right of use on the initial recognition date.
- >> Low-value assets (< TEUR 5) were not recognised.
- >> The new definition of a lease was applied to new contracts. For older contracts, initial recognition was based on the original classification ("grandfathering" method).

The differences between the liabilities from operating leases reported in the notes to the consolidated financial statements as of 30 April 2019 (TEUR 44,287) and the lease liabilities recognised as of 1 May 2019 (TEUR 52,534) include a discounting effect of TEUR -12,788. The remaining difference is primarily attributable to reasonably certain extension and termination option as well as to non-leasing components, short-term leases with a term of less than twelve months from the initial recognition date and low-value leases.

Information on effects during the 2019/20 financial year is provided in note 2.6.6.16 "Rights of use from leases and lease liabilities".

IFRS 9 – Prepayment options with negative compensation

Under the previous rules defined by IFRS 9, the contractual cash flow condition is not met or measurement at fair value through profit or loss is required when the lender is forced to make a settlement payment (also described as an early repayment gain) in the event of termination by the borrower. This change amends the existing IFRS 9 rules to also permit measurement at amortised cost (respectively at fair value through other comprehensive income) in the event of a negative compensation payment, depending on the business model. The sign of the prepayment amount is not relevant under the amendment. A payment may also be made in favour of the contracting party which made the early repayment, depending on the interest rate prevailing at the time

of termination. The calculation of this compensation payment must be the same for both in the event of an early repayment penalty as well as an early repayment gain. This change has no effects for the Zumtobel Group.

IFRIC 23 – Accounting for tax risk positions with negative compensation

The interpretation of IFRIC 23 is applicable to taxable profits (taxable losses), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over the tax treatment under IAS 12. A company must assume that a tax authority which has the right to audit its reported amounts will do so and with full knowledge of all relevant information. Moreover, judgment is required to determine whether each tax treatment will be assessed individually or in combination with other tax treatments. The decision should be based on the method which provides a better prediction for resolving the uncertainty. The initial application of IFRIC 23 has no material effects on the consolidated financial statements.

The other new, respectively revised standards/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 2019/20:

Standard/Interpretation		Mandatory application in financial years beginning on or after
Various	Changes in the Framework Concept	1 January 2020
IFRS 3	Changes to IFRS 3 Definition of a business	1 January 2020
IAS 1 / IAS 8	Changes to IAS 1 / IAS 8 Definition of materiality	1 January 2020
IFRS 9 / IAS 39 / IFRS 7	Change: Interest Rate Benchmark Reform	1 January 2020
IAS 1	Change: Presentation of financial statements	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Various	Changes to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Open

The Group is currently evaluating the possible effects of the above changes on its consolidated financial statements. To date, no material effects are expected.

2.6.3.2 Major accounting and valuation methods

Goodwill

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

Other intangible assets

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

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

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

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

Property, plant and equipment

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

Straight-line depreciation for property, plant and equipment owned is based on the following depreciation rates:

Straight-line depreciation	Depreciation rate per year
Buildings	2 – 3.3%
Plant and machinery	6.7 - 25%
Other equipment	6.7 – 33.3%

Straight-line depreciation for right-of-use assets is based on the following depreciation rates:

Straight-line depreciation	Depreciation rate per year
Buildings	0.6 - 11%
Other equipment	20.0 – 33.3%

Leases

A lease is a contract which transfers the right to use an asset for an agreed period in return for consideration.

Up to 30 April 2019, leases under which the Zumtobel Group, as the lessee, substantially carried all risks and rewards associated with the ownership of an asset were accounted for as finance leases in accordance with IAS 17 beginning with the conclusion of the contract. The leased asset was recognised under property, plant and equipment at the lower of fair value or the present value of the minimum lease payments. Scheduled depreciation was recognised on a straight-line basis over the shorter of the contract term or useful life of the leased asset. The payment obligations resulting from future lease payments were recognised and recorded under financial liabilities. Under operating leases, the leased assets were economically attributed to the lessor because the risks and rewards remained with the lessor. The related leasing costs were included on the income statement.

Since 1 May 2019, the Zumtobel Group generally recognises all leases under which it serves as the lessee, together with the related rights and obligations, on the balance sheet in accordance with IFRS 16. A right of use and corresponding lease liability are recognised as of the date on which the leased asset is available to the Zumtobel Group for use.

The lease liability includes the present value of the lease payments. The lease payments are discounted at the interest rate underlying the lease, to the extent this rate can be determined. In all other cases, discounting is based on the incremental borrowing rate. Finance costs are recognised to profit or loss over the term of the lease. The carrying amount of the lease is recalculated if there is a change in the lease or a change in the assessment of a purchase option for the underlying asset.

The rights of use are measured at cost, which includes the following components:

- Amount determined by the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- any dismantling obligations.

Subsequent measurement is based on cost less any accumulated depreciation and any accumulated impairment losses. The right of use is amortised on a straight-line basis over the shorter of the useful life and the term of the lease. The right of use is also tested for impairment.

The Zumtobel Group has decided to apply the practical expedients for low-value assets and for short-term leases (less than 12 months). The payments for short-term leases of low-value assets are expensed as incurred within the respective functional area.

These new requirements were not applied to leases for intangible assets. For contracts which include both lease and non-lease components, the practical expedient was elected not to separate these components.

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

A financial instrument is a contract that gives rise to a financial asset in one company and, at the same time, a financial liability or equity instrument in another company. Financial instruments are recognised as of the trading date. The financial assets and financial liabilities reported on the balance sheet include cash and cash equivalents, investments and other financial assets, trade receivables and payables, part of other receivables and other liabilities as well as bank and other financial liabilities.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contract which regulates the financial instrument. These items are initially recognised at fair value plus transaction costs. An exception to this practice is formed by financial assets classified at fair value through profit or loss, which are initially recognised at fair value excluding transaction costs. Financial instruments are netted out when the Group has a legally enforceable right to offset these items and plans to settle either the balance or both the receivable and the liability at the same time.

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity depending on the economic content of the contractual agreement. An equity instrument is a contract that evidences a residual interest in the assets of a company after the deduction of all its liabilities. Equity instruments are recognised at the amount of the issue proceeds less direct issue costs.

Categories and subsequent measurement of financial assets

The subsequent measurement of all recognised financial assets is dependent on the classification at amortised cost or at fair value. The classification and measurement approach for financial assets reflects the business model within which the asset is held as well as the characteristics of the related cash flows. A differentiation is made between the following three classification categories for financial assets:

- >> at amortised cost
- >> at fair value with changes recorded in profit or loss for the period (FVTPL)
- >> at fair value with changes recorded in other comprehensive income (FVTOCI)

The selection of the classification category is based on the type of instrument: derivative financial instrument, equity instrument or debt instrument.

The subsequent measurement of **derivative financial instruments as FVTPL** involves the carry forward of these derivatives at fair value as of every balance sheet date. Any gain or loss resulting from measurement is recognised to profit or loss. The derivatives are recorded under other financial assets or other liabilities depending on the fair value.

The subsequent measurement of **derivative financial instruments as FVTOCI** involves the carryforward of these derivatives at fair value as of every balance sheet date. Any gain or loss resulting from measurement of derivatives which are designated as hedges and are effective is recorded under other comprehensive income without recognition to profit or loss. Depending on the fair value, the derivative is recorded under other financial assets or other liabilities.

A **debt instrument is measured at amortised cost** when it meets the following two conditions and is not designated as FVTPL:

- >> It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- >> Its contractual terms lead, on specified dates, to cash flows that consist solely of principal payments and interest on the principal amount outstanding.

This category covers the following assets for the Zumtobel Group: trade receivables, loans and other receivables with fixed or determinable payments which are not quoted in a market. These assets are measured at amortised cost based on the effective interest method, whereby amortised is reduced to reflect any applicable impairment losses. Interest income, foreign exchange gains and losses, derecognition results and impairment losses are recognised to profit or loss.

A **debt instrument is classified as FVTOCI** when it meets the following two conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows and to sell financial assets; and
- It contractual terms lead, on specified dates, to cash flows that consist solely of principal payments and interest on the principal amount outstanding.

No financial instruments were assigned to this category in 2019/20.

All **debt instruments** which are not measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. The Group can also irrevocably designate, on initial recognition, a financial asset which meets the requirements for amortised cost or FVTOCI as FVTPL when this eliminates or significantly reduces a measurement or recognition inconsistency. Financial instruments which are acquired by a company with the intention of selling or repurchasing them in the near term fall under this category. The Group holds no debt instruments for the purpose of realising gains from short-term fluctuations in market prices or from trading margins. Any gains, including interest, or losses from measurement are recognised to profit or loss. This option is not exercised in the Zumtobel Group.

An **equity investment** is generally measured as **FVTPL** because it is held for trading purposes or based on a decision at the time of initial recognition to irrevocably present subsequent changes in the fair value of the investment not in OCI but on the income statement. This option is not exercised in the Zumtobel Group. This election is made on a case-by-case basis. The Zumtobel Group holds no equity instruments for the purpose of realising gains from short-term fluctuations in market prices or from trading margins. Any gains resulting from measurement, including dividend income, or losses are recognised to profit or loss.

Categories and subsequent measurement of financial liabilities
The measurement of financial liabilities is based on the assignment to certain categories, which are differentiated and described below:

- At fair value through profit or loss
- At amortised cost

The Group classifies a financial liability at fair value through profit or loss when the financial liability is held for trading or when a derivative financial instrument is involved which was not designated as a hedge and is not effective as such. The fair value option is not exercised in the Zumtobel Group. The Group uses derivative financial instruments to hedge interest rate and foreign exchange risks and to hedge the price risks associated with raw materials. Derivative financial instruments are assigned to this category when they do not meet the criteria for hedge accounting under IAS 39. Any gains or losses from measurement are recognised to profit or loss. Depending on the fair value, a derivative financial instrument is recorded under other financial assets or other liabilities. The Group holds no financial liabilities for the purpose of realising gains from short-term fluctuations in market prices or from trading margins.

Other financial liabilities, including borrowings, are initially recognised at fair value less transaction costs. They are subsequently measured at amortised cost in accordance with the effective interest method, whereby interest expense is recognised to profit or loss based on the effective interest rate.

Impairment
The impairment model is applied to the following assets:

- Financial assets measured at amortised cost
- Debt instruments measured at FVTOCI
- Contract assets

The impairment model of "expected credit losses" (ECL) is used. It requires significant discretionary decisions concerning the influence of economic factors on expected credit defaults. These estimates are based on weighted probabilities, ECLs, in line with one of the following factors:

- 12-month credit loss: This represents the expected credit losses resulting from possible default incidents within 12 months after the balance sheet date.
- Lifetime credit loss: This represents the expected credit losses resulting from all possible default incidents during the lifetime of a financial instrument.

If an asset shows no signs of impairment at initial recognition, the first assessment is based on the concept of expected 12-month credit losses. This assessment is generally retained for subsequent reporting dates. If the credit risk of a financial asset on the reporting date has increased significantly since initial recognition, measurement is based on the concept of lifetime expected credit losses. The Group uses appropriate and supportable information that is relevant and available without unnecessary excess costs to determine whether the credit risk of a financial asset has increased significantly since initial recognition and to estimate the ECL. This includes both quantitative and qualitative information and analyses based on the Group's historical experience and forward-looking information as well as a well-founded credit assessment.

The Group assumes a significant change in the credit risk of a financial asset has occurred when

- a financial asset is more than 30 days overdue, unless there are reasonable grounds or
- an instrument must be renegotiated and stricter requirements (e.g. increase in collateral, etc.) are applied or
- there has been a substantial change in the credit spread or the credit default swap prices for borrowers etc. for a specific or similar instrument.

The Group assesses at every reporting date whether the respective assets are credit-impaired. This is the case when one or more events have occurred which have a negative effect on the estimated future cash flows. A write-down is then recorded to reduce the gross value of the asset.

Measurement in accordance with the concept of lifetime credit losses is always used for trade receivables and for contractual assets without a material financing component. In addition to the deduction of individual valuation allowances, the estimated expected credit losses are evaluated in a six-step risk class model based on the customer's actual payment behaviour towards the Group, current external credit reports and credit loss insurance. Each risk class is assigned to an empirically determined credit loss probability in an impairment matrix. Expenses arising from valuation adjustments to trade receivables are reported under selling expenses (see note 2.6.10.2).

Probability of default per risk class in %	
Debtor risk class 1	0.12%
Debtor risk class 2	0.33%
Debtor risk class 3	0.73%
Debtor risk class 4	1.67%
Debtor risk class 5	7.31%
Debtor risk class 6	15.00%
Public authority	0.00%

Cash and cash equivalents are principally deposited with system-relevant banks or financial institutions. The Group monitors changes in the default risk continuously through the observation of published external credit ratings. The Zumtobel Group assumes that its cash and cash equivalents have an immaterial risk of default based on the external ratings.

Specific presentation requirements must be observed when impairment losses are recognised. A differentiation is made depending on the type of financial instrument and the step in the impairment model to which a financial instrument is assigned:

>> Impairment losses to financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.
>> If, for example, there are objective indications of impairment at the time of initial recognition, the expected credit loss is reflected in the interest rate. Separate disclosure of the impairment is not required on initial recognition, but a separate risk allowance is required for changes after that time.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The measurement of financial instruments at fair value follows a three-step hierarchy which is based on the proximity of the input factors to an active market.

>> Level 1: This level covers financial instruments which are listed on an active market for identical assets or liabilities to which the company has access. The prices quoted on these markets represent fair value.
>> Level 2: When Level 1 measurement is not possible, fair value is determined under Level 2 based on directly or indirectly observable input factors.
>> Level 3: If the input factors required for measurement cannot be observed, the financial instrument is measured under Level 3 based on these non-observable input factors.

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

The fair value of derivative financial instruments can be reliably determined as of each balance sheet date because measurement is based on observable market input factors – i.e. all measurements are classified under Level 2 (also see note 2.6.10).

The consolidated financial statements also include financial instruments whose measurement is not based on quoted prices or observable market input factors (Level 3). These financial statements represent securities and similar rights.

Hedge accounting

Derivatives which are designated as hedges because they meet the requirements for accounting as such are recognised and measured in accordance with the rules for hedge accounting defined by IAS 39. The Zumtobel Group exercised the option not to apply the new requirements of IFRS 9. In connection with the hedging of the fair value of a recognised asset or recognised liability (fair value hedge), changes in the fair value of the hedging instrument and the underlying transaction are recorded on the income statement. The Group documents, at the beginning of the hedge, the relationship between the underlying transaction and the hedge, including the risk management objectives, as well as the corporate strategy on which the hedge relationship is based. Regular documentation is also recorded at the time the hedge is concluded and during its term to demonstrate that the cross-currency interest rate swap is highly effective in relation to the hedged risk for changes in fair value (see note 2.6.11.3).

In connection with the hedging of future cash flows (cash flow hedge) from a recognised receivable or liability or a highly probable future transaction, the effective part of the change in fair value is recorded under other comprehensive income and the ineffective portion is recorded immediately to the income statement. The amounts recorded under other comprehensive income are transferred to the income statement during the period in which the hedged obligation or expected transaction influences profit or loss. At the beginning of the hedge, the Group documented the relationship between the underlying transaction and the hedge, including the risk management objectives, as well as the corporate strategy on which the hedge relationship is based. The documentation recorded at the time the hedge was concluded and during its term demonstrated that the interest rate swap is highly effective in relation to the hedged risk for changes in future cash flows (see note 2.6.11.3).

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

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

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

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

Employee benefits

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

>> Other long-term employee benefits consist primarily of the provisions for service anniversary bonuses and partial retirement in 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. 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 the 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 for current tax expense are calculated on the basis of currently applicable tax rates.

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

Revenues cover all income resulting from the typical business activities of the Zumtobel Group and, in accordance with IFRS 15, are generated from contracts with customers. Accordingly, the Zumtobel Group recognises revenue when control over the promised products or services is transferred to the customer. The rules defined by IFRS 15 are implemented within the framework of a five-step model: The first step involves the identification of the contract with the customer, followed by the identification of the separate performance obligations. Distinct services and any bundle of goods and services must be separated. In the third step, the transaction price must be determined: The transaction price represents the amount of the consideration to which the delivering company expects to be entitled in exchange for the delivered goods or services. The transaction price is then allocated to the identified performance obligations. The final step covers the recognition of revenue when the performance obligations are met. Revenue is recognised over time or at a specific point in time.

Revenue-based guarantee services are generally not purchased separately and, therefore, cannot be seen as separate performance obligations. They represent the assurance that the sold products will meet the agreed specifications. Accordingly, guarantee services are recognised in agreement with IAS 37 "Provisions, Contingent Liabilities and Contingent Receivables".

Customer bonuses and discounts represent variable payments under IFRS 15, which reduce the transaction price. In accordance with IFRS 15 they must be accounted for as variable consideration and offset against the related customer receivables. Any surplus of the bonuses/discounts over the related receivable is recorded as a contract liability.

Most of the revenues in the Zumtobel Group are recognised at a point in time. If the criteria defined by IFRS 15 for recognition over time are not met, revenue is recognised at a point in time. In the Zumtobel Group, a customer obtains control over a promised product or service, above all, when the asset is accepted or when the risks and rewards of ownership are transferred.

The Zumtobel Group also provides a limited scope of services which are invoiced on a monthly basis. In these cases, the customer receives and uses the benefits simultaneously with the performance by the Zumtobel Group – and revenue is recognised over time. Revenue is also recognised over time in individual cases involving the production of customer-specific products when the contracts create a legal entitlement to payment for previously provided services. Due to the short terms of these orders, the effects are considered immaterial.

Any surplus of advance payments or partial payments by customers over the progress of contract performance within the framework of revenue recognition over time results in the recognition of contract liabilities from revenue recognition over time; the opposite situation results in the recognition of contract assets. Advance payments received from customers on orders which are realised at a point in time are reported on the balance sheet under "Other liabilities" (see note 2.6.6.18). Contract assets and contract liabilities are part of the Zumtobel Group's normal business cycle and are reported as current assets or current liabilities. Amounts originally reported as contract assets are reclassified to trade receivables when the related invoice is issued to the customer. Contract assets or contract liabilities are presented as a net amount when multiple contracts with a single customer are combined into a package. Based on the Zumtobel Group's current business model, no contract assets are reported.

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. This testing involves determining the recoverable amount of each asset. 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.

Impairment tests were carried out in 2019/20 on development projects in progress, on the cash-generating unit Components ("CGU Components") and on the goodwill allocated to the cash-generating unit Lighting ("CGU Lighting").

In accordance IAS 36.A7 ff, a scenario-based approach was selected due to the COVID 19 pandemic. The scenarios reflect different assumptions for the duration and depth of the crisis.

Multiple scenarios were prepared for the CGU Lighting and the CGU Components.

Different influencing factors were parameterised and priced in over a timeframe for these scenarios. The scenarios were then weighted to develop a general expected value.

The recoverable amount of the development projects in progress was determined according to the value in use. The expected future cash flows from these development projects were discounted for the calculation at country-specific, weighted average after-tax cost of capital rates (Austria 7.19%, Germany 6.42%, Great Britain 8.10%).

The recoverable amounts of the CGU Lighting and the CGU Components were also based on the value in use and determined by a discounted cash flow method.

The most important parameters for impairment testing are influenced primarily by the development of the EBIT margin and include the forecasted cash flows, the long-term growth rate and the weighted average cost of capital used for discounting.

The valuation period is based on a detailed forecast period of four years plus a transition year and a perpetual annuity. The forecasts are based on external projections, experience values and estimates by the Management Board for the development of the market environment and earnings. The assumptions correspond to the assumptions which would be made by a market participant. The average EBIT margin for the planning period equalled 5.4% for the CGU Lighting (2018/19: 5.4%) and 4.1% for the CGU Components (2018/19: 4.9%)

A long-term growth rate of 1.5% for the lighting industry was applied to the years after the detailed forecast period (2018/19: 1.5%).

The discount rate represents a pre-tax rate which was estimated on the basis of the historical weighted average cost of capital for the industry. In 2019/20 the pre-tax WACC equalled 9.29% (2018/19: 9.03%) for the CGU Lighting and 10.17% (2018/19: 10.67%) for the CGU Components

The recoverable amount of the CGU Lighting exceeds the carrying amount by nearly EUR 175 million (2018/19: EUR 204 million). The recoverable amount of the CGU Lighting would equal the carrying amount if the discount rate increased from 9.29% to 11.83% or if the forecasted cash flows declined by 24.76%.

The recoverable amount of the CGU Components exceeds the carrying amount by nearly EUR 66 million (2018/19: EUR 57 million). The recoverable amount of the CGU Components would equal the carrying amount if the discount rate (WACC) increased from 10.17% to 14.53% or if the forecasted cash flows declined by 34.66%.

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

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

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

>> Lease terms
The Zumtobel Group determines the terms of leases based on the non-cancellable base period together with periods arising from extension options which can be classified as reasonably certain. Discretionary decisions are involved in assessing whether an option to extend or terminate a lease will be exercised. All relevant factors which represent an economic incentive are included in this decision. These factors are questioned and reassessed as required, which can lead to a change in the lease term and, in turn, to the adjustment of the lease liability and right of use. The relevant assumptions for determining the lease term, above all for the major leased office buildings, sales offices and warehouses with unlimited contracts, are based on the strategic focus, location and costs.

>> Uncertainties connected with the BREXIT
The United Kingdom's withdrawal from the EU took place on 31 January 2020, in accordance with the agreement signed on 24 January 2020. This agreement provides for a transition phase up to 31 December 2020, in which the long-term relationships between the United Kingdom and the European Union will be renegotiated. An extension of this transition period is possible. In preparation for the possible implementation of new rules, the Zumtobel Group has reorganised its IT systems for logistics, customs, accounting and controlling and created the necessary internal structures. All related projects were successfully completed.

>> Uncertainties connected with the COVID 19 pandemic
The WHO classified the global outbreak of the respiratory illness COVID-19 as a pandemic on 11 March 2020. Measures were implemented by governments across the world beginning with the end of February to combat this disease. In this connection, the freedom of movement and assembly were limited, and companies and schools were temporarily closed. The effects of the COVID-19 pandemic lead to valuation adjustments in many cases and are therefore reflected in these consolidated financial statements. Additional information is provided in the section on goodwill.

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 designated as "thereof" on the income statement.

Government grants

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

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 38,546 (2018/19: TEUR 44,074) for sales deductions (primarily customer discounts). Gross revenues totalled TEUR 1,169,845 (2018/19: TEUR 1,206,091).

Revenues recorded by the Zumtobel Group in 2019/20 resulted from the sale of lighting (73%), components (25%) and services (2%). Sales of lighting and components are recognised at a point in time. In contrast, the sale of services is recognised over time – i.e. on a monthly basis.

in TEUR	2019/20		2018/19	
Indoor luminaires & components	962,481	85%	986,231	85%
Outdoor luminaires & components	168,819	15%	175,786	15%
Revenues	**1,131,299**		**1,162,017**	

Information on the distribution of revenues by segment and region is provided in note 2.6.12.

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:

2019/20 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(504,648)	(5,128)	(68)	0	(509,844)
Personnel expenses	(177,090)	(162,328)	(27,685)	(8,155)	(375,258)
Depreciation	(47,984)	(17,392)	(1,012)	(5,068)	(71,456)
Other expenses	(64,509)	(96,848)	(13,142)	0	(174,499)
Own work capitalised	17,000	458	43	0	17,501
Internal charges	(5,253)	(7,829)	13,082	0	0
Total expenses	**(782,482)**	**(289,067)**	**(28,782)**	**(13,223)**	**(1,113,554)**
Other income	**2,890**	**2,895**	**282**	**11,332**	**17,399**
Total	**(779,592)**	**(286,172)**	**(28,500)**	**(1,891)**	**(1,096,155)**

2018/19 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(528,843)	(4,645)	(52)	(2)	(533,542)
Personnel expenses	(189,118)	(165,103)	(33,306)	(11,719)	(399,246)
Depreciation	(42,479)	(5,943)	(1,028)	(3,711)	(53,161)
Other expenses	(69,971)	(118,682)	(14,974)	(9,729)	(213,356)
Own work capitalised	19,554	347	32	0	19,933
Internal charges	(6,919)	(5,833)	12,752	0	0
Total expenses	**(817,776)**	**(299,859)**	**(36,576)**	**(25,161)**	**(1,179,372)**
Other income	**7,580**	**2,870**	**359**	**9,217**	**20,026**
Total	**(810,196)**	**(296,989)**	**(36,217)**	**(15,944)**	**(1,159,346)**

The cost of materials includes TEUR 26,846 (2018/19: TEUR 23,461) of third party services.

Other income includes government grants of TEUR 6,606 (2018/19: TEUR 5,394) which were provided primarily for research activities. Of this total, TEUR 6,324 (2018/19: TEUR 5,171) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 62,059 (2018/19: TEUR 61,568). Development costs capitalised during the reporting year equalled TEUR 16,468 (2018/19: TEUR 18,172), and the related amortisation and impairment charges amounted to TEUR 18,607 (2018/19: TEUR 14,038).

Selling expenses include research costs of TEUR 3,879 (2018/19: TEUR 4,657).

The government subsidies received by the Zumtobel Group in connection with the Covid-19 pandemic are reported as a reduction of expenses under the respective functional areas. As these measures only took effect towards the end of the 2019/20 financial year, the subsidies had only a limited financial impact on the Zumtobel Group.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2019/20:

In TEUR	2019/20	2018/19
Total fees	**380**	**431**
thereof audit and related activities	*236*	*228*
thereof other services	*144*	*203*

The fees for other services involve audit-related consulting. The fees agreed with the member companies of the KPMG network for auditing services in the Zumtobel Group totalled TEUR 1,328 (2018/19: TEUR 1,127).

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

in TEUR	2019/20	2018/19
Wages	(52,645)	(57,130)
Salaries	(229,234)	(236,557)
Expenses for severance compensation	(3,008)	(4,742)
Expenses for pensions	(4,611)	(4,766)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(57,526)	(59,719)
Other employee benefits	(9,044)	(10,390)
Contract workers	(11,043)	(14,260)
Expenses from restructuring	(8,147)	(11,682)
Personnel expenses	**(375,258)**	**(399,246)**

2.6.4.3 Other operating results

in TEUR	2019/20	2018/19
Government grants	*6,324*	*5,171*
License revenues	*1,787*	*3,270*
Gains on sale	*481*	*0*
Changes in the scope of consolidation	*1,970*	*175*
Other income	*770*	*601*
Other operating income	**11,332**	**9,217**
Impairment charges to non-current assets	(5,077)	(3,581)
Restructuring	(7,019)	(19,037)
Impairment charges to current assets	0	(40)
IAS 19 - past service cost adjustment	(1,127)	(2,485)
Other expenses	0	(18)
Other operating expenses	**(13,223)**	**(25,162)**

As in the prior year, the government grants received in 2019/20 represent subsidies that were recognised to profit or loss.

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

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

Impairment losses related to the reintegration of the Les Andelys plant are reported under restructuring.

The special effects are classified as follows:

in TEUR	2019/20	2018/19
Expenses related to Les Andelys (FR) facility buyback	(2,973)	(2,355)
Warranty case outdoor luminaires (UK)	(7,984)	0
Restructuring other facilities	(3,273)	(376)
IAS 19 - past service cost adjustment	(1,127)	(2,485)
Reorganisation management and sales	(853)	(6,488)
Deconsolidation effects	(18)	0
Impairment capitalized R&D	0	(3,417)
Restructuring operations - Lighting Segment	0	(2,008)
Restructuring facility Landskrona (SE)	0	175
Lighting Segment	**(16,228)**	**(16,954)**
Impairment capitalized R&D	(3,987)	0
Restructuring facility Jennersdorf (AT)	481	(6,978)
Restructuring other facilities	0	(522)
Components Segment	**(3,506)**	**(7,500)**
Negative difference - Initial consolidation LED FMT GmbH (formerly Lexedis Lighting GmbH)	1,970	0
Impairment capitalized R&D	(992)	0
Reorganisation management and sales	0	(516)
Central Functions	**978**	**(516)**
Total	**(18,756)**	**(24,969)**

The special effects reported in 2019/20 include TEUR 7,984 for the cost of materials, TEUR 8,147 for personnel expenses, TEUR 5,077 for impairment charges and TEUR -2,452 for other income.

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 Great Britain (TEUR 1,575; 2018/19: TEUR 1,642). This position also includes the first-time interest from lease liabilities of TEUR 2,057 recognised in connection with the application of IFRS 16.

2.6.4.5 Other financial income and expenses

in TEUR	2019/20	2018/19
Interest component as per IAS 19 less income on plan assets	(3,041)	(3,178)
Foreign exchange gains and losses	(1,396)	(1,977)
Market valuation of financial instruments	(916)	(1,151)
Losses on sale/Impairment	(221)	(25)
Total	**(5,574)**	**(6,331)**

Foreign exchange gains and losses consist mainly of realised and unrealised gains and losses on foreign currency receivables and liabilities as well as realised foreign exchange gains and 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 valuation results in 2019/20 are related primarily to the valuation of forward exchange contracts in Swiss francs.

2.6.4.6 Income taxes

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

in TEUR	2019/20	2018/19
Current taxes	(7,733)	(4,867)
thereof current year	*(6,748)*	*(4,901)*
thereof prior years	*(985)*	*34*
Deferred taxes	(531)	(290)
Income taxes	**(8,264)**	**(5,157)**

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 36.38% in 2019/20 (2018/19: -51.0%).

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	2019/20	2018/19
Profit before tax	**22,716**	**(10,088)**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**(5,679)**	**2,522**
Difference between calculated/actual tax expense	**(2,585)**	**(7,679)**
Non-deductible expenses	(2,470)	(5,134)
Foreign tax rates	535	(715)
Adjustments to valuation discounts for deferred taxes	(2,124)	(3,508)
Tax-free income	1,497	1,602
Effects from changes in loss carryforwards	3,362	5,869
Other items	(3,385)	(5,793)
Total tax expense	**(8,264)**	**(5,157)**

Deferred taxes of TEUR 10,309 (2018/19: TEUR 13,176) were recognised on tax deductible impairment charges to investments at the level of the head company and member companies of the Austrian tax group. This represents deferred taxes on 100% of the outstanding partial write-downs in Austria. Other items consist primarily of tax effects from permanent recognised differences and differences arising in previous financial years.

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, Zumtobel Holding GmbH, Zumtobel Insurance Management GmbH, Zumtobel Pool GmbH, Tridonic GmbH (participating corporation), Tridonic Jennersdorf GmbH, Tridonic Holding GmbH, LEDON Lighting GmbH, RFZ Holding GmbH (formerly Zumtobel LED Holding GmbH; participating corporation), Zumtobel LED GmbH (participating corporation) and Furie Immobilien GmbH.

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

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

2.6.4.7 Earnings per share

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

The distribution to shareholders from reserves and annual results may not exceed the total profit – reduced by the deferred taxes which are excluded from distribution – reported on the individual financial statements of Zumtobel Group AG, which are prepared in accordance with Austrian corporate law.

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. In addition, this position includes TEUR 1,211 (2018/19: TEUR 2,404) of currency-related adjustments to goodwill. The currency reserve under equity also includes a foreign exchange-related effect of TEUR 61 (2018/19: TEUR 161) from non-controlling interests. The deconsolidation of a Group company whose functional currency is not the euro involves the reclassification of the related amounts from the currency reserve to the income statement and the inclusion of these amounts in deconsolidation results.

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR –1,220 (2018/19: TEUR 2,075) from loans result from long-term loans granted by the Group in GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and must therefore be reported under other comprehensive income.

2.6.5.3 Actuarial gain/loss

The actuarial gains of TEUR 3,222 recognised in 2019/20 (2018/19: TEUR 3,814) include gains of TEUR 4,012 (2018/19: TEUR 4,372) for pension plans which consist primarily of the following: gains of TEUR 3,695 (2018/19: TEUR 7,000) in Great Britain and TEUR 537 (2018/19: loss of TEUR -1,592) in Germany as well as a loss of TEUR -172 (2018/19: gain of TEUR -989) in Switzerland.

2.6.5.4 Hedge accounting

The amount of TEUR 139 (2018/19: TEUR 370) 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 68 (2018/19: TEUR 661) reported on the statement of comprehensive income in 2019/20 include TEUR –581 (2018/19: TEUR 859) from the provisions for pension and severance compensation, which resulted from actuarial gains/losses as defined in IAS 19 "Employee Benefits", as well as TEUR 361 (2018/19: TEUR –198) from the hedge accounting-reserve and TEUR 288 (2018/19: TEUR 0) from the reserve for foreign exchange differences from loans (IAS 21 reserve).

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

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

in TEUR	Lighting Segment	Components Segment	Total
30 April 2018	**185,838**	**2,057**	**187,895**
FX effects	2,404	0	2,404
30 April 2019	**188,242**	**2,057**	**190,299**
FX effects	1,271	(60)	1,211
30 April 2020	**189,513**	**1,997**	**191,510**

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR 1,211 (2018/19: TEUR 2,404) which was not recognised through profit or loss. These foreign exchange effects are allocated primarily to the assets in the Lighting Segment for segment reporting.

Additional details on the impairment charges are provided in note 2.6.3.2.

2.6.6.2 Other intangible assets

2019/20 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2019	**52,443**	**185,697**	**238,140**
Foreign currency translation	(187)	105	(82)
Changes in the scope of consolidation	2,123	0	2,123
Additions	2,068	17,046	19,114
Disposals	(807)	(598)	(1,405)
Transfers	303	0	303
30 April 2020	**55,943**	**202,250**	**258,193**
Accumulated amortisation			
30 April 2019	**(43,923)**	**(144,038)**	**(187,961)**
Foreign currency translation	160	(123)	37
Changes in the scope of consolidation	(1,728)	0	(1,728)
Scheduled depreciation	(4,119)	(13,607)	(17,726)
Impairment	0	(5,077)	(5,077)
Disposals	769	187	956
Transfers	0	0	0
30 April 2020	**(48,841)**	**(162,658)**	**(211,499)**
Net carrying amount 30 April 2019	**8,520**	**41,659**	**50,179**
Net carrying amount 30 April 2020	**7,102**	**39,592**	**46,694**

2018/19 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2018	**58,095**	**171,894**	**229,989**
Foreign currency translation	142	352	494
Changes in the scope of consolidation	0	(133)	(133)
Additions	1,687	18,138	19,825
Disposals	(7,747)	(4,554)	(12,301)
Transfers	266	0	266
30 April 2019	**52,443**	**185,697**	**238,140**
Accumulated amortisation			
30 April 2018	**(48,540)**	**(133,625)**	**(182,165)**
Foreign currency translation	(91)	(339)	(430)
Changes in the scope of consolidation	0	133	133
Scheduled depreciation	(2,999)	(10,621)	(13,620)
Impairment	0	(3,417)	(3,417)
Disposals	7,715	3,831	11,546
Transfers	(8)	0	(8)
30 April 2019	**(43,923)**	**(144,038)**	**(187,961)**
Net carrying amount 30 April 2018	**9,555**	**38,269**	**47,824**
Net carrying amount 30 April 2019	**8,520**	**41,659**	**50,179**

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38 "Intangible Assets". The additions to acquisition costs, including transfers, contain capitalised development expenses of TEUR 16,468 (2018/19: TEUR 18,172). Most of these additions involve product developments in the lighting and lighting components areas, whereby TEUR 13,678 (2018/19: TEUR 14,023) were not yet available for use as of 30 April 2020.

2.6.6.3 Property, plant and equipment

2019/20 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2019	**243,964**	**318,733**	**103,897**	**14,080**	**680,674**
IFRS 16 first time adoption	45,976	0	6,558		52,534
Foreign currency translation	650	(150)	616	(98)	1,018
Changes in the scope of consolidation	15,705	19,609	1,799	275	37,388
Additions	4,709	7,257	11,932	23,737	47,635
Disposals	(2,659)	(29,262)	(6,065)	0	(37,986)
Transfers	5,272	14,854	3,114	(23,543)	(303)
30 April 2020	**313,617**	**331,041**	**121,851**	**14,451**	**780,960**
Accumulated amortisation					
30 April 2019	**(116,593)**	**(251,140)**	**(80,251)**	**0**	**(447,984)**
Foreign currency translation	(952)	(230)	(454)	0	(1,636)
Changes in the scope of consolidation	(12,687)	(19,628)	(1,527)	0	(33,842)
Scheduled depreciation	(17,938)	(18,161)	(12,554)	0	(48,653)
Disposals	1,706	28,656	5,354	0	35,716
Transfers	0	0	0	0	0
30 April 2020	**(146,464)**	**(260,503)**	**(89,432)**	**0**	**(496,399)**
Net carrying amount 30 April 2019	**127,371**	**67,593**	**23,646**	**14,080**	**232,690**
Net carrying amount 30 April 2020	**167,153**	**70,538**	**32,419**	**14,451**	**284,561**

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 10,974 (2018/19: TEUR 1.329) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 5 (2018/19: TEUR 274), plant and machinery at TEUR 10,271 (2018/19: TEUR 667) and other non-current assets at TEUR 698 (2018/19: TEUR 388) and are related chiefly to investments in the plant in Serbia.

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 637 (2018/19: TEUR 3.410), plant and machinery at TEUR 12,065 (2018/19: TEUR 9,937) and other non-current assets at TEUR 1,749 (2018/19: TEUR 758).

2018/19 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2018	**221,870**	**343,452**	**107,599**	**32,088**	**705,009**
Foreign currency translation	1,100	1,733	772	103	3,708
Changes in the scope of consolidation	(1,307)	(184)	(161)	0	(1,652)
Additions	4,327	6,751	4,691	31,532	47,301
Disposals	(8,308)	(49,733)	(15,360)	0	(73,401)
Transfers	26,282	16,714	6,356	(49,618)	(266)
30 April 2019	**243,964**	**318,733**	**103,897**	**14,105**	**680,699**
Accumulated amortisation					
30 April 2018	**(118,168)**	**(276,655)**	**(88,002)**	**(25)**	**(482,850)**
Foreign currency translation	(650)	(1,377)	(407)	0	(2,434)
Changes in the scope of consolidation	1,307	184	161	0	1,652
Scheduled depreciation	(7,406)	(21,489)	(7,229)	0	(36,124)
Impairment	0	0	0	0	0
Disposals	8,310	48,724	14,705	0	71,739
Transfers	14	(527)	521	0	8
30 April 2019	**(116,593)**	**(251,140)**	**(80,251)**	**(25)**	**(448,009)**
Net carrying amount 30 April 2018	**103,702**	**66,797**	**19,597**	**32,063**	**222,159**
Net carrying amount 30 April 2019	**127,371**	**67,593**	**23,646**	**14,080**	**232,690**

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in one company which is classified as an associate (2018/19: two companies) because of the significant influence – but not control – which is exercised over major financial and/or operating policies ("associated company"). Therefore, this company was included in the consolidated financial statements at equity as of 30 April 2020.

LED FMT GmbH, Austria (formerly LEXEDIS Lighting GmbH, Austria) was classified at equity in accordance with IAS 28 "Investments in Associates" up to the purchase of the remaining shares in May 2019. The company was included through full consolidation following this purchase transaction. The initial consolidation resulted in income of TEUR 1,970, which is reported under special effects. The company was subsequently merged with Zumtobel LED GmbH, Austria.

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

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

in TEUR	Inventron AG
30 April 2020	
Assets	**10,434**
Non-current assets	*5,095*
Current assets	*5,339*
Liabilities	**2,036**
Non-current liabilities	*549*
Current liabilities	*1,486*
Equity	**8,399**
thereof group share	*4,029*
Revenues	**9,032**
Net profit/loss for the year	**352**

in TEUR	LEXEDIS Lighting GmbH	Inventron AG
30 April 2019		
Assets	**2,116**	**9,071**
Non-current assets	*0*	*5,527*
Current assets	*2,116*	*3,544*
Liabilities	**3,646**	**956**
Non-current liabilities	*3,500*	*35*
Current liabilities	*146*	*921*
Equity	**(1,530)**	**8,115**
thereof group share	*0*	*3,863*
Revenues	**5,435**	**7,628**
Net profit/loss for the year	**60**	**131**

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

Detailed information on receivables and liabilities due from/to associated companies is provided in note 2.6.15.

Deferred taxes related to investments in associates were not recognised in accordance with IAS 12.39 "Income Taxes".

2.6.6.5 Non-controlling interests

The following companies have non-controlling interests:

Company	Country	Operating Segment	30 April 2020	30 April 2019
Thorn Gulf LCC	UAE	Lighting Segment	51%	51%
ZG Lighting Trading LLC	Qatar	Lighting Segment	51%	51%

Additional contractual agreements give the Zumtobel Group control over Thorn Gulf LCC, UAE, and ZG Lighting Trading LLC, 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	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
in TEUR	30 April 2020			30 April 2019		
Non-current assets	564	97	661	109	42	151
Current assets	7,527	5,505	13,032	6,222	4,645	10,867
Assets	**8,091**	**5,601**	**13,693**	**6,331**	**4,687**	**11,018**
Non-current liabilities	323	52	376	0	2	2
Current liabilities	4,136	2,931	7,067	4,032	3,193	7,225
Equity	3,632	2,619	6,250	2,299	1,492	3,791
Equity and Liabilities	**8,091**	**5,601**	**13,693**	**6,331**	**4,687**	**11,018**
Dividends				(1,678)		(1,678)

Statement of Comprehensive Income	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
in TEUR	2019/20			2018/19		
Revenues	16,133	7,338	23,470	14,350	7,543	21,893
Net profit/loss for the year	1,239	1,078	2,317	168	(91)	77
thereof due to non-controlling interests	*496*	*539*	*1,035*	*67*	*(45)*	*22*
Subtotal other comprehensive income	92	49	141	275	103	378
thereof due to non-controlling interests	*37*	*25*	*61*	*110*	*51*	*161*
Dividends paid to non-controlling interests				(670)		(670)

Cash Flow Statement	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
in TEUR	2019/20			2018/19		
Cash flow from operating activities	1,194	(192)	1,002	105	(279)	(174)
Cash flow from investing activities	(719)	(161)	(880)	(4)	0	(4)
Cash flow from financing activities	428	80	508	(1,682)	0	(1,682)
Net increase/decrease in cash and cash equivalents	**903**	**(273)**	**630**	**(1,581)**	**(279)**	**(1,860)**

2.6.6.6 Financial assets

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

Current financial assets consist primarily of positive market values from hedged positions (TEUR 1,280; 2018/19: TEUR 662).

Detailed information is presented in note 2.6.10.1.

2.6.6.7 Other assets

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

in TEUR	30 April 2020	30 April 2019
Coverage capital for Group life insurance	2,919	3,008
Other	996	1,137
Other non-current assets	**3,915**	**4,145**
Prepaid expenses and deferred charges	10,584	9,931
Amounts due from tax authorities	17,311	14,229
Prepayments made	3,471	1,308
Other	17,892	12,098
Other current assets	**49,258**	**37,566**

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 7,480 (2018/19: TEUR 3,785), receivables of TEUR 1,280 (2018/19: TEUR 676) from partial retirement in Germany, advance contributions of TEUR 0 (2018/19: TEUR 1,284) to pension plans in Switzerland, claims of TEUR 2,689 to government institutions in connection with the Covid-19 pandemic and amounts receivable of TEUR 570 (2018/19: TEUR 542) from insurance companies in Austria.

2.6.6.8 Deferred taxes

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

	30 April 2020		30 April 2019	
in TEUR	Assets	Liabilities	Assets	Liabilities
Other intangible assets	122	9,685	327	10,480
Property, plant and equipment	4,680	6,592	5,402	1,720
Financial assets	0	28,163	0	16,176
Inventories	2,864	17	2,942	31
Trade receivables	174	697	541	704
Other receivables	13	3,464	17	14,020
Non-current provisions	20,967	8	19,134	3
Other provisions	3,794	710	1,023	583
Trade payables	2,483	30	1,552	97
Loss carryforwards	200,427	0	200,308	0
Deferred tax credits or liabilities	**235,524**	**49,366**	**231,246**	**43,814**
Adjustments to valuation discounts for deferred taxes	(164,463)		(164,528)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(47,600)	(47,600)	(41,231)	(41,231)
Deferred taxes	**23,461**	**1,766**	**25,487**	**2,583**

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 657,847 (2018/19: TEUR 658,113) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 9,430 (2018/19: TEUR 7,024) will expire within ten years. In agreement with IAS 12.39 "Income Taxes", deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries. An exception to this practice involves the loans classified as a net investment in subsidiaries. The taxes on the difference between the book value for tax purposes and IFRS equity equal TEUR 15,917 (2018/19: TEUR 18,672). 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 reasonably certain. The prior year amounts for loss carryforwards and valuation discounts were adjusted.

Details on the deferred taxes recorded under other comprehensive income in 2019/20 are provided in note 2.6.5.5.

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 2020	30 April 2019
Raw materials	**64,111**	**60,955**
Gross value	*81,201*	*76,236*
Impairment charges	*(17,090)*	*(15,281)*
Work in process	**2,253**	**3,098**
Semi-finished goods	**6,836**	**7,146**
Gross value	*7,836*	*7,990*
Impairment charges	*(1,000)*	*(845)*
Merchandise	**24,081**	**24,540**
Gross value	*29,330*	*30,388*
Impairment charges	*(5,249)*	*(5,848)*
Finished goods	**73,650**	**79,088**
Gross value	*88,056*	*95,915*
Impairment charges	*(14,406)*	*(16,827)*
Inventories	**170,931**	**174,827**

The changes in the valuation adjustments to inventories totalled TEUR 1,057 in 2019/20 (2018/19: TEUR –1,990).

2.6.6.10 Trade receivables

in TEUR	30 April 2020	30 April 2019
Trade receivables gross	**173,657**	**189,261**
Valuation adjustments to receivables	(10,908)	(9,684)
Provision for customer bonuses and discounts	(16,873)	(16,748)
Trade receivables	**145,876**	**162,829**

Details on valuation adjustments are provided in note 2.6.11.1.

The receivables sold through a factoring contract by several Group companies totalled TEUR 62,498 as of 30 April 2020 (2018/19: TEUR 72,891). The amounts received from factoring were deducted from the gross receivables shown in the above table. These receivables were derecognised since the requirements of IFRS 9.3.2.4 (a) in connection with IFRS 9.3.26 (c) ii were met.

2.6.6.11 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 493 (2018/19: TEUR 869) 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 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				Other	
Defined benefit plans as per IAS 19	Pensions		Severance compensation			
in TEUR	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Beginning balance, net liability	**81,752**	**83,313**	**47,479**	**49,330**	**9,671**	**9,534**
Foreign currency translation & reclassification	581	1,279	0	0	(20)	44
Changes in the scope of consolidation & Reclassifications	0	0	2,032	0	371	116
Changes recognised through profit or loss	5,164	6,597	1,962	2,127	1,569	754
thereof service cost	*1,758*	*1,746*	*1,306*	*1,390*	*1,766*	*636*
thereof past service cost	*1,127*	*2,485*	*0*	*0*	*0*	*0*
thereof plan reductions and settlements	*0*	*0*	*(15)*	*0*	*0*	*0*
thereof interest expense	*5,742*	*6,497*	*671*	*737*	*91*	*75*
thereof expected income from plan assets	*(3,463)*	*(4,131)*	*0*	*0*	*0*	*0*
thereof actuarial gain/loss	*0*	*0*	*0*	*0*	*(288)*	*43*
Actuarial gain/loss recognised to other comprehensive income	(4,012)	(4,372)	643	(1,850)	0	0
thereof demographic adjustments	*(431)*	*(6,969)*	*0*	*1,591*	*0*	*0*
thereof financial adjustments	*6,894*	*13,898*	*605*	*(2,042)*	*0*	*0*
thereof experience-related adjustments	*(10,474)*	*(11,301)*	*38*	*(1,399)*	*0*	*0*
Payments	(5,186)	(5,065)	(2,928)	(2,128)	(1,068)	(777)
thereof to salaried employees	*(5,186)*	*(5,065)*	*(2,928)*	*(2,128)*	*(1,068)*	*(777)*
Ending balance, net liability	**78,299**	**81,752**	**49,189**	**47,479**	**10,524**	**9,671**

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

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

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

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Germany	1.3%	1.4%	-	-	2.5%	3.0%	1.5%	1.7%	1)	1)
Great Britain	1.5%	2.4%	1.5%	2.4%	-	-	2.3%	3.2%	65/65	65/65
Switzerland	0.4%	0.6%	0.4%	0.6%	1.5%	1.5%	-	-	64/65	64/65
Sweden	0.6%	1.5%	-	-	-	-	1.5%	1.8%	65/65	65/65
Austria	1.3%	1.4%	-	-	2.5%	2.5%	-	-	2)	2)
France	0.9% / 0.8%	1.6%	-	-	1.8% / 2%	1.8%	-	-	3)	3)
Italy	1.3%	1.2%	-	-	1.5%	1.5%	-	-	67/67	67/67
Serbia	4.5%	4.8%	-	-	5.0%	3.0%	-	-	4)	4)

The interest rates applied to Austria and Germany in 2019/20 were based on the interest curve issued by Mercer (Austria) GmbH.

Furthermore, these calculations reflect the mortality and invalidity tables as well as the employee turnover rates applicable to each country. In Austria and Germany, the calculation basis was changed in 2018/19 to reflect the latest mortality and invalidity tables (Austria: AVÖ-2018 gem.; Germany: Heubeck Richttafeln 2018 G.).

Note 1): Pension obligations 60/65 years and obligations arising from partial retirement 57 years.

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

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

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

Pension obligations

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

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

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

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

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

In addition, an adjustment to the pension obligations in Great Britain was required following a decision by the High Court in Great Britain on 26 October 2018 concerning the gender-neutral equalisation of claims from certain pension commitments. The resulting adjustment of TEUR -2,485 to the pension obligations was recognised to profit or loss as a past service cost in 2018/19.

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"). There was a change in the pension fund provider as of 1 January 2020. Higher conversion rates resulted in the recognition of TEUR -1,127 through profit or loss in 2019/20 as past service costs.

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

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value it as defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 461 in 2019/20 (2018/19: TEUR 584). The asset coverage calculated in accordance with Swedish law equalled 133% (2018/19: 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 according to information provided by the pension fund programme.

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

in TEUR	30 April 2020	30 April 2019
Obligations not financed through funds	28,342	29,989
Obligations financed through funds	265,824	262,893
Present value of defined benefit obligation (DBO)	**294,166**	**292,882**
Fair value of plan assets	(215,867)	(211,130)
Net liability as per balance sheet	**78,299**	**81,752**

The provision for pensions is classified by country as follows:

in TEUR	30 April 2020	30 April 2019
Germany	26,484	28,040
Great Britain	36,351	41,010
Switzerland	13,606	10,754
Other	1,858	1,948
Net liability as per balance sheet	**78,299**	**81,752**

The following table reconciles the present values of the defined benefit obligation (DBO) and plan assets at the beginning and the end of the financial year:

	2019/20		2018/19	
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2019	**292,882**	**211,130**	**282,759**	**199,446**
Foreign currency translation	2,083	1,502	6,062	4,783
Service cost	1,758	0	1,746	0
Plan reductions and settlements	0	0	0	0
Past service cost	1,127	0	2,485	0
Interest expense / income	5,742	3,463	6,497	4,131
Actuarial gain/loss recognised to other comprehensive income	6,163	10,174	2,887	7,259
thereof demographic adjustments	*(431)*	*0*	*(6,969)*	*0*
thereof financial adjustments	*6,894*	*0*	*13,898*	*0*
thereof experience-related adjustments	*(300)*	*10,174*	*(4,042)*	*7,259*
Payments	(15,588)	(10,402)	(9,554)	(4,489)
thereof payments	*(15,588)*	*(10,402)*	*(9,554)*	*(4,489)*
thereof payments due to settlements	*0*	*0*	*0*	*0*
30 April 2020	**294,166**	**215,867**	**292,882**	**211,130**

The actual payments from the pension plans totalled TEUR 15,588 in 2019/20 (2018/19: TEUR 9,554).

Plan assets comprised the following as of 30 April 2020:

in TEUR	30 April 2020	thereof quoted on an active market
Liquid funds	5,732	4,811
Equity instruments	59,823	47,057
Debt instruments	99,496	92,972
Real estate	6,618	0
Assets held by insurance companies	6,331	0
Other	37,867	34,186
Plan assets	**215,867**	**179,025**

The plan assets generated income of TEUR 14,707 in 2019/20 (2018/19: TEUR 11,390).

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

in TEUR	30 April 2020	30 April 2019
Present value	294,166	292,882
Plan assets	(215,867)	(211,130)
Deficit	**78,299**	**81,752**

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 2020	30 April 2019
Austria	43,501	43,537
France	3,858	1,583
Italy	1,830	2,359
Severance compensation obligation	**49,189**	**47,479**

IAS 19 Reserve

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

in TEUR	Pensions	Severance compensation	Total
30 April 2018	**111,233**	**13,973**	**125,205**
Actuarial gain	(4,372)	(1,850)	(6,221)
Foreign currency translation	2,408	0	2,408
Deferred taxes	(607)	(252)	(859)
30 April 2019	**108,662**	**11,871**	**120,533**
Actuarial gain/loss	(4,012)	643	(3,368)
Changes in the scope of consolidation	0	(185)	(185)
Foreign currency translation	146	0	146
Deferred taxes	258	323	581
30 April 2020	**105,055**	**12,653**	**117,707**

Deferred taxes of TEUR 581 were recorded directly in other comprehensive income (2018/19: TEUR -859). Deferred taxes were not recognised for IAS 19 differences in Great Britain because their utilisation is not sufficiently certain.

The actuarial gains of TEUR 3,222 recognised in 2019/20 (2018/19: TEUR 3,814) include gains of TEUR 4,012 (2018/19: TEUR 4,372) for pension plans which consist primarily of the following: a gain of TEUR 3,695 (2018/19: TEUR 7,000) in Great Britain and TEUR 537 (2018/19: loss of TEUR -1,592) in Germany as well as a loss of TEUR -172 (2018/19: TEUR -989) in Switzerland.

Sensitivity analysis

Effects on the DBO as of 30 April 2020:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(22,402)	26,221	278	(290)	21,568	(16,619)
Severance compensation	(2,779)	3,180	2,977	(2,625)	0	0

Effects on the DBO as of 30 April 2019:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(23,509)	25,845	100	(116)	18,663	(16,734)
Severance compensation	(2,758)	3,023	2,875	(2,655)	0	0

Weighted average term of the obligation in years

	30 April 2020	30 April 2019
Pension plans	14	14
Severance compensation	13	14

In 2020/21 the contributions to pension plans are expected to total TEUR 5,365 and severance compensation payments are expected to equal TEUR 1,628.

Other long-term employee benefits

These obligations totalled TEUR 10,524 (2018/19: TEUR 9,671) and consisted mainly of the following provisions: TEUR 7,832 (2018/19: TEUR 7,559) for service anniversary bonuses in Austria, TEUR 940 (2018/19: TEUR 657) for partial retirement in Germany, TEUR 869 (2018/19: TEUR 943) for special leave in Australia and TEUR 883 (2018/19: TEUR 512) for legally required profit sharing and bonus payments for long-standing service in France.

2.6.6.13 Defined contribution obligations

Defined contributions of TEUR 4.308 to various pension plans were made by various group companies in 2019/20 (2018/19: TEUR 4.579). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

2.6.6.14 Other provisions

2019/20 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2019	**22,662**	**7,728**	**2,034**	**112**	**19,883**	**52,419**
Addition	19,351	10,957	1,504	37	8,439	40,288
Utilisation	(5,276)	(5,867)	(1,767)	0	(11,607)	(24,517)
Reversal	(940)	(486)	(3)	0	(3,128)	(4,557)
Transfer	(454)	0	0	0	454	0
Foreign currency translation	(335)	(11)	0	(1)	(33)	(380)
30 April 2020	**35,008**	**12,321**	**1,767**	**148**	**14,005**	**63,249**
thereof current	*23,522*	*12,321*	*1,767*	*148*	*13,007*	*50,765*
thereof non-current	*11,487*	*0*	*0*	*0*	*998*	*12,485*

Other current provisions include, among others, 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 20,083 (2018/19: TEUR 10,481) for individual items as well as experience-based provisions of TEUR 2,664 (2018/19: TEUR 2,612) for cases not recognised individually or not known. The coverage provided by insurance is deducted. These provisions are created for cases not recognised individually or not known in connection with the voluntary extension of the guarantee to five years for Zumtobel products sold in the EU or EFTA countries. The respective calculations include the application of separate percentage rates for the various product groups to product revenues for the respective period. In addition, provisions of TEUR 11,487 (2018/19: TEUR 9,568) were recognised for extended guarantee commitments chiefly in connection with road lighting projects in Great Britain.

Provisions for restructuring

The provisions for restructuring result from restructuring measures in connection with the plant reorganisation, which were still in progress as of 30 April 2020. The increase is related, above all, to the reintegration of the plant in Les Andelys, France.

2.6.6.15 Financial liabilities

in TEUR	30 April 2020	30 April 2019
Loans from financial institutions	111	40,111
Lease liability	14,276	1,019
Loans from public authorities	2,914	122
Loans from other third parties	0	1,767
Working capital credits	11,606	16,858
Current borrowings	**28,907**	**59,877**
Loans from financial institutions	155,605	105,604
Lease liability	48,253	16,063
Loans from public authorities	4,739	3,868
Loans from other third parties	0	632
Non-current borrowings	**208,597**	**126,167**
Borrowings	**237,504**	**186,044**

The consortium credit agreement concluded on 1 December 2015 represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of 30 April 2020, the amount drawn under this credit agreement totalled EUR 75 million.

In addition to the consortium credit agreement, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025. These facilities were fully drawn as of 30 April 2020 (also see note 2.6.9 Capital management).

2.6.6.16 Rights of use from leases and lease liabilities

The Zumtobel Group serves as the lessee in various leases (formerly operating and finance leases) for real estate, machinery, motor vehicles and other assets. The property, plant and equipment reported on the balance sheet represent assets owned or leased by the company which do not meet the definition of investment property.

Development of the rights of use in 2019/20:

in TEUR	Land & buildings	Other equipment	Right-of-use assets
30 April 2019	**6,983**	**0**	**6,983**
IFRS 16 first time adoption	45,976	6,558	52,534
Changes in the scope of consolidation	293	241	534
Additions	3,157	5,683	8,840
Modification	(1,053)	0	(1,053)
Scheduled depreciation	(10,895)	(5,103)	(15,998)
30 April 2020	**44,461**	**7,379**	**51,840**

Development of lease liabilities in 2019/20:

in TEUR	2019/20
Beginning balance	**17,082**
IFRS 16 first time adoption	52,534
Changes in the scope of consolidation	505
Additions	8,840
Modification	(1,110)
Repayments	(15,322)
Ending balance	**62,529**

Future lease payments to third parties:

2019/20 Financial Year

	Minimum lease payments Future payments			
in TEUR	< 1 year	1 - 5 years	> 5 years	Total Liability
Total minimum lease payments	17,247	43,973	15,553	76,772
Less: finance charge = Interest expense	2,970	10,236	1,037	14,244
Present value of net minimum lease payments	**14,276**	**33,737**	**14,516**	**62,529**

2018/19 Financial Year

	Minimum lease payments Future payments			
in TEUR	< 1 year	1 - 5 years	> 5 years	Total Liability
Total minimum lease payments	2,619	10,545	14,468	27,632
Less: finance charge = Interest expense	1,600	5,491	3,459	10,550
Present value of net minimum lease payments	**1,019**	**5,054**	**11,009**	**17,082**

Expenses of TEUR 4,816 were recorded for short-term leases, low-value leases and service components. Leases resulted in interest costs of TEUR 3,632.

There are no conditional lease payments.

Major leases:

A GBP 15.7 million finance lease was concluded for the plant building in Spennymoor, Great Britain, during 2008/09. 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 15,833 as of 30 April 2020 (2018/19: TEUR 17,081). The year-on-year change in the net present value of the minimum lease payments resulted primarily from foreign exchange translation effects.

2.6.6.17 Zumtobel Group as the lessor

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

in TEUR	30 April 2020	30 April 2019
not exceeding 1 year	492	492
1 to 5 years	328	820
more than 5 years	0	0
Future minimum lease payments from third parties	**820**	**1,312**

2.6.6.18 Other liabilities

The components of other current liabilities are as follows:

in TEUR	30 April 2020	30 April 2019
Vacations, comp. in free time, special payments to employees	46,037	41,979
Amounts due to employees	5,410	8,163
Miscellaneous taxes	20,178	15,618
Social security	6,280	5,571
Prepayments received	31,964	27,434
Accrued interest	45	93
Deferred income	8,957	3,613
Derivatives (hedge accounting)	4,897	3,992
Derivatives held for trading	1,263	175
Customs	1,941	2,696
Other liabilities	7,381	7,398
Other current liabilities	**134,353**	**116,732**

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

The Zumtobel Group received a government grant of TEUR 4,366 for the new plant in Serbia during the financial year 2019/20. This grant is included under deferred income.

The increase in other non-current liabilities from TEUR 634 to TEUR 1,447 resulted chiefly from the incentive programme.

2.6.7 Notes to the Cash Flow Statement

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

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

Cash flow from operating results rose from TEUR 56.753 in the previous financial year to TEUR 101.304 in 2019/20, above all due to the improvement in profitability and the increase in amortisation which resulted from the application of IFRS 16.

Working capital was further optimised during the reporting year based on strict inventory management as well as an increase in advance payments received. Trade receivables were further reduced through consistent receivables management. The receivables sold through factoring agreements totalled TEUR 62,498 as of 30 April 2020 (2018/19: TEUR 72,891). Working capital amounted to TEUR 169,231 as of 30 April 2020, which represents a reduction of TEUR 3,593 below the level on 30 April 2019. As a percent of rolling 12-month revenues, working capital increased from 14.9% in the previous year to 15.1%. The change in other operating positions equalled TEUR 6,639 (2018/19: TEUR 6,670). The high cash outflows reported under this position resulted chiefly from the use of provisions for restructuring and guarantees. Cash flow from operating activities increased from TEUR 72,704 to TEUR 108,167 in 2019/20.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects, maintenance and capitalised development costs. Investments in non-current assets declined to TEUR 57,909 in 2019/20 and include investments of TEUR 34,109 (2018/19: TEUR 26,988) for the plant in Dornbirn and TEUR 9,951 (2018/19: TEUR 21,663) for the lighting and components plant in Serbia (including capitalised development costs). The cash flow effects reported under the "changes in non-current and current financial assets" resulted chiefly from gains and losses realised on interest rate hedges. The increase in cash flow from operating activities and the reduction in investment activity were reflected in an improvement in free cash flow to TEUR 53,284 (2018/19: TEUR 3,806). Interest received of TEUR 281 (2018/19: TEUR 392) were reclassified from cash flow from financing activities to cash flow from investing activities.

Cash flow from financing activities was adjusted to reflect the non-cash additions to lease liabilities which resulted from the initial application of IFRS 16. This position includes cash outflows of TEUR 15,322 from the payment of lease liabilities and TEUR 3,632 of interest paid from lease liabilities. Interest-bearing loans of TEUR 40,000 were repaid and refinanced with the increased use of the consortium credit agreement. In view of the operating development in 2018/19, no dividends were paid to shareholders in 2019/20.

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 2020	30 April 2019
Liquid funds	71,838	37,332
Not available for disposal	(493)	(869)
Overdrafts	(11,606)	(16,858)
Cash and cash equivalents	**59,739**	**19,605**

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

2.6.7.2 Reconciliation to financial liabilities

in TEUR	Loans received (non-current and current)	Overdrafts	Total	Lease liability (non-current and current)	Total Borrowings
30 April 2019	**168,962**	**(16,858)**	**152,104**	**17,082**	**169,186**
Cash proceeds from non-current and current borrowings			51,362	0	51,362
Cash repayments of non-current and current borrowings			(41,160)	(15,322)	(56,482)
Changes in the scope of consolidation			0	505	505
IFRS 16 first time adoption			0	52,534	52,534
Effect of changes in foreign exchange rates			1,109	0	1,109
Other changes			(46)	7,730	7,684
30 April 2020	**174,975**	**(11,606)**	**163,369**	**62,529**	**225,898**

in TEUR	Loans received (non-current and current)	Overdrafts	Total	Lease liability (non-current and current)	Total Borrowings
30 April 2018	**213,737**	**(12,384)**	**201,353**	**17,682**	**219,035**
Cash proceeds from non-current and current borrowings			81,525	0	81,525
Cash repayments of non-current and current borrowings			(131,064)	(1,083)	(132,147)
Effect of changes in foreign exchange rates			(120)	482	364
Other changes			410	0	410
30 April 2019	**168,962**	**(16,858)**	**152,104**	**17,082**	**169,186**

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 AT0000837307. 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. This authorisation ended with its expiration on 30 August 2019.

A total of 43,146,657 shares were outstanding as of 30 April 2020 (2018/19: 43,146,657). The company holds 353,343 treasury shares (2018/19: 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.

2.6.8.3 Reserves

Other reserves
This position includes profit carried forward, profit for the year and the reserve from the expired stock option programme.

Currency translation reserve
This reserve includes the currency differences resulting from the application of the historical exchange rate on the date of initial consolidation and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (also see notes 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 note 2.6.6.12.

2.6.8.4 Dividend

The annual general meeting on 26 July 2019 approved a dividend payment of 0 euro cents per share for the 2018/19 financial year. Consequently, a total of TEUR 0 was distributed on 2 August 2019 to the 43,146,657 shares outstanding as of 30 July 2019 (43,500,000 shares less 353,343 treasury shares).

The Zumtobel Group follows a continuous dividend policy. However, the dividend was waived in 2017/18 and 2018/19 due to the negative results recorded for these financial years. Operating results improved in 2019/20, with annual profit amounting to TEUR 14,452. Based on this solid operating development, the Management Board plans to make a recommendation to the Supervisory Board, and subsequently to the annual general meeting of Zumtobel Group AG which is scheduled for 24 July 2020, to distribute a dividend of 10 euro cents per share for the 2019/20 financial year (2018/19: 0 euro cents per share).

2.6.9 Capital management

The goals of capital management in the Zumtobel Group are to protect the continued existence of its member companies ("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, which has a current term extending to November 2022 and a maximum line of EUR 200 million. As of 30 April 2020, the amount drawn by the Zumtobel Group under this credit agreement totalled EUR 75 million. The consortium credit agreement also contains a clause for an increase in the volume by up to EUR 200 million, which can be drawn under certain circumstances. In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025; both credits were fully drawn as of 30 April 2020. The consortium credit agreement as well as the credit agreements with the European Investment Bank (EIB) include change of control clauses that would take effect if there were a change in the absolute majority of voting rights. The consortium credit agreement requires compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). The financial covenants were met in full as of 30 April 2020 with a debt coverage ratio of 1.55 (2018/19: 2.66) and an equity ratio of 28.2% (2018/19: 28.5%). 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 IFRS 9

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as well as their classification in the fair value hierarchy.

2019/20 Financial Year

Assets

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	1,410	576	834				
Securities and similar rights	*576*	*576*	*-*	*576*			576
Loans originated and other receivables	*834*	*-*	*834*				
Current financial assets	1,307	1,280	27				
Loans originated and other receivables	*27*	*-*	*27*				
Positive market values of derivatives held for trading	*1,280*	*1,280*	*-*	1,280		1,280	
Trade receivables	145,876	-	145,876				
Liquid funds	71,838	-	71,838				
Total	**220,431**	**1,856**	**218,575**				

Liabilities

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	208,597	-	208,597				
Loans received	*160,344*	*-*	*160,344*	*162,718*			
Lease liability	*48,253*	*-*	*48,253*				
Current borrowings	28,907	-	28,907				
Loans received	*3,025*	*-*	*3,025*				
Working capital credits	*11,606*	*-*	*11,606*				
Lease liability	*14,276*	*-*	*14,276*				
Trade payables	115,612	-	115,612				
Other current liabilities	6,205	6,160	45				
Negative market values of derivatives held for trading	*1,263*	*1,263*	*-*	*1,263*		*1,263*	
Negative market values of derivatives (hedge accounting)	*4,897*	*4,897*	*-*	*4,897*		*4,897*	
Other	*45*	*-*	*45*				
Total	**359,321**	**6,160**	**353,161**				

The table does not include any information on the fair value of financial assets and financial liabilities that are not carried at fair value when the carrying amount represents an approximation of fair value.

All financial liabilities are carried at amortised cost, with the exception of derivatives.

In the Zumtobel Group, the calculation of fair value is based primarily on input factors which, for the most part, are observable on the market (Level 2). The fair value 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 observable market-based input factors. 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 1,280, 2018/19: TEUR 662; negative market values: TEUR –6,160, 2018/19: TEUR –4,167). 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 consolidated financial statements also include an immaterial amount of financial instruments whose valuation is not based on quoted prices or input factors that can be observed on the market (Level 3). Most of these financial instruments represent smaller investments in various companies. There were no major year-on-year changes in the composition of these financial instruments. Dividends of TEUR 12 were received during the reporting year (2018/19: TEUR 16).

2018/19 Financial Year

Assets

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	993	577	416				
Securities and similar rights	*577*	*577*	*-*	*577*			*577*
Loans originated and other receivables	*416*	*-*	*416*				
Current financial assets	700	662	38				-
Loans originated and other receivables	*38*	*-*	*38*				
Positive market values of derivatives held for trading	*662*	*662*	*-*	662		*662*	
Trade receivables	162,829	-	162,829				
Liquid funds	37,332	-	37,332				
Total	**201,854**	**1,239**	**200,615**				

Liabilities

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	126,167	-	126,167				
Loans received	110,104	*-*	*110,104*	*111,326*			
Lease liability	16,063	*-*	*16,063*				
Other non-current liabilities	338	338	-	338			338
Current borrowings	59,877	-	59,877				
Loans received	42,000	*-*	*42,000*	*42,474*			
Working capital credits	16,858	*-*	*16,858*				
Lease liability	1,019	*-*	*1,019*				
Trade payables	137,397	-	137,397				
Other current liabilities	4,260	4,167	93				
Negative market values of derivatives held for trading	175	*175*	*-*	*175*		*175*	
Negative market values of derivatives (hedge accounting)	*3,992*	*3,992*	*-*	*3,992*		*3,992*	
Other	*93*	*-*	*93*				
Total	**328,039**	**4,505**	**323,534**				

2.6.10.2 Income / expense on financial instruments (IFRS 9 categories)

in TEUR	2019/20	2018/19
Net gains or net losses	**(2,533)**	**(3,153)**
Financial instruments measured at amortised cost	*(1,396)*	*(1,977)*
Financial instruments at fair value through P&L	*(87)*	*(618)*
Net investment hedge – ineffective portion of changes in fair value	*(446)*	*(230)*
Realised losses from the hedge of a net position	*(383)*	*(303)*
Losses on sale/Impairment	*(221)*	*(25)*
Interest expense	**(7,300)**	**(6,879)**
Interest expense for financial assets measured at amortised cost	*(7,152)*	*(6,379)*
Interest expense hedge accounting	*(148)*	*(500)*
Interest income	**278**	**396**
Interest income at amortised cost	*278*	*396*
Valuation adjustments to trade receivables	**(1,347)**	**(257)**

Other financial income and expenses (TEUR –5,574; 2018/19: TEUR –6,331) include the net income or expense from these instruments (TEUR –2,533; 2018/19: TEUR –3,153) as well as the interest component as defined in IAS 19 "Employee Benefits" after the deduction of income on plan assets (TEUR –3,041; 2018/19: TEUR –3,178).

Net income / expense as well as the total interest expense and income are included under financial results, while impairment losses on loans and receivables are reported under selling expenses.

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 low because it is distributed over a large number of customers and financial institutions. Losses on receivables, i.e. derecognised receivables, totalled 0.06% of Group revenues in 2019/20 (2018/19: 0.12%). In 2019/20, no individual customer was responsible for more than 10% of Group revenues.

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 2020. 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 developed as follows:

in TEUR	2019/20	2018/19
Beginning balance	**9,684**	**9,839**
IFRS 9 first time adoption	0	(377)
Foreign currency translation	158	253
Addition	2,545	2,233
Utilisation	(491)	(1,028)
Reversal	(988)	(1,236)
Ending balance	**10,908**	**9,684**

Valuation adjustments were recognised in connection with possible default cases. These charges are based on the classification of receivables into doubtful and non-doubtful. The allowances for non-doubtful receivables are calculated on the basis of a six-step risk class model which includes empirically developed default probabilities. Insured receivables are deducted from the basis for the calculation of impairment allowances, whereby the deductible from the credit insurance is taken into account.

Probability of default per risk class in %		Trade receivables gross	insured	uninsured & retention	Impairment
Debtor risk class 1	0.12%	17,446	14,231	6,789	(8)
Debtor risk class 2	0.33%	38,029	33,286	13,051	(43)
Debtor risk class 3	0.73%	63,815	49,262	26,974	(196)
Debtor risk class 4	1.67%	31,704	20,938	16,168	(271)
Debtor risk class 5	7.31%	3,401	670	2,903	(212)
Debtor risk class 6	15.00%	17,266	12,583	7,935	(1,190)
Public authority	0.00%	1,995	1	0	0
Total		**173,657**	**130,972**	**73,819**	**(1,921)**

The age structure of trade receivables is shown below:

in TEUR	30 April 2020	30 April 2019
Not yet due	144,806	171,127
Overdue 1-60 days	18,101	9,346
Overdue 61-90 days	1,833	500
Overdue 91-120 days	824	416
Overdue 121-180 days	1,434	756
Overdue > 180 days	6,659	7,116
Total	**173,657**	**189,261**

The nominal value of trade receivables includes TEUR 7,917 (2018/19: TEUR 7,794) that were classified as doubtful. These doubtful receivables were written off in full.

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

>> Outstanding credit risk
The maximum risk represents the carrying amount of financial instruments and totalled TEUR 220,431 as of 30 April 2020 (2018/19: TEUR 201,854). This amount consists primarily of trade receivables and liquid funds (also see note 2.6.10.1).

2.6.11.2 Liquidity risk

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

As of 30 April 2020, liquidity was secured by the consortium credit agreement and two other credit agreements (see note 2.6.6.15) as well as short-term unsecured lines of credit totalling TEUR 63,257 (2018/19: TEUR 61,373). 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 2020 will result in the following payments.

30 April 2020

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	237,504	251,393	30,874	204,966	15,553
Loans from financial institutions	*155,716*	*158,190*	*1,238*	*156,952*	*0*
Loans from public authorities	*7,653*	*4,824*	*783*	*4,041*	*0*
Lease liability	*62,529*	*76,773*	*17,247*	*43,973*	*15,553*
Working capital credits	*11,606*	*11,606*	*11,606*	*0*	*0*
Trade payables	115,612	115,612	115,612	0	0
Other liabilities	6,205	6,096	6,082	14	0
Derivatives held for trading	*1,263*	*1,166*	*1,166*	*0*	*0*
thereof outflows of forward exchange contracts		*93,709*	*93,709*	*0*	*0*
thereof inflows of forward exchange contracts		*92,565*	*92,565*	*0*	*0*
thereof conditional derivatives (options)		*22*	*22*	*0*	*0*
Derivatives (hedge accounting)	*4,897*	*4,885*	*4,871*	*14*	*0*
Other financial instruments	*45*	*45*	*45*	*0*	*0*
Liquidity risk	**359,321**	**373,101**	**152,568**	**204,980**	**15,553**

30 April 2019

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	186,044	201,902	63,898	123,536	14,468
Loans from financial institutions	*145,715*	*150,927*	*41,358*	*109,569*	*0*
Loans from public authorities	*3,990*	*4,059*	*637*	*3,422*	*0*
Loans from other third parties	*2,399*	*2,422*	*2,422*	*0*	*0*
Lease liability	*17,082*	*27,636*	*2,623*	*10,545*	*14,468*
Working capital credits	*16,858*	*16,858*	*16,858*	*0*	*0*
Trade payables	137,397	137,397	137,397	0	0
Other liabilities	4,598	4,603	4,197	406	0
Derivatives held for trading	*175*	*194*	*194*	*0*	*0*
thereof outflows of forward exchange contracts		*47,669*	*47,669*	*0*	*0*
thereof inflows of forward exchange contracts		*47,475*	*47,475*	*0*	*0*
thereof conditional derivatives (options)		*0*	*0*	*0*	*0*
Derivatives (hedge accounting)	*3,992*	*3,978*	*3,910*	*68*	*0*
Other financial instruments	*431*	*431*	*93*	*338*	*0*
Liquidity risk	**328,039**	**343,902**	**205,492**	**123,942**	**14,468**

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

30 April 2020			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Financial assets	1,280	1,287	1,287	0	0
Derivatives held for trading	*1,280*	*1,287*	*1,287*	*0*	*0*
thereof outflows of forward exchange contracts		*44,805*	*44,805*	*0*	*0*
thereof inflows of forward exchange contracts		*45,932*	*45,932*	*0*	*0*
thereof conditional derivatives (options)		*160*	*160*	*0*	*0*

30 April 2019			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Financial assets	662	662	662	0	0
Derivatives held for trading	*662*	*662*	*662*	*0*	*0*
thereof outflows of forward exchange contracts		*87,497*	*87,497*	*0*	*0*
thereof inflows of forward exchange contracts		*88,159*	*88,159*	*0*	*0*
thereof conditional derivatives (options)		*0*	*0*	*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 a future change in cash flows from variable interest items. 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 outstanding under the consortium credit agreement as of 30 April 2020 (TEUR 75,000) is considered long-term because of its maturity date on 30 November 2022. However, this credit carries a variable interest rate (EURIBOR-based money market rate). The two bilateral long-term loans (TEUR 40,000 each), which have terms ending in September 2024, respectively February 2025, also carry variable interest rates (EURIBOR-based money market rates).

Zumtobel Group AG, as the parent company, reduced the interest rate risk associated with the variable interest credit agreements by concluding EUR-interest rate swaps with various banks for a current effective nominal volume of EUR 20,000,000.00 and terms extending to June 2021. These interest rate instruments convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 0.30%. The EUR-denominated interest rate swaps with fixed interest rates qualify for hedge accounting (cash flow hedge) 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 therefore reported under derivatives "hedge accounting" (fair value hedge).

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2019/20	Fair value in TEUR 2018/19
EUR	20,000	(71)	(211)
CHF	19,228	(4,826)	(3,781)
Negative market values of interest rate hedging instrument (hedge accounting)		**(4,897)**	**(3,992)**

As in the previous year, the nominal amount of the EUR-CHF cross currency swap was amortised by TCHF 2,000 with recognition through profit or loss at the historical exchange rate of 1.4364 (TEUR 1,392).

>> 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 2020	30 April 2019
Borrowings	(70,898)	(63,558)
Fixed rate instruments	**(70,898)**	**(63,558)**
Financial assets	2,717	1,693
Liquid funds	71,838	37,332
Borrowings	(166,606)	(122,486)
Variable rate instruments	**(92,051)**	**(83,461)**
Total	**(162,949)**	**(147,019)**

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 860 (2018/19: TEUR 718) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, an increase or decrease in the interest rate would not lead to any valuation effects on the income statement or in equity.

For the derivatives concluded to hedge interest rates, a change of 100 basis points in the interest rate over a period of one year would result in an opposite change of TEUR 98 (2018/19: TEUR 119).

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, NOK and SEK.

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 2020 (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 2020 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

	EUR decrease of 10%		EUR increase of 10%	
in TEUR	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	(2,676)	(11,162)	2,676	11,162
EUR - USD	4,270	(414)	(4,270)	414
EUR - RSD	(992)	(1,400)	992	1,400
EUR - CNY	649	(115)	(649)	115

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	802	2,199	(2,100)
EUR - CHF	(869)	(6,060)	5,509
EUR - GBP	287	(978)	889
EUR - AUD	18	(72)	65
EUR - SEK	15	(96)	87

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. Each segment has its own global product portfolio, sales and production organisation. In the Lighting Segment, the company is one of the European market leaders with its Thorn and Zumtobel brands. The components brand Tridonic forms the basis for the Group's leading role in the production of hardware and software for lighting systems (LED light sources, LED drivers, sensors and lighting systems management).

The focus of both segments, the Lighting Segment and the Components Segment, is clearly based on applications. The Indoor Division includes applications for industry (incl. logistics, halls and car parks), offices, education and health (incl. hospitals, schools and universities) as well as the retail trade, supermarkets, art & culture and exhibition areas (incl. gastronomy). The Outdoor Division addresses applications for roads, tunnels, sport facilities and exterior lighting for public areas, including facade lighting which is covered by the acdc brand. The Service Division bundles all project and software-oriented services under a single roof. This application-based orientation determines the form of the product portfolio and extends into the sales organisation.

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 168 (2018/19: TEUR 56) for the Lighting Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR -5,077 (2018/19: TEUR -3,417) of impairment losses. The allocation of these impairment losses is as follows: TEUR -4,045 (2018/19: TEUR 0) to the Components Segment, TEUR -40 (2018/19: TEUR -3,417) to the Lighting Segment and TEUR -992 to the inter-segment assets reported under "Reconciliation". The elimination of inter-segment revenues is included in the reconciliation column.

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	2019/20	2018/19	2017/18	2019/20	2018/19	2017/18	2019/20	2018/19	2017/18	2019/20	2018/19	2017/18
Net revenues	**845,473**	**873,685**	**908,315**	**341,437**	**348,304**	**352,733**	**(55,611)**	**(59,972)**	**(64,532)**	**1,131,299**	**1,162,017**	**1,196,516**
External revenues	*845,088*	*869,811*	*908,155*	*285,066*	*292,178*	*288,310*	*1,146*	*30*	*51*	*1,131,299*	*1,162,017*	*1,196,516*
Inter-company revenues	*385*	*3,875*	*160*	*56,372*	*56,126*	*64,423*	*(56,757)*	*(60,001)*	*(64,583)*	*0*	*0*	*0*
Adjusted EBIT	**48,316**	**21,141**	**9,443**	**23,048**	**25,399**	**31,375**	**(17,465)**	**(18,902)**	**(21,163)**	**53,900**	**27,638**	**19,655**
Special effects	(16,228)	(16,954)	(21,602)	(3,506)	(7,500)	(3,056)	978	(515)	(2,292)	(18,756)	(24,969)	(26,951)
Operating profit	**32,088**	**4,543**	**(12,160)**	**19,542**	**17,899**	**28,319**	**(16,487)**	**(19,772)**	**(23,455)**	**35,144**	**2,670**	**(7,296)**
Investments	**29,411**	**35,864**	**49,889**	**17,440**	**26,352**	**12,720**	**11,059**	**4,911**	**14,493**	**57,909**	**67,127**	**77,103**
Depreciation	**(44,446)**	**(36,331)**	**(41,633)**	**(16,640)**	**(12,557)**	**(12,406)**	**(10,371)**	**(4,273)**	**(7,416)**	**(71,456)**	**(53,161)**	**(61,456)**

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	30 April 2020	30 April 2019	30 April 2018	30 April 2020	30 April 2019	30 April 2018	30 April 2020	30 April 2019	30 April 2018	30 April 2020	30 April 2019	30 April 2018
Assets	669,659	634,848	646,377	182,673	182,295	173,640	142,458	103,767	166,089	994,790	920,910	986,106

	Lighting Segment			Components Segment			Reconciliation			Group		
	30 April 2020	30 April 2019	30 April 2018	30 April 2020	30 April 2019	30 April 2018	30 April 2020	30 April 2019	30 April 2018	30 April 2020	30 April 2019	30 April 2018
Headcount (full-time equivalent)	3,962	3,933	4,325	1,932	1,778	1,690	144	167	209	6,039	5,878	6,224

The reconciliation column comprises the following:

in TEUR	2019/20	2018/19
Group parent companies	(18,301)	(20,272)
Group entries	1,814	500
Operating profit	**(16,487)**	**(19,772)**

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 2020	30 April 2019
Assets used by more than one segment	123,274	86,754
Group parent companies	49,162	43,399
Group entries	(29,977)	(26,386)
Assets	**142,458**	**103,767**

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

2.6.12.2 Regional segments

The classification of business activities by region is based on the following: D/A/CH, Northern and Western Europe, Southern and Eastern Europe, Asia & Pacific and Rest of the World:

	External revenues		Assets	
in TEUR	2019/20	2018/19	30 April 2020	30 April 2019
D/A/CH	361,156	355,861	439,122	451,820
thereof Austria	*95,302*	*93,918*	*343,161*	*364,819*
Northern and Western Europe	292,288	306,663	151,114	133,241
Southern and Eastern Europe	288,527	295,957	94,336	75,393
Asia & Pacific	105,434	120,856	77,195	61,222
Rest of the World	83,895	82,681	28,049	25,456
Reconciliation	0	0	204,974	173,778
Total	**1,131,299**	**1,162,017**	**994,790**	**920,910**

Reconciliation of regions:

in TEUR	30 April 2020	30 April 2019
Assets used by more than one segment	202,212	171,492
Group entries	2,762	2,286
Assets	**204,974**	**173,778**

2.6.13 Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 13,871 (30 April 2019: TEUR 7,233) for various liabilities.

2.6.14 Subsequent Events

No subsequent events occurred after the balance sheet date on 30 April 2020.

2.6.15 Related Party Transactions

Closely related persons are persons in key positions at Zumtobel Group AG (active members of the Management Board and Supervisory Board of Zumtobel Group AG) and their close family relatives. The sale of goods to members of management in key positions resulted in revenues of TEUR 1. The members of the Supervisory Board received remuneration totalling TEUR 567 in 2019/20. No loans or advances were granted to management in key positions. The members of management in key positions take on functions in other companies which allow them to exercise control or significant influence over the respective company's financial and business policies. Transactions with these companies amounted to TEUR 719 in 2019/20. Transactions with unconsolidated companies generated revenues of TEUR 8. Moreover, the Zumtobel Group holds receivables of TEUR 415 from loans granted to unconsolidated companies. There were no transactions with owners during the 2019/20 financial year.

The Group has concluded supply and delivery agreements with associated companies (also see note 2.6.6.4) which reflect third party conditions. Revenues from the sale of materials and services to associated companies totalled TEUR 3,324 in 2019/20 (2018/19: TEUR 5,960), and the expenses for products purchased from associated companies equalled TEUR 9,436 (2018/19: TEUR 16,390). Trade receivables due from associated companies amounted to TEUR 331 as of 30 April 2020 (2018/19: TEUR 592) and trade payables equalled TEUR 1 (2018/19: TEUR 130). No trade receivables due from associated companies were derecognised due to failed collection in 2019/20, and no receivables due from associated companies were classified as uncollectible as of 30 April 2020.

As of 30 April 2020 there do not exist any financial liabilities to an associated company (2018/19: financial liability of TEUR 1,770).

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2019/20	2018/19
Total remuneration for the Management Board	**2,963**	**2,095**
thereof fixed component	*1,519*	*1,995*
thereof short-term variable component	*512*	*100*
thereof long-term variable component	*932*	*0*
Settlement payment	0	1,500

in TEUR	2019/20	2018/19
Alfred Felder (as of 1 April 2016)	**1,352**	**750**
thereof fixed component	*639*	*750*
thereof short-term variable component	*222*	*0*
thereof long-term variable component	*490*	*0*
Bernhard Motzko (as of 1 February 2018)	**892**	**608**
thereof fixed component	*462*	*608*
thereof short-term variable component	*199*	*0*
thereof long-term variable component	*231*	*0*
Thomas Tschol (as of 1 April 2018)*	**719**	**738**
thereof fixed component	*418*	*638*
thereof short-term variable component	*90*	*100*
thereof long-term variable component	*211*	*0*
* Remuneration is provided as part of a management service agreement		
Ulrich Schumacher (until 1 February 2018)		
Settlement payment	0	1,500

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	2019/20	2018/19
Total Supervisory Board remuneration	**580**	**421**
thereof fixed remuneration	*392*	*300*
thereof variable remuneration	*175*	*120*
thereof expense allowances and reimbursements	*13*	*1*

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	30 April 2020		30 April 2019	
	Average	Balance sheet date	Average	Balance sheet date
Production	2,850	3,018	2,812	2,779
R&D	529	551	519	515
Sales	1,815	1,829	1,863	1,837
Administration	461	472	493	471
Miscellaneous	230	170	359	277
Total	**5,887**	**6,039**	**6,046**	**5,878**

The above number of employees also 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 2019/20:

Name	Function	Initially appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	17 years
Volkhard Hofmann	1st Vice-Chairman	2017	2020	3 years
Johannes Burtscher	2nd Vice-Chairman	2010	2020	10 years
Fritz Zumtobel	Member	1996	2020	24 years
Eva Kienle	Member	2019	2023	< 1 year
Karin Zumtobel-Chammah	Member	2019	2023	< 1 year
Dietmar Dünser	Delegated by the Employees' Council	2015		5 years
Richard Apnar	Delegated by the Employees' Council	2012		8 years
Kai Arbinger	Delegated by the Employees' Council	2016		4 years

The Extraordinary General Meeting on 18 May 2020 elected Georg Pachta-Reyhofen and Thorsten Staake to the Supervisory Board. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. This election also marked the resignation of two long-standing Supervisory Board members: Jürg Zumtobel and Fritz Zumtobel.

The following persons served as members of the Management Board in 2019/20:

Name	Function	Initially appointed on	Term ends on	Service time to date
Alfred Felder	CEO (Chief Executive Officer)	1 April 2016	30 April 2022	4 years
Bernard Motzko	COO (Chief Operating Officer)	1 February 2018	30 April 2021	2 years
Thomas Tschol	CFO (Chief Financial Officer)	1 April 2018	30 April 2021	2 years

2.7 Scope of Consolidation

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

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

88	Tridonic (ME) FZE	UAE	100	full	30 April	AED
89	Tridonic Inc., US	USA	100	full	30 April	USD
90	Lemgo Realty Corp.	USA	100	full	30 April	USD
91	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

The following companies were deconsolidated in 2019/20:

1	ZG Innovation France SAS	France	100	full	30 April	EUR
2	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
3	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
4	Tridonic Finance Pty. Ltd.	Australia	100	full	30 April	AUD
5	ZG Lighting CEE GmbH	Austria	100	full	30 April	EUR
6	Thorn Lighting s.r.l.	Italy	100	full	30 April	EUR

The following companies were not included in the scope of consolidation in 2019/20:

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

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

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

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

Dornbirn, 15 June 2020

The Management Board

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

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Zumtobel Group AG,
Dornbirn, Austria,

and its subsidiaries ("the Group"), which comprise the Consolidated Balance Sheet as at 30 April 2020, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flows Statement for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 April 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

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

Key Audit Matters

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

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

Recoverability of goodwill allocated to Lighting Segment

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

Risk for the Consolidated Financial Statements

The book value of goodwill recorded in the consolidated financial statements, amounting to EUR 191,510k, mainly relates to the goodwill allocated to and tested for recoverability at the level of the Lighting Segment in the amount of EUR 189,513k. This goodwill arose in particular from the acquisition of Thorn Lighting Group in the fiscal year 1999/2000. In accordance with the internal organization structure, the goodwill has been allocated to the Lighting Segment as cash generating unit and is subject to recoverability testing (impairment test) at least once a year.

The impairment test of goodwill is complex and based on discretionary factors. Those factors include in particular the expected future cash flows of the Lighting Segment for the next four years, a transition year and the terminal value which are primarily based on past experience as well as on the management's assessment of the expected market environment and the effects of the Covid 19 pandemic on the future course of business, in particular on the sales development of the business year 2020/21. Other factors are the assumed long-term growth rate as well as the underlying region-specific costs of capital.

Given that the factors are subject to uncertainty, there is a risk that goodwill is overestimated and therefore the net result for the period is not correctly determined.

Our Response

We have assessed the recoverability of goodwill allocated to Lighting Segment as follows:

— In cooperation with our valuation experts we have assessed the appropriateness of key assumptions, of discretionary decisions and the valuation method applied for impairment testing.

— We have reconciled the expected future cash flows used in the calculation with the strategic business planning approved by the management.

— Additionally we critically dealt with the key planning assumptions, especially with the effects of the Covid 19 pandemic on the future course of business as well as on the sales development of the business year 2020/21 and examined these assumptions on the basis of market data provided by the company.

— We have analyzed the consistency of planning data using information from prior periods.

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

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

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

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities

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

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

Moreover:

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

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

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

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

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

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

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

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

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

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

Report on Other Legal Requirements

Group Management Report

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

Management is responsible for the preparation of the group management report in accordance with the Austrian company law.

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

Opinion

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

Statement

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

Other Information

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

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

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

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

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 26 July 2019 and were appointed by the Supervisory Board on 27 March 2020 to audit the financial statements of Company for the financial year ending on that date.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 30 April 2007.

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

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

Engagement Partner

The engagement partner is Mr. Mag. Thomas Smrekar.

Vienna, 15 June 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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

3. Corporate Governance Report 2019/20

Contents

3. Corporate Governance Report

3.1 Commitment to the Austrian Corporate Governance Code

The Zumtobel Group is committed to full compliance with the guidelines defined by the Austrian Corporate Governance Code and views this set of rules as a key requirement for responsible corporate management that is based on the sustainable, long-term creation of value and a high degree of transparency towards shareholders and other interest groups. The Austrian Corporate Governance Code is issued by the Austrian Working Group for Corporate Governance and represents a benchmark for good corporate governance and corporate control that exceeds legal requirements and meets international standards. The code applicable to the 2019/20 financial year (version: January 2020) is available for review on the website of the Austrian Working Group for Corporate Governance (*www.corporate-governance.at*). Voluntary commitment gives the code its legitimacy and forms the basis for the explanation of non-compliance with the C-Rules (comply or explain).

The Zumtobel Group complied with nearly all provisions of the code during the 2019/20 financial year. Actions deviated from only one C-Rule of the 83 Rules in the code, and the difference is described below.

3.1.1 Comply or Explain

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

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

3.1.2 External evaluation of compliance with the Corporate Governance Code

The Corporate Governance Code (Rule 62) requires evaluation of compliance with the C-Rules on a regular basis – at least every three years – by an external institution. This review was last carried out by the Group's auditor during the audit of the separate financial statements for 2016/17. Zumtobel Group AG commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, to review compliance during the 2019/20 financial year. Based on the results of and evidence gained from this evaluation, the statement of compliance included in the company's corporate governance report for the 2019/20 financial year accurately represents, in all material aspects, the implementation of and compliance with the relevant rules of the Austrian Corporate Governance Code. The report on the independent evaluation is available to the general public on the website of Zumtobel Group AG under *www.zumtobelgroup.com*.

3.1.3 Compliance management by Zumtobel Group AG

The compliance management system is the subject of continuous development, which is intended to protect its ability to meet current and future responsibilities. The related activities are carried out in close cooperation between corporate audit & compliance, the legal department, risk management, the human resources department and corporate IT. The senior director of corporate audit & compliance reports on current compliance issues as well as planning and progress on the development and expansion of the compliance management system twice each year at the meetings of the Audit Committee. Regular one-on-one meetings are also held with the chairman of the Audit Committee. Additional information can be found in the management report under "Corporate Governance and Compliance".

3.2 The Corporate Bodies and Committees of Zumtobel Group AG

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

3.2.1 Shareholders and the annual general meeting

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

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

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

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

3.2.2 The Management Board

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

Name	Function	Appointed on	Term ends on	Service time
Alfred Felder	CEO (Chief Executive Officer) since 2018, previously COO	01.04.2016	30.04.2022	4 years
Thomas Tschol	CFO (Chief Financial Officer)	01.04.2018	30.04.2021	2 years
Bernard Motzko	COO (Chief Operating Officer)	01.02.2018	30.04.2021	2 years

Alfred Felder – CEO

Alfred Felder was appointed Chief Executive Officer (CEO) as of 8 June 2018. He previously served as COO of Zumtobel Group AG since April 2016 and as Speaker of the Management Board of Zumtobel Group AG beginning in February 2018. His term of office extends to 30 April 2022. Mr. Felder was born in 1963 in South Tyrol (Italy) and studied electrical engineering at the Vienna University of Technology. He joined the Siemens Group in 1990 where he held various research and development functions in Germany and, starting in 1995, was the technology manager for Siemen's Infineon subsidiary in Japan. In 2003 he transferred to OSRAM, a former Siemens subsidiary, and was responsible for various management functions in the areas of optoelectronic semiconductors and general lighting in the USA and China. Alfred Felder served as the managing director of the Zumtobel Group's Tridonic components subsidiary beginning in November 2012.

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

Bernard Motzko – COO

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

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

Thomas Tschol – CFO

Thomas Tschol was appointed Chief Financial Officer (CFO) of the Zumtobel Group as of 1 April 2018 for a term of office extending to 30 April 2021. Thomas Tschol was born in Lauterach (Austria), in 1970. He studied business administration at the Ecole Supérieure de Commerce de Toulouse and completed a double degree in cooperation with the Technical University of Berlin in 1995. His professional career began at the Danube University in Krems and as a consultant with Cap Gemini Ernst & Young AG. Management Factory Corporate Advisory GmbH in Vienna, a financial management service company, was founded by Mr. Tschol in 2001. In addition to activities as the managing director of this company, he can look back on many years of experience as a chief financial officer, among others with Mayr-Melnhof Holz Holding AG.

Additional functions or inter-company relations outside the Zumtobel Group: Managing Director of Management Factory Corporate Advisory GmbH.

Distribution of duties on the Management Board

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

The distribution of duties as of 30 April 2020 is as follows:

Alfred Felder CEO	Thomas Tschol CFO	Bernard Motzko COO
- Corporate strategy, M&A, business processes - Business divisions - Sales - Marketing & communication, product marketing - Technology & development - Human resources - Legal	- Accounting and tax - Finance & controlling - Treasury - Risk management - Audit & compliance - Insurance - Investor relations - Facility management, Dornbirn	- Plant network (Operations) - Supply chain & logistics - Quality - IT - Procurement

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

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

3.2.3 The Supervisory Board

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

The members of the Supervisory Board of Zumtobel Group AG as of 30 April 2020 are listed below[1]:

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	17 years
Volkhard Hofmann	First Vice-Chairman	2017	2020	3 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	10 years
Fritz Zumtobel	Member	1996	2020	24 years
Eva Kienle	Member	2019	2023	<1 year
Karin Zumtobel-Chammah	Member	2019	2023	<1 year
Dietmar Dünser	Delegated by the Employees' Council	2015		5 years
Richard Apnar	Delegated by the Employees' Council	2012		8 years
Kai Arbinger	Delegated by the Employees' Council	2016		4 years

[1] The Extraordinary General Meeting on 18 May 2020 elected Georg Pachta-Reyhofen and Thorsten Staake to the Supervisory Board. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. This election also marked the resignation of two long-standing Supervisory Board members: Jürg Zumtobel and Fritz Zumtobel.

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

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Three members of the Supervisory Board – Volkhard Hofmann, Johannes Burtscher and Eva Kienle – 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 which require approval or disclosure in accordance with L-Rule 48 and C-Rule 49 of the Corporate Governance Code.

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 in this corporate governance report in accordance with Rules 56 and 57.

3.2.4 The Supervisory Board | committees

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

Audit Committee

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

Duties: The Audit Committee is responsible for the audit of and preparations for the approval of the separate financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairperson 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 2019/20 financial year. Among others, the responsible managers report to the committee at each meeting on the status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the senior director of corporate audit & compliance.

Committee for Management Board Matters

Members: Jürg Zumtobel (Chairman), Volkhard Hofmann (Vice-Chairman), Fritz Zumtobel, Johannes Burtscher.

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: Volkhard Hofmann (Chairman), Jürg Zumtobel (Vice-Chairman), Fritz Zumtobel, Karin Zumtobel-Chammah, Dietmar Dünser, Kai Arbinger.

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

3.2.4.1 The Supervisory Board | shareholder representatives

Jürg Zumtobel

Jürg Zumtobel has been chairman of the Supervisory Board of Zumtobel Group AG since 1 September 2003. His term of office extends until the annual general meeting for the 2019/20 financial year[2]. Born in 1936 in Frauenfeld (Switzerland), Jürg Zumtobel joined the Zumtobel Group in 1963 and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel Group AG.

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

Volkhard Hofmann

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

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

Johannes Burtscher

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

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

[2] Jürg Zumtobel and Fritz Zumtobel announced their premature resignation from the Supervisory Board of Zumtobel Group AG, effective at the end of the day on which the Extraordinary General Meeting was held, i.e. 18 May 2020.

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel Group AG since 1996. He served as vice-chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2019/20 financial year[3]. 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.

Eva Kienle

Eva Kienle has been a member of the Supervisory Board of Zumtobel Group AG since 26 July 2019. Her term of office extends up to the annual general meeting for the 2022/23 financial year. Ms. Kienle was born in 1967 and is a business studies graduate and qualified bank clerk. In addition to her MBA, she has extensive experience in the industry relevant to her activities in the Supervisory Board. She current serves as the CFO of KWS Saat SE & Co. KGaA and previously held positions on the management boards of companies with private equity shareholders.

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

Karin Zumtobel-Chammah

Karin Zumtobel-Chammah has been a member of the Supervisory Board of Zumtobel Group AG since 26 July 2019. Her term of office extends up to the annual general meeting for the 2022/23 financial year. She was born on 7 May 1963. After receiving an MBA from the University of Freiburg, she started her professional career with key management positions in the finance area before joining the Zumtobel Group in 1996. Ms. Zumtobel-Chammah last served as the Head of Art & Culture and, in this position, was responsible for the Group's art and cultural activities.

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

3.2.4.2 The Supervisory Board | employee representatives

Dietmar Dünser

Mr. Dünser was delegated to the Supervisory Board of Zumtobel Group AG by the Employees' Council for Salaried Employees in July 2015. He was born in Bludenz (Austria), in 1966. After completing secondary school (HTL) studies in telecommunications and electronics, he joined the Zumtobel Group in 1986 where he held various functions in the areas of development, marketing, product management and technical sales. He followed the completion of career-integrated, master studies in export and international management at the Management Center Innsbruck (MCI) by serving as a quality and risk management engineer at Zumtobel Lighting GmbH. Mr. Dünser joined the Employees' Council in 1999; in April 2015 he was elected chairman and in January 2016 full-time, independent representative of the Employees' Council for Salaried Employees

[3] Jürg Zumtobel and Fritz Zumtobel announced their premature resignation from the Supervisory Board of Zumtobel Group AG, effective at the end of the day on which the Extraordinary General Meeting was held, i.e. 18 May 2020.

of Zumtobel Group AG, Zumtobel Pool GmbH, Zumtobel Insurance Management GmbH, ZG Lighting Austria GmbH, ZG Lighting CEE GmbH and Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: substitute member of the Ludesch community council and full member of the "e5 und Umwelt" committee, lay judge on the Labour and Social Court of Feldkirch and councillor of the Chamber of Labour in Feldkirch.

Richard Apnar

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

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

Kai Arbinger

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

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

3.3 Diversity on the Supervisory and Management Boards

The members of the Supervisory and Management Boards are selected on the basis of their professional qualifications and personal expertise in order to achieve a balance of educational and professional backgrounds. Support for diversity with regard to generations and genders are included in selecting new appointments to the Supervisory Board and Management Board. In order to meet the minimum requirement defined by § 86 (7) of the Austrian Stock Corporation Act, at least two seats in the Supervisory Board must be held by women and two by men. The Supervisory Board's shareholder representatives raised an objection to this requirement in accordance with § 86 (9) of the Austrian Stock Corporation Act, and the minimum requirement defined by § 86 (7) of the Austrian Stock Corporation Act will therefore be met separately. The following table shows the structure of the Management Board and Supervisory Board of Zumtobel Group AG as of 30 April 2020.

	Gender	Education	Age group
Management Board			
	Men (3)	Economics (1)	< 50 (1)
	Women (none)	Electrical engineering (1)	50 to 60 (2)
		Industrial engineering and mechanical engineering (1)	60 to 70
			> 0
Supervisory Board			
Shareholder representatives	Men (4)	Economics (4)	< 50
	Women (2)	Engineering (2)	50 to 60 (3)
			60 to 70 (1)
			> 70 (2)
Employee representatives	Men (3)	Telecommunications and electronics (1)	< 50 (1)
	Women (none)	Training as a plastics engineer (1)	50 to 60 (2)
		Training as an industrial electrician (1)	60 to 70
			> 70

The Management Board of the Zumtobel Group does not include any women at the present time. An analysis of the age distribution, internationality and professional background shows a balanced picture. The members of the Management Board are between 49 and 57 years old, come from three different nations and have extensive international management experience in various companies and business areas. The Supervisory Board currently has two female members: Eva Kienle and Karin Zumtobel-Chammah were elected by the 43rd Annual General Meeting on 26 July 2019. The age distribution, educational background and professional experience of the Supervisory Board members create a balanced relationship The members of the Supervisory Board, as a whole, cover the entire spectrum of areas important to the company, such as engineering, telecommunications and electronics. Business knowledge and many years of management experience complement the profile. The Zumtobel Group is working to increase the share of women in its management and control bodies and gives special attention to the evaluation of female talents in succession planning.

3.4 Diversity Concept and Measures to Support Women

The Zumtobel Group is well aware that increasing the share of women in higher qualified positions requires the continuation of current programmes as well as open attitude towards new initiatives. In order to protect its competitive position and benefit from the diversity of different viewpoints, the Zumtobel Group has set a goal to increase the worldwide representation of women in its member companies each year. In 2019/20 women comprised 35.8% (2018/19: 35.7%) of the Zumtobel Group's workforce. Measures in this area also focus on the achieving a diverse composition with regard to professional qualifications and educational background, nationalities, cultures and a balanced age structure, independent of gender.

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. Detailed position descriptions and function evaluations ensure that compensation reflects the specific job requirements and is also fair and appropriate. This focus on the functional content also limits any gender-specific irregularities.

The Zumtobel Group works to increase its attractiveness as an employer and implements measures to improve the work-life balance. Part-time employment, educational leave, sabbaticals, parental leave, home office options or other models are arranged where needed. In 2019/20 part-time employees represented 8.3% of the total full-time equivalent workforce (2018/19: 8.5%). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Additional information is provided in the management report under "Non-Financial Statement".

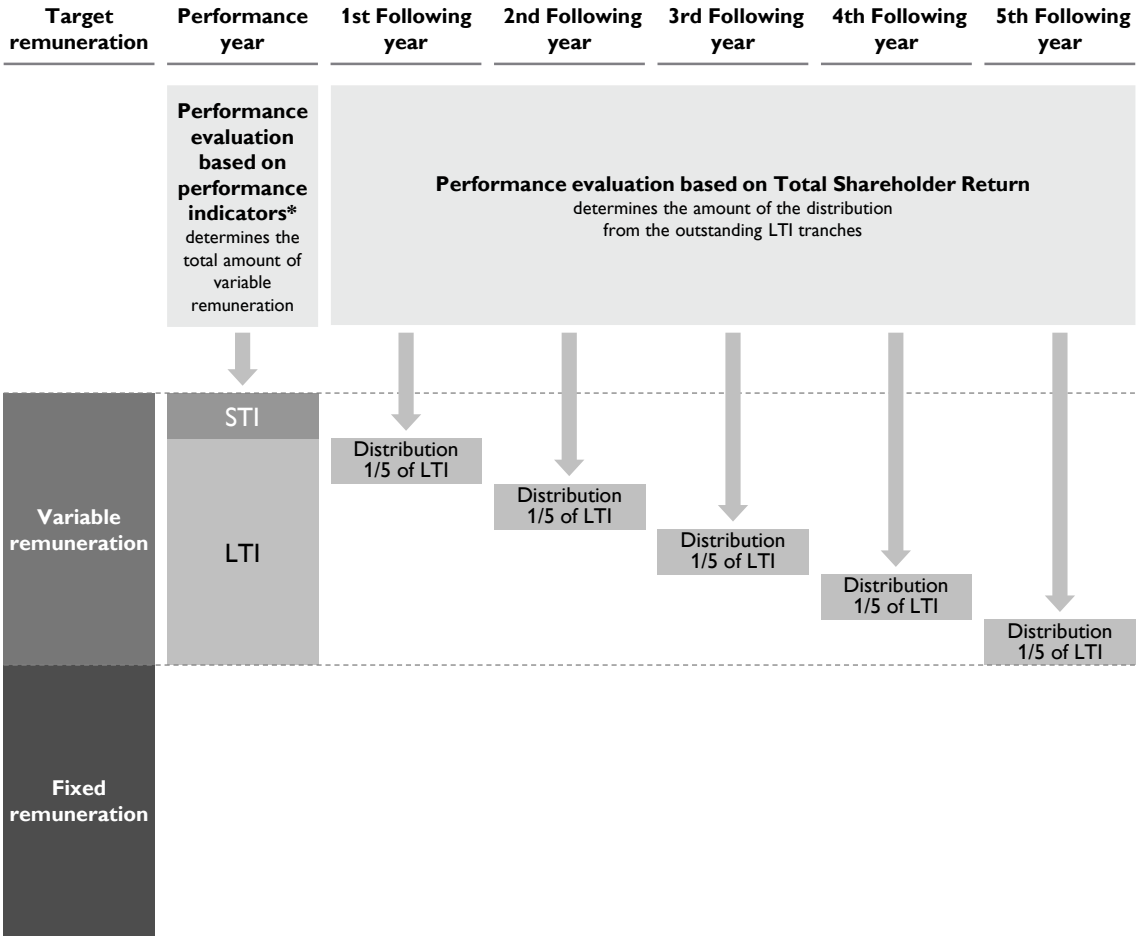
3.5 Remuneration Report

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:



* EBIT adjusted and Free Cash Flow

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, 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 for the allocation of variable remuneration in the respective distribution year is based on two indicators – adjusted EBIT and free cash flow. The targets for these indicators are determined before the beginning of the financial year based on budget planning.

The evaluation of the accrued LTI tranches from earlier years is still based on the total shareholder return of Zumtobel Group AG, which is compared with the total shareholder return of selected, comparable companies (peer group). This peer group has a broad distribution, both from a geographical and industrial perspective. The composition of the peer group was changed in 2019/20 to ensure the best possible benchmark for the Zumtobel Group. Among the most important factors for the change in composition and weighting were the geographical comparability and similarity of business activities. The result was an adjustment of the weighting for the geographical distribution and industrial sectors in 2019/20.

Composition of the peer group of Zumtobel Group AG[4]:

Geographic distribution	Share
D/A/CH	35.6%
Northern and Western Europe	30.3%
Southern and Eastern Europe	6.6%
America	12.9%
Asia & Pacific	14.5%

Distribution by industrial sector	Share
Lighting	68.1%
Construction, same level of supply	20.8%
Construction, upstream level of supply	11.0%

Under both the STI and LTI, discretionary remuneration which exceeds the agreed performance target and reflects non-financial criteria can be granted in justified cases. This discretionary component moves within the upper limits defined in advance. Therefore, all components of the remuneration scheme used by Zumtobel Group AG meet the requirements of the Austrian Corporate Governance Code, above all Rule C-27.

The goals and goal attainment for the performance indicators as well as an individual discretionary bonus component (to be justified) are evaluated and approved each year by the compensation committee (CC). 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[5].

[4] The peer group was revised and adjusted several times since the introduction of the relative performance indicator based on total shareholder return in 2014/15, most recently in 2019/20.
[5] FehrAdvice & Partners AG

The performance evaluation for the 2019/20 financial year resulted in the following remuneration for the members of the Management Board[6] (*disclosure pursuant to Rules C-29, C-30 and C-31*):

	Total		Fixed	Variable			
In TEUR	Target remuneration[7]	Remuneration[8]	Basic salary	STI	LTI[9]	LTI payments from prior years	Severance compensation
Total Management Board remuneration							
2019/20	**2.865**	**2.963**	**1.519**	**512**	**932**	**214**	**0**
2018/19	**3.208**	**2.095**	**1.995**	**100**	**0**	**175**	**1.500**
Alfred Felder, CEO (since 1 April 2016 on the Management Board, since 8 June 2018 as CEO)							
2019/20[10]	1.300	1.352	639	222	490	55	0
2018/19[11]	1.400	750	750	0	0	45	0
Bernard Motzko, COO (since 1 February 2018)							
2019/20[12]	820	892	462	199	231	15	0
2018/19[13]	958	608	608	0	0	12	0
Thomas Tschol, CFO (since 1 April 2018)							
2019/20[14]	745	719	418	90	211	0	0
2018/19[15]	850	738	638	100	0	0	0
Ulrich Schumacher, CEO (up to 1 February 2018)							
2019/20	0	0	0	0	0	0	0
2018/19[16]	0	0	0	0	0	0	1.500
Karin Sonnenmoser, CFO (up to 9 March 2018)							
2019/20[17]	0	0	0	0	0	144	0
2018/19	0	0	0	0	0	118	0

[6] Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2019/20 irrespective of the payment date.

[7] The column "target remuneration" covers all contractually defined remuneration components, excluding contractually defined severance compensation.

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

[9] 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.

[10] Due to the voluntary waiver of 20% of the base salary for short-time work in Austria as a result of the COVID-19 pandemic (April to June 2020) only 80% of the base salary was paid in April 2020. In 2019/20 a discretionary bonus totalling EUR 100,000 was paid.

[11] The target remuneration and actual remuneration for Alfred Felder in 2018/19 include a contractually defined, one-time bonus of EUR 100,000.

[12] Due to the voluntary waiver of 20% of the base salary for short-time work in Austria as a result of the COVID-19 pandemic (April to June 2020) only 80% of the base salary was paid in April 2020. In 2019/20 a discretionary bonus totalling EUR 100,000 was paid.

[13] The target remuneration and actual remuneration for Bernard Motzko in 2018/19 include the contractually agreed second tranche of the signing bonus (EUR 137,500).

[14] Due to the voluntary waiver of 20% of the base salary for short-time work in Austria as a result of the COVID-19 pandemic (April to June 2020) only 80% of the base salary was paid in April 2020.

[15] The target remuneration and actual remuneration for Thomas Tschol in 2018/19 include a contractually guaranteed bonus of EUR 212,500 for the first contract year. In 2018/19 a discretionary bonus of EUR 100,000 was paid.

[16] On 23 January 2019 a settlement was reached with Ulrich Schumacher at the provincial court in Feldkirch. The payment of the settlement amount represents the final compensation and settlement for all reciprocal claims between the parties and, in particular, covers all bonus claims independent of the form of termination (bonus bank).

[17] In connection with the termination of her contract by mutual agreement in 2017/18, a one-time severance payment of EUR 235,000 was agreed. All entitlements from the bonus bank remain intact, i.e. the allocated LTI tranche from 2017/18 will remain in the payment scheme up to 2022/23.

The employment contract with CFO Thomas Tschol, which would have expired at the end of the 2019/20 financial year, was extended on 8 November 2019 to 30 April 2021.

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 maximum payment covering a period of 24 months. The members of the Management Board have no other special claims or entitlements at the end of their function. The activities of Thomas Tschol on the Management Board are made available through a personnel leasing contract concluded with Management Factory Corporate Advisory GmbH. This contract can be terminated at the end of each month in keeping with a three-month notice period.

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

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 chairperson 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 chairperson 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 chairperson. Every other committee member receives EUR 5,000 per meeting up to a maximum of EUR 10,000 per financial year and committee. The employee representatives receive no Supervisory Board remuneration. The fixed remuneration is paid out in equal monthly instalments, while the variable remuneration is paid one week after the respective meeting to the members who were personally present.

Total Supervisory Board remuneration:[18]

In TEUR	2019/20	2018/19
Total remuneration of the Supervisory Board	580	421
thereof fixed remuneration	392	300
thereof variable remuneration	175	120
thereof expense allowances and reimbursements	13	1

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

In TEUR	2019/20	2018/19
Jürg Zumtobel	170	140
Johannes Burtscher	105	100
Fritz Zumtobel	90	80
Volkhard Hofmann	100	100
Eva Kienle[20]	51	0
Karin Zumtobel-Chammah[21]	51	0

3.6 Other Information

3.6.1 Auditor's fees

KPMG Austria GmbH was appointed by the annual general meeting on 26 July 2019 to audit the consolidated and separate financial statements of Zumtobel Group AG. 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 2019/20:

In TEUR	2019/20	2018/19
Total fees	380	431
thereof audit and audit related services	236	228
thereof other services	144	203

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 1,328 in 2019/20 (2018/19: TEUR 1,127).

[18] Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held during the respective financial year, irrespective of the date of payment.
[19] Excl. expense allowances and reimbursements.
[20] The Supervisory Board remuneration for 2019/20 was paid proportionally beginning on 26 July 2019.
[21] The Supervisory Board remuneration for 2019/20 was paid proportionally beginning on 26 July 2019.

3.6.2 Internal Audit

The corporate internal audit department of Zumtobel Group AG (corporate audit & compliance) is a staff department that reports directly to the Management Board. The head of the department provides regular reports to the Audit Committee of the Supervisory Board on the planning for and most important results of its work. The internal audit charter approved by the Management Board creates the foundation for all internal audit activities. This charter and the entire audit process in the Zumtobel Group are based on the international standards defined by the Institute of Internal Auditors (IIA). Compliance with these standards is reviewed and confirmed at least every five years by an external specialist, whereby the last review took place in March 2016.

The standard corporate internal audits are defined in an annual schedule, which is approved by the Management Board and coordinated with the Audit Committee. It is the result of the Group-wide structured identification and analysis of qualitative and quantitative risk factors relating to processes, units and projects. The preparation of the audit schedule is closely coordinated with risk management and covers the content-related review of risk trends and efficiency in operating processes as well as the monitoring of compliance with legal regulations and internal guidelines. The activities of corporate internal audit also include ad hoc audits at the request of the Management Board and, depending on the team's available expertise, consulting projects. In accordance with § 243a (2) of the Austrian Commercial Code and Rules 69 and 70 of the Austrian Corporate Governance Code, the management report must include a description of the key features of the internal control system and the risk management system related to the accounting process.

Dornbirn, 15 June 2020

The Management Board

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

3.7 Report of the Supervisory Board

Dear Shareholders,

The 2019/20 financial year was a positive period for the Zumtobel Group. The Management Board team continued to concentrate on the group-wide implementation of the FOCUS strategy that was introduced in 2018/19, which has allowed the Zumtobel Group to further expand its competitive position. Specifically, this means the three core brands were strengthened, the sales function moved even closer to customers and, at the same time, administrative costs were substantially reduced through the re-evaluation and cutback of central functions. The new strategy reflects the Zumtobel Group's clear goal to generate added value for all stakeholders (shareholders, customers and employees). This "groundwork" has proved to be particularly valuable, especially under the exceptional circumstances surrounding the Covid-19 crisis, because the company's position is now much more robust. Our management reacted very quickly and took the necessary steps to ensure effective crisis management. We are convinced the Management Board will confidently lead the company through this crisis. Our goal is to make sure the Zumtobel Group returns as quickly as possible to the sound operating development recorded before the start of the Covid-19 pandemic.

We performed the duties required by law and the articles of association during the 2019/20 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. During the periods 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 2020: Jürg Zumtobel (Chairman), Volkhard Hofmann (First Vice-Chairman), Johannes Burtscher (Second Vice-Chairman), Eva Kienle, Karin Zumtobel-Chammah and Fritz Zumtobel. The Supervisory Board, in its current composition, meets the requirements of the Austrian Stock Corporation Act and is not restricted in any way whatsoever in its actions or decision capacity.

Meetings of the Supervisory Board

The Supervisory Board met nine times during the 2019/20 financial year, in four scheduled meetings, four unscheduled meetings and one constituent meeting. One member was excused from one meeting, and there was full attendance at all other meetings.

The Supervisory Board meeting on 26 June 2019 dealt with the separate financial statements of Zumtobel Group AG and the related consolidated financial statements, together with the related documents, in accordance with § 222 (1) of the Austrian Commercial Code. Discussions at this meeting also covered the Supervisory Board's report and recommendations for proposals to the annual general meeting. Status reports on individual projects were discussed, and a capital increase and a change of mandates in the Group were approved. Based on a self-evaluation via questionnaire, the Supervisory Board reviewed the efficiency of its work and opportunities for improvement in its organisation and working procedures.

An extraordinary and constituent meeting was held on 26 July 2020 in which status reports were discussed and the Supervisory Board was reconstituted following the election of two new members: Eva Kienle and Karin Zumtobel-Chammah.

The agenda for the meeting on 20 September 2019 included the management report and key financial data on the first quarter of 2019/20 as well as status reports. In addition, a capital increase and a change of mandates in the Group were approved.

In an extraordinary meeting on 30 October 2019, the Supervisory Board examined and approved the acquisition of the remaining 90% interest in Europhane SAS by ZG Lighting France SA to achieve full ownership. The resulting strategy for the future was also discussed at length and approved.

The appointment of Thomas Tschol as a member of the Management Board of Zumtobel Group AG and Chief Financial Officer (CFO) was extended to 30 April 2021 by way of a circular memorandum on 8 November 2019.

The central topics of the Supervisory Board meeting on 24 January 2020 included the management report on the second quarter of 2019/20 and key data on the month of December as well as strategic issues involving the focus regions of Germany, France and Great Britain. The situation in the production network and in the Components Segment was also discussed extensively.

In the extraordinary meeting on 13 February 2020, the Supervisory Board approved an amendment to the GRS bonus scheme for key management of Zumtobel Group AG as a means of integrating individual goals. Jürg Zumtobel and Fritz Zumtobel announced their intention to resign prematurely from the Supervisory Board of Zumtobel Group AG. The Supervisory Board concluded that it would be reasonable to fill these vacant positions before the Annual General Meeting in July 2020 and recommended that the Management Board call an Extraordinary General Meeting. The Management Board of Zumtobel Group AG subsequently announced an Extraordinary General Meeting for 27 March 2020 to elect new members to the Supervisory Board. However, this meeting was unable to take place during the 2019/20 financial year due to the COVID-19 measures.[22]

The primary issue handled at the extraordinary Supervisory Board meeting on 27 March 2020 was the COVID-19 crisis and the expected effects on employees and business development as well as the measures required to deal with the situation. Corporate financing and capital increases in the Group were also discussed and approved.

The COVID-19 crisis, the budget for the 2020/21 financial year and medium-term planning for 2021/22, 2022/23 and 2023/24 were also key topics at the Supervisory Board meeting on 26 April 2020.

Audit Committee

The Audit Committee met twice during 2019/20, with full attendance at both meetings.

The meeting on 26 June 2019 concentrated on the annual financial statements for 2018/19. The auditor of the consolidated and separate financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management and data protection, risk management system, internal control system, internal audit, corporate governance, insider compliance and the IT control environment) were discussed and accepted. A resolution

[22] The Extraordinary General Meeting on 18 May 2020 elected Georg Pachta-Reyhofen and Thorsten Staake to the Supervisory Board. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. This election also marked the resignation of two long-standing Supervisory Board members: Jürg Zumtobel and Fritz Zumtobel.

for the appointment of the auditor for the 2019/20 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 23 January 2020 dealt with the six-month financial statements as of 31 October 2019, whereby the related reports by the auditor and corporate staff were accepted. Consultations centred on the accounting process and the focal points selected for review as well as the audit currently in progress by the Austrian Financial Reporting Enforcement Panel (AFREP) in accordance with § 2 (1) no. 2 of the Austrian Accounting Control Act. The audit approach and focal points for the audits of the 2019/20 separate and consolidated financial statements were presented and explained by the auditor. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were also presented and accepted.

A circular resolution by the Audit Committee on 13 March 2020 approved a public tender for the audit of the separate and consolidated financial statements of Zumtobel Group AG and the audit of selected financial statements for subsidiaries included in the consolidated financial statements for the financial years 2020/21 to 2022/23. Based on this resolution, the tender will be carried out in accordance with Article 16 of the Auditors' Directive ("Abschlussprüfer-Verordnung") and the guideline for audit tenders issued by iwp (Institute of Austrian Chartered Accountants, "Institut Österreichischer Wirtschaftsprüfer"; version: February 2019).

Committee for Management Board Matters

The members of the Committee for Management Board Matters held numerous meetings and telephone conferences during 2019/20, which involved discussions and follow-up assessments of key topics. The most important issues handled during the reporting year included the extension of the appointment of Thomas Tschol as Chief Financial Officer of Zumtobel Group AG to 30 April 2021.

Other focal points, as in previous years, included the committee's work as a so-called compensation committee, which takes decisions on the remuneration system. The Committee for Management Board Matters also served as a sounding board for the Management Board on a wide range of issues.

Strategy Committee

In two meetings and telephone conferences, the members of the Strategy Committee dealt with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the Strategy Committee in 2019/20 included the evaluation of options for the corporate strategy, among others during an on-site visit to the plant in Niš.

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 2019/20 financial year, which were prepared by the Management Board, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and given unqualified opinions. After an extensive review and discussion of the separate financial statements of Zumtobel Group AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for reservation, the Supervisory Board stated its agreement with the management reports for the company and the Group pursuant to § 96 (1) of the Austrian Stock Corporation Act and approved the separate financial statements of Zumtobel Group AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements as well as the corporate governance report which was reviewed by the Audit Committee.

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.

Dornbirn, 22 June 2020

On behalf of the Supervisory Board

Karin Zumtobel-Chammah
Chairwoman of the Supervisory Board

4. Service

Contents

4. Service

Financial Terms

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

Financial Calendar

Annual Results 2019/20	25 June 2020
Record Date for the Annual General Meeting	14 July 2020
44th Annual General Meeting of Zumtobel Group AG	24 July 2020
Ex-Dividend Day	28 July 2020
Record Date Dividend	29 July 2020
Dividend Payout Day	31 July 2020
Interim Report Q1 2020/21 (1 May 2020 - 31 July 2020)	01 September 2020
Half-Year Financial Report 2020/21 (1 May 2020 - 31 October 2020)	01 December 2020
Interim Report Q1-Q3 2020/21 (1 May 2020 - 31 January 2021)	02 March 2021

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Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com. The annual report 2019/20 will be available at our 44th Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1125.

More Information

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

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

Imprint

Publisher: Zumtobel Group AG, Investor Relations, Emanuel Hagspiel
Coordination financials: Bernhard Chromy
Cover design: Werner Sobek in collaboration with Büro Uebele
Translation: Donna Schiller-Margolis

Produced in-house with FIRE.sys

Disclaimer

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

ZUMTOBEL Group