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Cover image *Interior, Standen House*, Wendy Leach, 2010, Tempera on canvas, Private collection, Image: Harriet Brigdale/Wendy Leach

# **Annual Financial Report 2012/13 Zumtobel AG**

1 May 2012 to 30 April 2013

# Five-Year Overview

in EUR million	2012/13	2011/12	2010/11	2009/10	2008/09
Revenues	1,243.6	1,280.3	1,228.2	1,114.6	1,169.0
Adjusted EBIT	35.7	35.0	78.4	51.4	78.9
<i>as a % of revenues</i>	2.9	2.7	6.4	4.6	6.7
Net profit/loss for the period	6.1	15.2	51.3	(69.8)	13.3
<i>as a % of revenues</i>	0.5	1.2	4.2	(6.3)	1.1
Total assets	994.8	1,036.3	1,020.5	972.8	1,010.3
Equity	357.4	370.6	378.7	340.4	412.4
<i>Equity ratio in %</i>	35.9	35.8	37.1	35.0	40.8
Net debt	113.2	141.4	141.3	131.4	163.5
Cash flow from operating results	79.8	88.1	123.2	80.4	107.3
Investments	59.5	57.2	57.3	48.7	64.7
<i>as a % of revenues</i>	4.8	4.5	4.7	4.4	5.5
Headcount incl. contract worker (full-time equivalent)	7,162	7,456	7,814	7,329	7,165

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

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# Chief Executive's Review

Dear Shareholders,



Harald Sommerer

The 2012/13 financial year was influenced by a generally difficult economy and significant challenges arising from the technological shift to LED. The market environment for the late cyclical professional lighting industry weakened substantially, above all during the second six months, with the result that revenues were lower than originally forecasted at the beginning of the reporting year: Group revenues fell by 2.9% to EUR 1,243.6 million. However, the timely implementation of personnel and structural adjustment measures supported a slight improvement in adjusted EBIT over the previous year. The technology shift is still connected with substantial structural and financial challenges: for example, research and development expenditures rose to a new high of EUR 85.2 million, or 6.9% of revenues for the reporting year. In spite of these developments, we see this far-reaching transformation process as a significant opportunity for the Zumtobel Group over the medium- to long-term. We are therefore particularly pleased that revenues from the sale of LED products rose by 49.8% year-on-year to EUR 274.5 million in 2012/13. This also confirms the Zumtobel Group's strategy to invest in the expansion of its innovative product portfolio and intelligent lighting management systems during this key phase of the transformation process in spite of the difficult economic environment.

## All Zumtobel Group brands influenced by industry weakness

The two Lighting Segment brands (Zumtobel/Thorn) were negatively affected by the weak trend in the commercial construction industry throughout Europe. Due to the high share of revenues generated in Europe, they were also unable to benefit sufficiently from the comparatively sound economic growth in other major regions. Segment revenues fell slightly by 1.4% to EUR 935.7 million in 2012/13 (2011/12: EUR 949.2 million). The difficult economic environment in the core markets of Great Britain and France, dependence on the wholesale warehousing business and cost-cutting in the public sector had a significant influence during the second half-year and led to weaker business development, above all for the Thorn luminaire brand.

The shift to LED continues to represent a major challenge for the Components Segment (Tridonic brand). The Zumtobel Group was able to hold its share of the European electronic ballast market constant at approx. 25% in 2012/13, but this market is contracting steadily with the trend to LED. In comparison, our market share of LED converters is less than 5%. Progress in the development and sale of LED converters and LED modules was still unable to offset the market-related and structural decline in the demand for conventional components during the reporting year. After a sharp drop of 6.7% in revenues during 2011/12, segment revenues fell again by 7.4% to EUR 377.7 million in 2012/13 (2011/12: EUR 408.1 million).

## Structural adjustments

Extensive restructuring measures were implemented in both segments during the reporting year to bring cost structures in line with the lower revenues and to also meet the challenges of the technology shift. In 2012/13 these measures led to negative special effects of EUR 14.0 million and a reduction of 3.9% in the number of full-time employees to 7,162.

## Slight improvement in profitability

Group EBIT, adjusted for special effects, amounted to EUR 35.7 million for the reporting year, in spite of the decline in revenues and additional costs from the technology shift. This represents a minor improvement over the previous year (EUR 35.0 million), but the development of profitability in the segments is still very different. In the Lighting Segment, the Zumtobel brand recorded a year-on-year increase in earnings – in spite of noticeably higher development expenses, above all for new controls & systems products, and strong revenue growth with still lower margin LED products – that more than offset the losses recorded by the Thorn brand. In the Components Segment, the difficult market environment and the structural shift from electronic ballasts to LED components led to lower capacity utilisation in the plants and continuing high pressure on prices. The result was a substantial drop in earnings, even though the losses on LED components were lower than the previous year.

The Zumtobel Group recorded positive development in both working capital and free cash flow for the reporting year, with both segments making notable progress in inventory and receivables management. In comparison with 30 April 2012, working capital declined from 17.8% to 15.8% of rolling 12-month revenues. This improvement was reflected in positive free cash flow of EUR 44.8 million (2011/12: EUR 22.3 million) and a reduction in net liabilities to EUR 113.2 million as of 30 April 2013 (2011/12: EUR 141.4 million).

**Sound increase  
in liquidity**

The Zumtobel Group follows a continuous dividend policy that is based on the distribution of roughly 30% to 50% of annual profit to shareholders. Consequently, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel AG on 26 July 2013 to distribute a dividend of EUR 0.07 for the 2012/13 financial year. That represents a pay-out of 50% based on net profit for the year.

**Recommended  
dividend of EUR 0.07  
for 2012/13**

### **Major strategic challenges and opportunities for the Zumtobel Group**

In this important phase of the technology shift, the Management Board will continue to follow the Group's globalisation and growth strategy. This strategy is based on wide-ranging market access for all brands, extensive know-how in lighting applications, a strong technology position and broad coverage of the entire value chain. However, the challenges are different for every brand because of the many structural changes in the industry and the currently very weak market environment.

**Focus on global  
growth strategy**

The premium luminaire brand **Zumtobel** has recorded dynamic growth in recent years and holds a very solid position, above all in Europe. We do not see Europe as a growth driver in the near future, but we do believe we can increase our market shares with an even more active sales approach because of the many, generally regional suppliers in the fragmented European luminaire industry. Furthermore Zumtobel is also working to globalise its market presence, add more innovative products to its portfolio, increase control activities and expand the service business, all this while improving profitability. The universally marketable product families and the related supply chain that were developed in recent quarters as well as the previously implemented global matrix organisation form a solid foundation for the worldwide roll-out of the successful European business model. The focus will be placed on organic growth, which may be supplemented by targeted acquisitions.

**Globalisation of  
market presence for  
Zumtobel brand**

The **Thorn** luminaire brand holds a leading position on key core markets in Europe and Australia as well as a well-established presence in the growth markets of Asia and the Middle East. After breaking even in the previous year, Thorn recorded a loss for the second half of 2012/13 because of the weak economic environment. The restructuring programme implemented in recent years included key measures to modernise the product portfolio, focus the sales approach and make sustainable improvements in the efficiency and performance of the plants. These measures will now be continued with great intensity to make the Thorn business model independent of economic cycles and sustainably profitable. The focal points include the necessary reduction of the fixed cost base, an improvement in the use of global production capacity through the adjustment of plant structures and the insourcing of externally purchased products, the strengthening of direct sales to moderate the effects of cyclical fluctuations in the stock business and the increased expansion of growth activities in Asia and the Middle East. The development of an attractive product portfolio that is tailored to Thorn's brand positioning and sales channels will be pursued with full concentration.

**Steady continuation of  
Thorn restructuring**

**Extensive structural  
adjustments at  
Tridonic**

A central element of the corporate strategy is to cover the value chain in the professional lighting industry as completely as possible. The growing use of LEDs and controls and the resulting increased digitalisation of the lighting industry will make this expertise even more important in the future. The technology shift has triggered extensive changes in **Tridonic's** business. Revenue from the sale of conventional components is declining for structural reasons and new, aggressive competitors are entering the market for LED components. Furthermore, the magnetics business is based on an outdated technology. The challenge is, on the one hand, to bring cost structures in line with sales and, on the other hand, to invest quickly in new, innovative LED products and expand global activities. The long-standing partnerships with OEM customers were, and still are, an important success factor for Tridonic. However, the focus will no longer be placed on individual components, but on solutions and services that are designed to meet the needs of customers. In order to offer the necessary, wide-ranging portfolio, Tridonic will be looking to form an increasing number of strategic partnerships in the future.

**Significant uncertainty over market development in 2013/14**

The macroeconomic environment deteriorated significantly during the 2012/13 financial year. There are currently no signs of an easing in economic tensions and visibility remains very low, above all in the Zumtobel Group's key European market. Against the backdrop of growing forecast uncertainty, a reliable forecast for revenues and earnings is not possible at the present time. Activities for the 2013/14 financial year will focus on cost efficiency as well as progress on strategic brand development.

The major changes that are currently taking place in our industry require the full commitment and high flexibility of the entire Zumtobel Group. In these times, we can depend on our motivated and highly qualified employees - who I would also like to thank on behalf of my colleagues on the Management Board - for their dedication and performance. We would also like to thank our customers and other business partners as well as our shareholders for their confidence, support and open dialogue.

Sincerely,

Harald Sommerer  
Chief Executive Officer

# 1. Group Management Report



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# 1. Group Management Report

## 1.1 The Zumtobel Group - An Overview

### 1.1.1 The Zumtobel Group – Passion for Light

Over the past decades our Group has developed a unique corporate culture. It is symbolised by our three core values: passion, performance and partnership. They define our thoughts and actions, and are the driving force behind the realisation of our vision and mission.

#### Our Vision

We aim to provide the perfect light for people and the environment.

We aim to always be the natural first choice for our customers.

We aim to secure a leading position in the global lighting market.

#### Our Mission

Light is our passion and our profession - top quality light, perfectly geared to the needs of people and the environment. We have a comprehensive knowledge of light and lighting.

We build upon on a unique network of partners from the fields of research & development, technology and lighting applications. Our customers benefit from the strengths of a globally active group and our local presence.

We delight our customers with the quality of our products, services and solutions. This requires the continuous optimisation of our processes and an in-depth understanding of customer needs.

Our success is based on a corporate culture that enables our employees to live their passion for light and invest and grow their knowledge and creativity. Through all of this we attain maximum customer satisfaction and the ideal balance between light quality and energy efficiency.

### 1.1.2 Group structure and brand strategy

Zumtobel AG is the parent company of the Group and, as such, provides a wide range of management and service functions for the entire corporation. These activities include controlling, personnel, corporate accounting, taxes and legal, internal audit, insurance, treasury (including central financing and liquidity management for the Group), IT, corporate communications and investor relations. The Management Board of Zumtobel AG is responsible for the direction and management of the Group.

Harald Sommerer has served as the Chief Executive Officer (CEO) of Zumtobel AG since 1 May 2010. Mathias Dähn has held the position of Chief Financial Officer (CFO) since 1 February 2011 and Martin Brandt the position of Chief Operating Officer (COO) since 1 September 2009. The organisational structure of the Zumtobel Group is based on a "parent company concept" that provides for the direct administration and control of the Lighting Segment by the Management Board. The Components Segment is run as an independent subsidiary with autonomous management, and reports to the CEO of Zumtobel AG.

The Group follows a **multi-brand strategy**, addressing different fields of business and customer target groups in the lighting marketplace with strong internationally established brands. The foundation for these brands is formed by a continuous focus on energy-efficiency as well as innovation and sustainability.

Segment reporting is based on the Lighting Segment and the Components Segment. Revenues generated by the sale of LED-based products – i.e. LED luminaires and LED components – involve both segments and are allocated according to the type of product. The **Lighting Segment** covers professional luminaires, lighting management and lighting solutions for indoor and outdoor applications, and comprises the **Zumtobel** and **Thorn** brands as well as the much smaller original equipment manufacturer (OEM) brand **Reiss**. The Zumtobel and Thorn brands are differentiated by their portfolios, customer target groups and sales channels, and thus ensure broad coverage of the international luminaire market. The most important customer target groups are decision-makers and opinion leaders for building construction and infrastructure projects, e.g. architects, investors, wholesalers, municipalities, lighting and electrical planners, and electricians. The activities of the **Components Segment** are focused primarily on the development and marketing of control gear for conventional lighting components, LED converters and LED/OLED modules, lighting management systems and connection technology under the **Tridonic** brand. Tridonic sells most of its products to external luminaire manufacturers, but also generates roughly 18% of its revenues with the affiliated Zumtobel and Thorn brands.

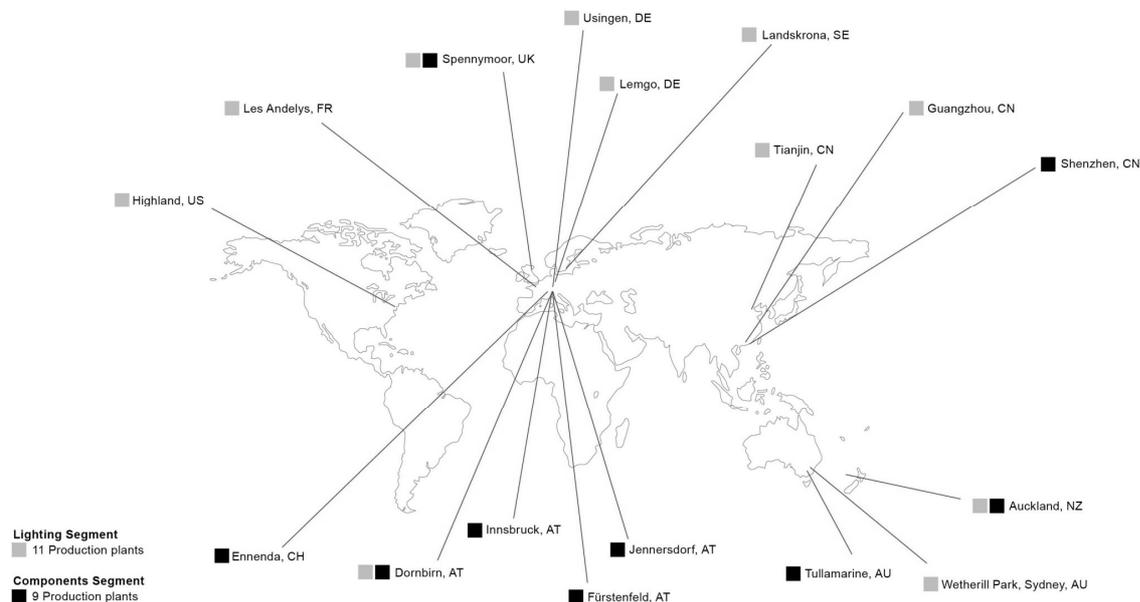
### 1.1.3 Products and production locations

The Zumtobel Group offers complete professional lighting solutions, luminaires, light management systems and lighting components for interior and exterior applications. The Lighting Segment with the Zumtobel and Thorn brands covers the following areas of application: office and communication, education and science, industry and engineering, presentation and retail, art and culture, sport and leisure, facade, hospitality and wellness, health and care, transit areas and car parks, orientation and safety as well as outdoor lighting for streets, tunnels and public areas. The broad-based product offering of the Components Segment comprises magnetic, electronic and digital dimmable luminaire control gear, ignition devices, light management systems, LED modules, LED converters and connection technology. The Zumtobel Group made a strategic decision many years ago not to invest in capital-intensive LED chip production and purchases these products from chip manufacturers.

The five-step value added chain in the professional lighting sector is covered in full by the Zumtobel Group's brands. In the area of lighting sources, the Group has been active in LED technology since 2001 with a concentration on LED modules for directional light based on chip-on-board technology. Conventional lighting sources are purchased as finished products.



The Group currently operates 20 plants on four continents and cooperates with sales companies and partners in over 100 countries.



The Zumtobel Group holds leading positions on the professional lighting market and the conventional converter market in Europe and Australia, which make the Group one of the few global players in the international lighting industry. Approximately 79% of Group revenues are generated in Europe. The European professional lighting industry is still highly fragmented with over 800 suppliers, and the ten largest European luminaire producers cover only slightly more than 40% of the total market. In contrast, the worldwide components industry is more consolidated. The market for LED modules and LED converters has seen the entry of numerous competitors in recent years, above all from Asia.

#### 1.1.4 Key success factors for the Zumtobel Group

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

#### Focus on sales as customer interface

The sales function plays a key role in the business model of the Zumtobel Group. The Group has 2,250 employees working in this area and follows different sales approaches. Sales activities for the Zumtobel brand concentrate entirely on the project business in the commercial construction sector. The Thorn brand, whose projects are based in part on advance specifications, sells either direct to the customer or through wholesalers. One element that links the Thorn and Zumtobel brands is their participation in networks, for example with architects, electricians and lighting planners. These networks can only be established with appropriate investments in the sales structure and are developed over many years. The importance of market access is also visible in the Components Segment, since these products are sold in the fragmented luminaire manufacturers market. One of Tridonic's particular strengths is its long-term customer relations with a large number of luminaire producers, especially in Europe.

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

**Know-how in lighting applications**

The Zumtobel Group grows by developing and applying new technologies for innovative, energy-efficient and high-quality products and light management systems. In 2012/13 the Zumtobel Group increased research and development (R&D) expenditures by 22.1% to EUR 85.2 million. The technological shift from conventional lighting sources to LEDs and the increasing complexity of intelligent lighting systems represent major challenges for R&D and, in turn, lead to increasing demands on capital and resources. As one of the largest suppliers in Europe, the Zumtobel Group has numerous advantages in competition with the many small and mid-sized luminaire producers. An extensive patent portfolio underscores the company's innovative power: it protects growth, competitive advantages and access to strategic cooperation with companies in the electronics industry. Additional information on this subject is provided in section 1.11 Research and Development.

**Strong technology position**

### 1.1.5 Growth potential, opportunities and corporate strategy

#### Growth potential and opportunities

The major revenue drivers for the professional lighting industry are the trend toward energy efficiency with a special focus on intelligent lighting solutions, the prospects offered by LED technology and the growth opportunities available, above all, in Asia and the Middle East.

The subject of energy-efficiency is receiving greater attention in connection with the reduction of CO<sub>2</sub> emissions and has become the central growth driver for the Zumtobel Group. Lighting is currently responsible for 19% of worldwide electricity consumption. Of this amount, nearly two-thirds are used for commercial buildings and exterior lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group.

**Energy efficiency is the central growth driver**

Comprehensive intelligent lighting solutions can reduce electricity consumption by up to 80%. In addition to the design of the luminaire, energy efficiency can best be improved through the use of intelligent control systems, electronic and dimmable electronic ballasts as well as new, innovative lighting sources such as LEDs. This energy savings potential can be realised by combining various optimisation measures, beginning with the design of a luminaire to improve thermal management and light distribution (reflector surfaces, reflector profiles, diffuser optics etc.) through the selection of the optimal lamp technology and materials to the exact calculation of reflectors and prisms (optical systems). Another important factor is the use of electronic and dimmable electronic ballasts as a substitute for their much less efficient magnetic counterparts. Intelligent control systems are also capable of regulating light intensity as needed, for example based on presence detection and dependent on the available daylight and time. In addition to a significant potential for cost reduction, 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.

**Energy savings of up to 80% through intelligent lighting solutions**

Marketing activities for energy-efficient products are focused increasingly on the comparison of energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership). However, the Zumtobel Group aims to create lighting solutions that balance energy savings and optimal lighting quality. Good lighting can increase the sense of well-being and create ideal conditions for fitness, satisfaction and health – while also minimising the impact on the environment.

**Good lighting gives people a feeling of well-being**

**Balance between energy-efficiency and lighting quality**

The Zumtobel Group has developed two software programmes, VIVALDI and ecoCalc, to demonstrate the energy-efficiency and lighting quality of a planned solution. VIVALDI is an interactive tool for the design of lighting scenarios and the planning of dynamic lighting concepts, which supports the realisation of cost savings through the use of intelligent lighting. ecoCALC is used to analyse the costs of a lighting solution over the entire lifecycle. The simulation of various factors - including operations, optimal luminaire selection and an efficient maintenance concept as well as maximum costs and energy efficiency - creates an excellent basis for the customer's investment decision.

**Strong rise in demand for LED lighting**

The potential of LED technology is one of the key issues that will define the future direction of the lighting industry. LEDs (light-emitting diodes) have a number of important advantages over conventional lighting with respect to performance, service life and energy consumption. In addition, their compact form opens up a range of new approaches for product design and functionality. The growing importance of this technology is a direct result of continued performance improvements and a parallel decline in the cost of LED chips as well as an increasing awareness of the need to improve energy efficiency. High-performance LEDs have already outpaced both the fluorescent lamp and the high pressure lamp for energy efficiency and, with respect to effectiveness and light quality, currently represent the best source of white light. In many areas of application, the higher initial investment is justified by a significant reduction in energy costs, maintenance and operating expenses over the service life. The amortisation periods are now lower than the previous year and generally range from one to six years depending on the application.

For the Zumtobel Group, innovative LED technology is opening up a range of new opportunities for sustainable lighting solutions in a wide variety of applications. All Zumtobel Group brands offer an extensive portfolio of LED products that ranges from efficient LED downlights and spotlights to innovative LED facade solutions as well as LED flat-area luminaires and LED streetlights. The LED product portfolio in the Components Segment covers LED modules and converters for professional applications as well as LED modules for advertising lights.

**Zhaga Initiative**

There are no recognised industry standards at the present time, and the market is therefore characterised by a large number of different LED module interfaces that are undergoing rapid development. More than 180 companies in the lighting industry have joined the Zhaga Initiative to address this situation by developing a uniform standard for LED lighting sources. In the future international standards for voltage, size and thermal characteristics will allow customers to exchange LED modules made by different producers. The Zumtobel Group, in particular Tridonic, is part of this consortium and a member of various working groups.

**Investments in OLED technology**

The Zumtobel Group not only concentrates on LED activities, but is also investing in the future-oriented area of OLED technology (organic light-emitting diodes). These activities are focused on applications and operations, whereby the OLED elements, similar to LED chips, are purchased from external manufacturers. OLEDs generate wide-area, glare-free light and differ from conventional LEDs, above all, through their use of organic material and extremely flat form. In addition to OLEDs mounted on rigid base materials like glass, flexible designs are also under development. Unlike the point light source LED, OLEDs are still in a start-up phase that is focused on technical properties such as luminous efficacy and service life as well as the cost of the OLED elements. OLEDs are the first really flat light source and will play an important role in flat lighting in the future. In autumn 2009 the Zumtobel Group, together with the Fraunhofer Gesellschaft and several staff members of the Fraunhofer Institute for Photonic Microsystems in Dresden, founded a joint venture to focus on this technology. In early 2013 Tridonic introduced a high-efficiency OLED module that creates an entirely new performance class: LUREON REP is the first product to reach a luminous flux of over 100 lumens with a dimension of 99 x 99 mm. The system efficiency of LUREON REP, with over 50 lm/W in neutral white, is also much higher than comparable products. OLEDs allow for full use of the generated light

without any reflector loss. This property, together with high energy efficiency, helps to conserve resources: a reduction in energy consumption, emissions and the environmental footprint in the disposal of used lighting.

Global economic growth is currently driven by the dynamic momentum in the developing and emerging countries, above all the BRIC states (Brazil, Russia, India and China). The Zumtobel Group intends to realise an above-average advantage from the growth forecasted for these countries and is concentrating on China, Southeast Asia, India, the Middle East, Russia and Eastern Europe. However, it should be noted that that economic performance in terms of absolute GDP in most of these countries will in no way match the level in the European Union or the USA in the coming years. Consequently, the Group has set a medium-term goal to increase its penetration of the established markets in Europe and expand its presence in the new growth markets.

### Corporate strategy

The Zumtobel Group follows a long-term global growth strategy with all its brands. This strategy is based on wide-ranging market access, extensive know-how in lighting applications, a strong technology position and activities that together cover the entire value chain. The company has set a goal to generate average annual growth that outpaces the industry but will adjust these expectations to reflect the respective economic environment. The Management Board will continue to follow this globalisation and growth strategy in this important phase of the technology shift, but the challenges are different for every brand due to the many structural changes in the industry and the current, very weak market environment.

The premium luminaire brand **Zumtobel** has realised dynamic growth in recent years and holds a very solid position, above all in Europe. We do not believe Europe will become a growth driver in the near future, but we do see an opportunity to increase our market shares with an even more active sales approach because of the many, generally regional suppliers in the fragmented European luminaire industry. Furthermore Zumtobel is also working to globalise its market presence, add further innovative products to its portfolio, increase control activities and expand the service business, all this while improving profitability. The universally marketable product families that were developed in recent quarters and the respective supply chain as well as the previously implemented global matrix organisational structure form a solid foundation for the worldwide roll-out of the successful European business model. The focus will be placed on organic growth, which may be supplemented by targeted acquisitions.

The **Thorn** luminaire brand has a leading position in key core markets in Europe and Australia as well as a well-established presence in the growth markets of Asia and the Middle East. After breaking even in the previous year, Thorn recorded a loss for the second half of 2012/13 because of the weak economic environment. The restructuring programme implemented in recent years included key measures to modernise the product portfolio, focus the sales approach and make sustainable improvements in the efficiency and performance of the plants. These measures will now be continued with great intensity to make the Thorn business model independent of economic cycles and sustainably profitable. The focal points include the necessary reduction of the fixed cost base, an improvement in the use of global production capacity through the adjustment of plant structures and the insourcing of externally purchased products, the strengthening of direct sales to moderate the effects of cyclical fluctuations in the stock business and the increased expansion of growth activities in Asia and the Middle East. The development of an attractive product portfolio that is tailored to Thorn's brand positioning and sales channels will be pursued with full concentration.

**Dynamic development  
in growth markets**

**Long-term global  
growth strategy**

**Globalisation of  
market presence for  
Zumtobel brand**

**Steady continuation of  
Thorn restructuring**

## Widespread structural adjustments at Tridonic

A central element of the corporate strategy is to cover the value chain in the professional lighting industry as completely as possible. The growing use of LEDs and controls and the resulting increased digitalisation of the lighting industry will make this expertise even more important in the future. The technology shift has triggered extensive changes in **Tridonic's** business. Revenue from the sale of conventional components is on a structural decline and new, aggressive competitors are entering the market for LED components. Furthermore, the magnetics business is based on an outdated technology. The challenge is, on the one hand, to bring cost structures in line with sales and, on the other hand, to invest quickly in new, innovative LED products and expand global activities. The long-standing partnerships with OEM customers were, and still are, an important success factor for Tridonic. However, the focus will no longer be placed on individual components, but on solutions and services that are designed to meet the needs of customers. In order to offer the necessary, wide-ranging portfolio, Tridonic will be looking to form an increasing number of strategic partnerships in the future.

### Sustainability strategy

## “Through Light, we care“

The global growth strategy is closely intertwined with the sustainability strategy of the Zumtobel Group “Through light, we care“. An energy-efficient product portfolio, the know-how and commitment of employees, efficient business processes that conserve resources and integrity represent the four main focal points of action in the sustainability strategy as well as the basic requirements and key success factors for global growth.

## Publication of fourth sustainability report

In order to improve the treatment and transparent communication of sustainability issues, the Zumtobel Group approved a sustainability strategy at the end of 2009. The first sustainability report was published in July 2010 and was based on the requirements of the international “G3“ guideline issued by the Global Reporting Initiative. The fourth sustainability report will be published at the same time as the annual financial report for 2012/13. It contains information on progress made during the past year as well as future goals and measures planned as part of the formal sustainability programme.

## 1.2 General Economic Environment

### Growing weakness in the global economy during 2012/13

The 2012/13 financial year of the Zumtobel Group (1 May 2012 to 30 April 2013) was influenced by a generally unfavourable economic environment, both in Europe and in the most important overseas regions, which became even more difficult in late autumn 2012. This weakness led to a series of downward forecast revisions by the International Monetary Fund (IMF) during the course of the year and a stronger-than-expected decline in global growth. The IMF estimated global growth at 3.2% for 2012 after 4.0% in 2011<sup>1</sup>. The industrialised countries were only able to generate a moderate plus of 1.2% due to the noticeable effects of the debt crisis in major industrial nations, above all in Europe. The euro zone recorded a decline of 0.6% in economic performance for 2012. Southern Europe remains trapped in a recession, but growth also slowed in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group. IMF statistics show an increase of 0.9% in Germany, 0.8% in Austria and 1.0% in Switzerland for that year. As a means of counteracting the inherent economic weakness, the European Central Bank (ECB) further reduced key interest rates during the reporting year and announced plans for unlimited bond purchases to stabilise interest rates in the distressed euro countries. The USA recorded economic growth of 2.2% in 2012, while Japan recovered slightly from the natural disaster and atomic catastrophe in March 2011 with an increase of 0.2%. The emerging and developing countries again reported sound growth for 2012, but at a less dynamic pace than earlier years. Results for the BRIC countries include an announced 7.8% increase in the Chinese gross national product as well as sound development for India (plus 4.0%) and Russia (plus 3.4%), but a decline in momentum for Brazil to a comparatively modest plus of 0.9%. These countries were also negatively affected by the sovereign debt crisis in Europe and the moderate level of growth in the USA.

**Euro zone with negative growth in 2012**

The uncertainty for the global economy remains high, and there are no signs of a return to growth in 2013. In its latest economic update from April 2013, the IMF drew a very reserved picture of global development that is still influenced by the financial crisis in Europe and limited momentum in the developing and emerging countries. The consequences for the euro zone include a forecasted GDP decline of 0.3% for the calendar year. France, Italy, Spain, the Netherlands, Greece and Portugal are forecasted to record negative growth in 2013. The other major markets of the Zumtobel Group - Austria, Switzerland, Germany and Great Britain - are also not expected to provide any significant impulses for growth. The situation on the capital markets has eased somewhat following drastic intervention by the central banks, but the risks associated with the massive levels of debt in key industrial nations remain high. Zumtobel AG is monitoring these developments and the related early indicators very closely because of the direct effects of the economic environment on the construction and construction equipment industries.

**Widespread uncertainty makes forecasts difficult**

<sup>1</sup> Source: IMF forecast, World Economic Outlook, April 2013

### 1.3 The Zumtobel Share

#### International stock markets remain highly volatile in 2012/13

Solid performance on most international markets in 2012/13

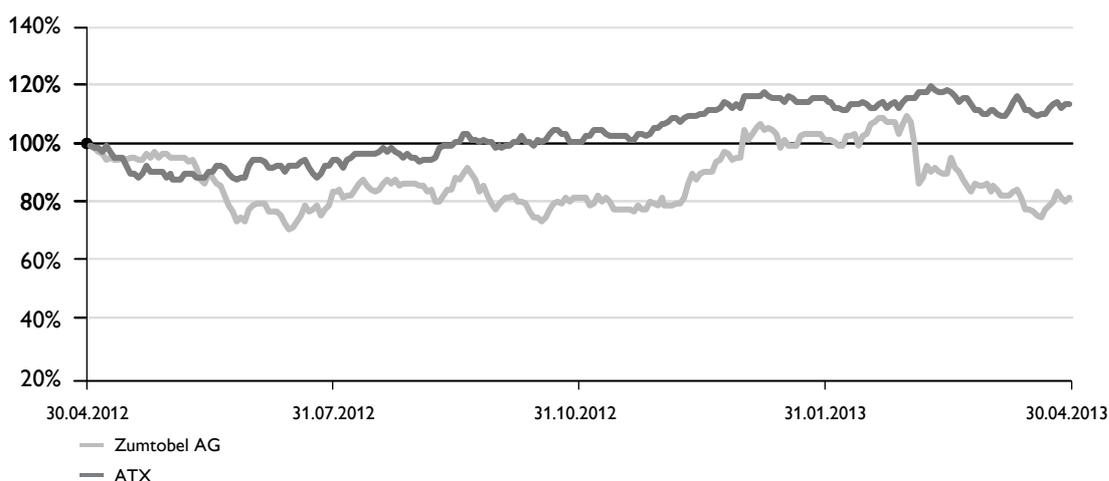
Developments on the international stock markets in 2012 were closely connected to forecasts for global economic growth, political decisions at the national and international level and the central banks' monetary policies. A solid increase in share prices during the first six months of 2012 was followed by in part sharp mid-year corrections, above all on the European markets. The leading indexes recovered substantially toward the end of the year, with several approaching historical highs at the end of the reporting year. The leading Austrian ATX (Austrian Traded Index), which also includes the Zumtobel share, rose by 13.9% from 2,119 to 2,414 points during the reporting year. Other leading indexes also recorded sound performance during this period, including the Dow Jones (12.3%) in the USA, the DAX (+17.1%) in Germany and the leading European Euro Stoxx 50 (+17.6%).

#### Disappointing performance for the Zumtobel share

Economic climate in Europe and weak components business lead to uncertainty

The 2012/13 financial year was anything but satisfying for Zumtobel shareholders. The share price fell by 18.2% during the period from 1 May 2012 to 30 April 2013 and remained clearly below the development of the ATX. Growing economic weakness in key European core markets, the disappointing development of the commercial construction sector and major challenges facing the components business fuelled uncertainty and had a negative influence on the share price. On 13 July 2012, during the first quarter of the financial year, the share fell to the annual low of EUR 7.38. The easing of the euro crisis and a general increase in the interest of investors led to a slight recovery, and the share passed the EUR 10-mark on 19 December 2012. The generally friendly market climate, capital market hopes of economic recovery and positive analysts' reports led to a strong rise in the price of the Zumtobel share during the third quarter of 2012/13. The annual high of EUR 11.47 was reached on 28 February 2013. However, a downward revision to the forecast for 2012/13 in connection with the announcement of nine-month results had a negative effect on the share, which closed the financial year on 30 April 2013 at a price of EUR 8.50.

Development of the Zumtobel Share



Market capitalisation falls below EUR 400 million

The market capitalisation of Zumtobel AG changed parallel to the share price in 2012/13. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 370 million as of 30 April 2013. In a ranking to determine ATX membership, the Zumtobel share was 25th among the largest listed companies in Austria as of 30 April 2013 based on market capitalisation and 19th based on trading volume. Membership in the ATX is reviewed and adjusted

twice each year in March and September. Zumtobel was temporarily removed from the ATX on 24 September 2012 and readmitted on 18 March 2013. Despite the strong rise in the ATX, the trading volume on the Vienna Stock Exchange fell sharply. The Zumtobel share was also unable to disengage from this development. The average daily turnover on the Vienna Stock Exchange fell from 155,548 shares in 2011/12 to 115,328 shares for the reporting year (double-count, as published by the Vienna Stock Exchange).

**Key Data on the Zumtobel Share for the FY 2012/13**

Closing price at 30.04.13	EUR 8.50	Currency	EUR
Closing price at 30.04.12	EUR 10.40	ISIN	AT0000837307
Performance FY 2012/13	(18.2)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.13	EUR 370 Mio	Market segment	Prime Market
Share price - high at 28.02.13	EUR 11.47	Reuters symbol	ZUMV.VI
Share price - low at 13.07.12	EUR 7.38	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	115,328	Number of issued shares	43,500,000

**Stable shareholder structure**

There were no major changes in the shareholder structure of Zumtobel AG during the 2012/13 financial year. The Zumtobel family has remained a stable core shareholder of Zumtobel AG since the initial public offering with a stake of 35.4%. In addition, the institutional investor Delta Lloyd Asset Management NV has held slightly over 10% of the shares since 18 January 2013. FMR LLC (Fidelity) reduced its investment to below 5%, but still above 4% of the issued shares as of 13 February 2013. FMR LLC informed Zumtobel AG that its investment had been reduced to below 4% as of 6 June 2013. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. At the end of the 2012/13 financial year, the company held 366.110 treasury shares (2011/12: 393.390 shares).

**Zumtobel family continues to hold 35.4%**

**Steady dividend policy**

The Zumtobel Group follows a continuous dividend policy that is based on the distribution of roughly 30% to 50% of annual profit to shareholders. Consequently, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel AG on 26 July 2013 calling for a dividend of EUR 0.07 for the 2012/13 financial year. That represents a pay-out of 50% based on net profit for the year.

**Recommended dividend of EUR 0.07 for the 2012/13 financial year**

**Investor relations activities focused on transparency and dialogue**

Transparent and open communications with all capital market participants have top priority for the management of the Zumtobel Group. This is true, above all, during difficult capital market phases. Consequently, the Management Board and the investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows and one-on-one meetings. Discussions were held, among others, with institutional investors in London, New York, Boston, Chicago, Zurich, Frankfurt, Paris, Amsterdam and Vienna. In 2012/13 12 well-known Austrian and international investment banks issued regular reports on the Zumtobel share with their estimates on the valuation of the company.

**Extensive contacts with investors**

In connection with quarterly reporting and the publication of the annual financial report, Zumtobel holds regular conference calls to provide detailed information on results. These opportunities are utilised by numerous investors and analysts. The Internet represents an important medium to ensure that investors and

other interested stakeholders receive information at the same time. All publications and additional information on the Zumtobel Group can be reviewed on the corporate website under [www.zumtobelgroup.com](http://www.zumtobelgroup.com). The investor relations department is also available to answer specific questions and can be reached as follows:

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Investor Relations  
Höchster Strasse 8  
A-6850 Dornbirn  
Tel. +43 (5572) 509-1125  
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#### **1.4 Significant Events since 30 April 2012**

**AGM approves dividend for 2011/12**

The 36th annual general meeting on 27 July 2012 approved the payment of a EUR 0.20 dividend per eligible share for the 2011/12 financial year. This dividend was paid on 3 August 2012 (EUR 8.6 million).

**Alfred Felder is new Tridonic CEO**

Alfred Felder took over as the Chief Executive Officer (CEO) of Tridonic on 1 November 2012. He replaces the Chief Executive Officer of Zumtobel AG, Harald Sommerer, who held this position on an interim basis.

**Consortium credit line voluntarily reduced to EUR 400 million**

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. Based on the positive development of free cash flow during the first half of 2012/13, the maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group from EUR 500 million to EUR 400 million in November 2012. This decision reduces the standard commitment fee, while maintaining the necessary financial flexibility for strategic steps. At the end of the reporting year on 30 April 2013, the amount drawn under the credit agreement totalled EUR 170 million.

**Sale of Ledon Lamp GmbH**

In February 2013 the Zumtobel Group sold Ledon Lamp GmbH, a start-up company for LED lamps for end-users that was founded in 2009. This transaction represents a continuation of the Group's strategic focus on its core professional lighting business.

**Workforce reduction at Tridonic**

On 22 March 2013 Tridonic announced a reduction of roughly 60 employees in its worldwide workforce because of the decline in revenues from conventional lighting technology. This step is intended to bring indirect costs in line with the lower revenues. Nearly 30 of these jobs are located the Tridonic headquarters in Dornbirn (Austria).

**Restructuring at Landskrona luminaire plant**

On 25 March 2013, Thorn Lighting announced the restructuring of its plant in Landskrona (Sweden). The workforce in Landskrona will be reduced by 45 to meet the demands of the technology shift and to reflect the current use of production capacity.

**Continuation of Thorn restructuring**

At its meeting on 26 April 2013, the Supervisory Board approved the focused continuation of the restructuring measures previously implemented at Thorn.

No other significant events occurred during the reporting period.

## 1.5 Related Party Transactions

Related parties include the Management Board and Supervisory Board of Zumtobel AG. As of the balance sheet date on 30 April 2013, there were no business relations with related parties.

The Group has concluded supply and delivery agreements with associated companies that are based on normal market conditions. Additional information is provided in section 2.6.15 of the notes.

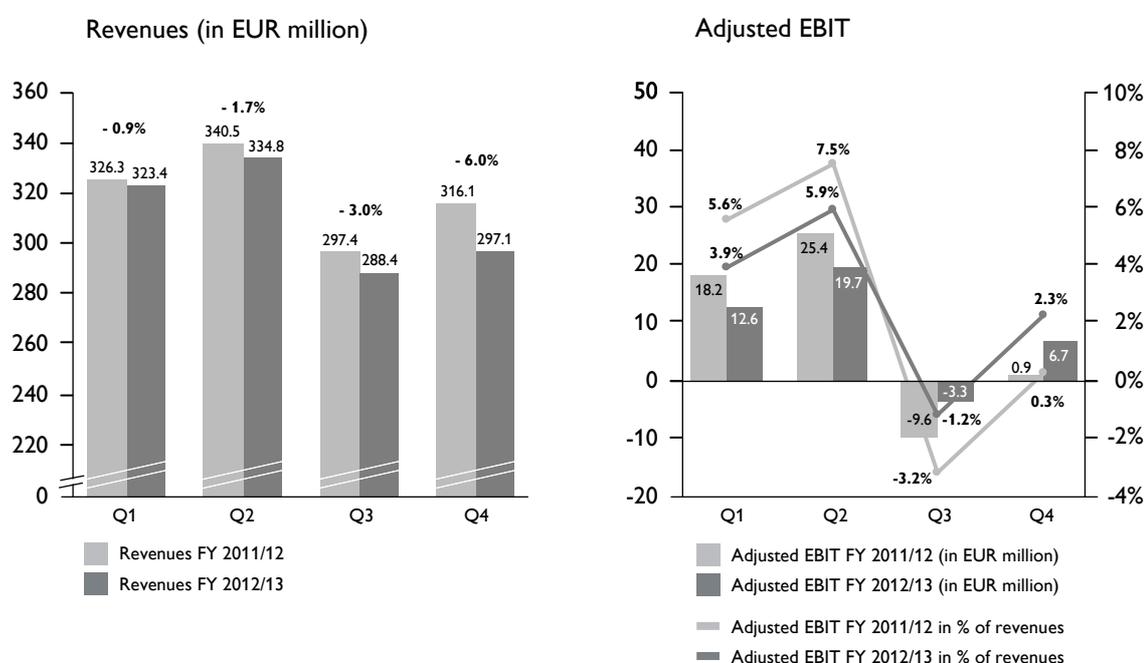
## 1.6 Review of Operations

### 1.6.1 Preliminary application of revised IAS 19

The preparation of the financial statements for the 2012/13 financial year included the premature application of the revised version of IAS 19 "Employee Benefits". In accordance with the transition rules defined in IAS 19, these changes were also applied retroactively and the prior year data were restated. Additional information is provided in sections 2.6.3.1 and 2.6.3.3 of the notes.

### 1.6.2 At a glance

The 2012/13 financial year was influenced by an increasingly difficult economic environment. An analysis of revenue development by quarter shows a steady year-on-year decline in momentum. While demand in the Components Segment fell in part sharply during all quarters, the Zumtobel Group's late cyclical luminaire business was negatively affected, above all during the second six months, by the weakness in the commercial construction industry. Revenues recorded by the Zumtobel Group for the reporting year fell by 2.9% to EUR 1,243.6 million.



Group EBIT, adjusted for special effects, amounted to EUR 35.7 million for 2012/13, despite the slight decline in revenues and additional costs from the technology shift. This represents a slight increase over the previous year (EUR 35.0 million) as well as an improvement in the return on sales to 2.9% (2011/12: 2.7%). The development of profitability in the segments is still very different, but the positive results of the measures

implemented to bring cost structures in line with demand were noticeable in both the Lighting Segment and the Components Segment - especially during the second half of the reporting year.

### 1.6.3 Revenues

- >> Group revenues decline 2.9%
- >> Revenues in Lighting Segment slightly below prior year at minus 1.4%
- >> Sharp drop in Components Segment (minus 7.4%)
- >> Strong growth momentum with LED products (plus 49.8%)

#### Group revenues decline 2.9%

The significantly weaker economic environment led to a 2.9% decline in revenues for the Zumtobel Group to EUR 1,243.6 million for the 2012/13 financial year, which covered the period from 1 May 2012 to 30 April 2013 (2011/12: EUR 1,280.3 million). Energy efficiency remained the central driver for both segments, whereby the trend toward intelligently managed, energy-efficient lighting and LED technology continued to create strong impulses for growth.

#### Lighting Segment revenues slightly below prior year

The Lighting Segment, with the Zumtobel and Thorn brands, was unable to continue the sound growth recorded during the past two years. In an increasingly challenging economic environment that led to weakness throughout the professional lighting industry, segment revenues fell slightly by 1.4% to EUR 935.7 million (2011/12: EUR 949.2 million). The difficult economic environment in the core markets of Great Britain and France, dependence on the wholesale stock business and cost-cutting in the public sector had a significant influence during the second half-year and led to weaker business development, above all for the Thorn luminaire brand.

#### Components Segment clearly below prior year

The shift to LED continues to represent a major challenge, especially for the Components Segment (Tridonic brand). The Zumtobel Group was able to hold its share of the European electronic ballast market constant at approx. 25% in 2012/13, but this market is contracting steadily with the trend to LED. In comparison, our market share of LED converters is less than 5%. The magnetics business is based on outdated technology and characterised by a sharp downward trend in revenues. Progress in the development and sale of LED converters and LED modules was still unable to offset the market-related and structural declines in the demand for conventional components during the reporting year. After a sharp drop of 6.7% in revenues during 2011/12, segment revenues fell again by 7.4% to EUR 377.7 million in 2012/13 (2011/12: EUR 408.1 million).

Segment development in EUR million	2012/13	2011/12	Change in %
Lighting Segment	935.7	949.2	(1.4)
Components Segment	377.7	408.1	(7.4)
Reconciliation	(69.8)	(77.0)	(9.4)
Zumtobel Group	1,243.6	1280,3	(2.9)

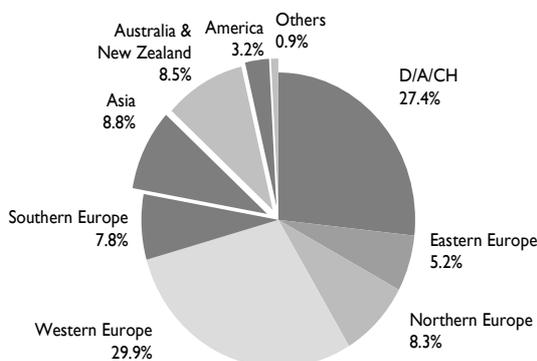
The dynamic growth with LED products continued during the reporting year with an increase of 49.8% in revenues to EUR 274.5 million (2011/12: EUR 183.2 million). The LED share of Group revenues rose to 22.1%, compared with 14.3% in the previous year. In particular the Lighting Segment, with its wide-ranging innovative LED luminaire portfolio, was able to benefit from the sharp rise in demand for LED lighting. LED segment revenues rose by 55.8% to EUR 212.8 million. The LED product portfolio in the Components Segment comprises LED modules and converters for conventional lighting as well as LED modules for light advertising. In keeping with the strategic focus for LED components on the core business of general lighting, the successful advertising lighting activities were spun off into a separate profit centre. In addition, the business activities related to commercial refrigeration lighting and LED retrofit lamps for end-users (Ledon Lamp GmbH) were sold during the reporting year. Revenues from the sale of LED components rose by 30.7% to EUR 71.5 million in 2012/13.

**Continued strong growth with LED products**

**Development of revenues by region**

2012/13	Revenues in EUR million	Change in %
D/A/CH	340.5	(0.6)
Eastern Europe	64.7	0.1
Northern Europe	103.4	(4.2)
Western Europe	372.4	(1.6)
Southern Europe	96.7	(4.8)
<b>Europe</b>	<b>977.7</b>	<b>(1.7)</b>
Asia	109.4	(4.7)
Australia & New Zealand	105.9	(14.8)
America	39.4	10.9
Others	11.3	5.2
<b>Total</b>	<b>1,243.6</b>	<b>(2.9)</b>

Regional distribution of revenues



Developments in the individual regions differed widely during the reporting year. The Components Segment reported in part sharp revenue declines in all regions except Northern Europe, but the Lighting Segment was able to hold revenues in- and outside Europe nearly constant at the prior year level. Revenues generated by the Zumtobel Group in Europe fell slightly by 1.7% to EUR 977.7 million for the reporting year (2011/12: EUR 995.0 million). Revenues in the D/A/CH region (Germany, Austria, Switzerland) decreased by a slight 0.6% due to unsatisfactory development in Germany. Demand in Northern Europe (Denmark, Finland, Norway, Sweden, Iceland) was disappointing, especially for the Lighting Segment during the second half-year, with an overall revenue decline of 4.2% in this region. In Eastern Europe, revenues remained stable (plus 0.1%) during 2012/13 despite declines in the Components Segment. Business development in Western Europe (Great Britain, France, Benelux), which is the strongest sales region in the Zumtobel Group, was negatively influenced by the difficult economic environment in the core British and French markets during the second six months and revenues fell 1.6% to EUR 372.4 million for the reporting year (2011/12: EUR 378.3 million). Revenues in Southern Europe (Italy, Spain, Greece, Turkey) were 4.8% lower in 2012/13 due to negative cyclical effects in both segments. The relative share of Group revenues generated in Europe rose slightly to 78.6% for the reporting year (2011/12: 77.8%).

**Europe slightly below prior year**

## Dynamic growth in America

In Asia (which consists chiefly of China, Hong Kong, Singapore, India and the Middle East), revenues fell by 4.7% to EUR 109.4 million (2011/12: EUR 114.7 million) above all due to a sharp drop in the components business in the Middle East. The development of business in the Lighting Segment generally reflected the prior year level. In the America region, the positive effects of previously implemented measures supported an increase of 10.9% in revenues for the reporting year. Business development in Australia & New Zealand was negatively influenced, above all, by a strong decline in the components business and revenues fell by 14.8% to EUR 105.9 million (2011/12: EUR 124.3 million).

### 1.6.4 Earnings

- >> At EUR 35.7 million, adjusted EBIT slightly higher than the prior year (EUR 35.0 million)
- >> Further increase in development costs
- >> Selling expenses reduced by EUR 9.7 million
- >> Restructuring leads to negative special effects of EUR 14.0 million
- >> Net profit for the year declines to EUR 6.1 million (2011/12: EUR 15.2 million)

Income statement in EUR million	2012/13	2011/12 *restated	Change in %
Revenues	1,243.6	1,280.3	(2.9)
Cost of goods sold	(855.0)	(882.2)	(3.1)
Gross profit	388.6	398.2	(2.4)
<i>as a % of revenues</i>	31.2	31.1	
SG&A expenses adjusted for special effects	(352.9)	(363.2)	(2.8)
Adjusted EBIT	35.7	35.0	2.0
<i>as a % of revenues</i>	2.9	2.7	
Special effects	(14.0)	0.0	> 100
EBIT	21.7	35.0	(38.1)
<i>as a % of revenues</i>	1.7	2.7	
Financial results	(13.8)	(14.8)	7.1
Profit/loss before tax	7.9	20.2	(60.9)
Income taxes	(1.6)	(4.2)	(60.8)
Net loss from discontinued operations	(0.2)	(0.8)	78.7
Net profit/loss for the period	6.1	15.2	(60.1)
Depreciation and amortisation	(57.8)	(53.9)	7.3
Earnings per share (in EUR)	0.14	0.35	(60.9)

Note: EBITDA amounted to EUR 79.5 million in 2012/13 (2011/12: EUR 88.9 million<sup>2</sup>).

## Adjusted EBIT slightly higher than prior year

Group EBIT, adjusted for special effects, amounted to EUR 35.7 million for 2012/13, in spite of the slight decline in revenues and additional costs from the technology shift. This represents a minor increase over the previous year (EUR 35.0 million) as well as an improvement in the return on sales to 2.9% (2011/12: 2.7%). The development of profitability in the segments is still very different. In the Lighting Segment, the Zumtobel brand recorded a year-on-year increase in earnings – in spite of noticeably higher development expenses, above all for new controls & systems products, and strong revenue growth with still lower margin LED products – that more than offset the losses recorded by the Thorn brand. In the Components Segment, the difficult market environment and the structural shift from electronic ballasts to LED components led to

<sup>2</sup> EBITDA of EUR 88.9 million for 2011/12 equals EUR 88.5 million as reported in the 2011/12 annual financial report plus an adjustment of EUR 0.4 million from the premature application of the revised IAS 19.

reduced capacity utilisation in the plants and continuing high pressure on prices. The result was a substantial drop in earnings, even though the losses on LED components were lower than the previous year.

The Zumtobel Group must invest in both LED and conventional lighting technology at the same time to protect its good competitive position. These efforts are reflected in a larger range of products as well as substantially higher R&D expenditures and investments by both segments during the transition phase. In order to further improve the explanatory capability of this financial report, costs totalling EUR 7.2 million related to the customised product department in 2012/13 were reclassified under the cost of goods sold and, based on their source, allocated to the development area. Development costs included in the cost of goods sold rose by EUR 10.8 million to EUR 65.6 million for the reporting year – without this reclassification, development costs would have increased 6.6% to EUR 58.4 million.

**Further increase in development costs**

With the aim of preparing for medium-term growth opportunities, the Zumtobel Group made substantial investments in the expansion of sales structures during 2011/12. These investments were reflected in an increase of EUR 26.1 million in selling expenses compared to 2010/11. General economic uncertainty in the Group's key markets led to the suspension of these investments and the introduction of efficiency improvement measures in both segments during the reporting year. These steps have already produced the first results, with selling expenses declining from EUR 331.3 million to EUR 321.6 million, or by EUR 9.7 million, in spite of the wage and salary increases mandated by collective bargaining agreements. Administrative expenses rose slightly to EUR 39.7 million (2011/12: EUR 38.0 million). Other operating results, excluding special effects, rose from EUR 6.1 million to EUR 8.4 million and, as in the previous year, consisted mainly of license income from the LED business as well as government grants.

**EUR 9.7 million decline in selling expenses**

Extensive restructuring measures were implemented in both segments during the reporting year to bring cost structures in line with the lower revenues and to meet the challenges of the technology shift. In addition to adjustments in a number of European sales companies, restructuring measures were implemented at the Thorn plant in Landskrona (Sweden) and the Tridonic plants in Ennenda (Switzerland) and Melbourne (Australia). In spring 2013 Zumtobel USA announced plans to concentrate its production activities at the plant in Highland (USA/New Jersey) and to subsequently close a smaller plant in Fairlawn (USA/New York). Ledon Lamp GmbH, a start-up company for LED lamps for end-users that was founded in 2009, was sold to a strategic investor in February 2013. In March Tridonic announced the reduction of roughly 60 employees in indirect areas of the international business due to the decline in conventional lighting technology. All these measures led to negative special effects of EUR 14.0 million in 2012/13. Additional information is provided in section 2.6.4.3 of the notes. No special effects were recognised in 2011/12.

**Structural adjustments lead to negative special effects of EUR 14.0 million**

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

Adjusted EBIT in EUR million	2012/13	2011/12 *restated	Change in %
Reported EBIT	21.7	35.0	(38.1)
thereof special effects	(14.0)	0.0	> 100
Adjusted EBIT	35.7	35.0	2.0
<i>as a % of revenues</i>	2.9	2.7	

#### Slight improvement in financial results

Financial results improved by EUR 1.1 million to minus EUR 13.8 million in 2012/13 (2011/12: minus EUR 14.8 million). Interest expense consisted mainly of interest and fees for the current consortium credit agreement, which declined by EUR 1.5 million during the reporting year due to the lower average amount drawn and the further drop in market interest rates. Other financial income and expenses amounted to minus EUR 4.6 million (2011/12: minus EUR 4.9 million). This position consists primarily of results from the fair value measurement of derivatives as of the balance sheet date as well as effects from the valuation of foreign currency receivables and liabilities. It also includes the interest component, less income on plan assets, in accordance with IAS 19. Additional information is provided in section 2.6.4.4 of the notes.

Financial result in EUR million	2012/13	2011/12 *restated	Change in %
Interest expense	(9.9)	(11.3)	12.9
Interest income	1.2	2.1	(40.9)
Net financing costs	(8.6)	(9.2)	6.6
Other financial income and expenses	(4.6)	(4.9)	6.5
Loss from companies accounted for at-equity	(0.6)	(0.7)	18.3
Financial results	(13.8)	(14.8)	7.1

#### Profit before tax falls to EUR 7.9 million

Profit before tax declined to EUR 7.9 million for the reporting year (2011/12: EUR 20.2 million). Income tax expense amounted to EUR 1.6 million (2011/12: EUR 4.2 million). The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 20.7% for 2012/13. The net change in deferred taxes had a positive effect of EUR 2.5 million on earnings (2011/12: EUR 0.8 million). Detailed information is presented in section 2.6.4.6 of the notes.

#### Profit for the year of EUR 6.1 million

Results of minus EUR 0.2 million from discontinued operations represent subsequent income and expenses related to the reorganisation of the event lighting business (Space Cannon VH SRL) which was discontinued in 2010/11. Net profit (including non-controlling interests) after tax fell by a substantial amount to EUR 6.1 million for the reporting year (2011/12: EUR 15.2 million). For the shareholders of Zumtobel AG, earnings per share (basic EPS on 43.1 million shares) equalled EUR 0.14 (2011/12: EUR 0.35 based on 43.1 million shares).

### 1.6.5 Seasonality, cash flow and asset position

- >> Positive development of working capital
- >> Capital expenditure at prior year level
- >> Free cash flow doubles to EUR 44.8 million
- >> Continued secure liquidity position and solid balance sheet structure

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

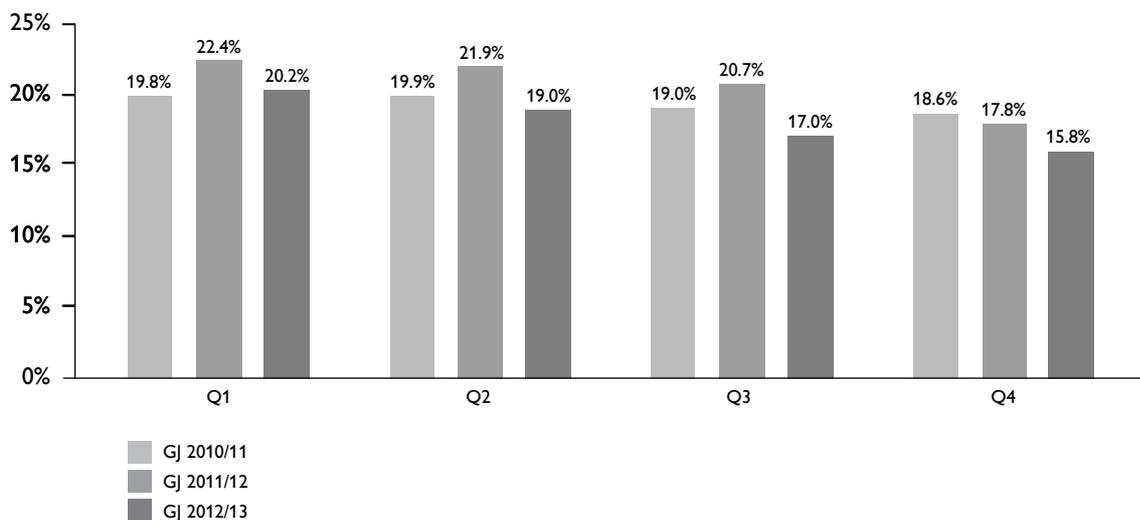
#### Seasonality of the business

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 can lead to significant differences between individual positions on the balance sheet and cash flow statement, above all under cash flow from operating activities.

Working capital fell from EUR 228.3 million at the end of the 2011/12 financial year to EUR 196.7 million as of 30 April 2013. Both segments made notable progress in inventory and receivables management during the course of the year. In comparison with 30 April 2012 working capital fell from 17.8% to 15.8% of rolling 12-month revenues, which is below the Group's defined target corridor of 18 to 20%. Cash inflows from the reduction of working capital amounted to EUR 9.3 million in the prior year, while 2012/13 brought further cash inflows of EUR 31.4 million. Factoring reflected the previous year at EUR 41.8 million for 2012/13. The negative change in non-current provisions was related primarily to the change in the IAS 19 reserve that was recognised under other comprehensive income in the reporting year. The positive cash flow effect from other non-current and current assets and liabilities resulted mainly from the receipt of the final instalment of the purchase price for the sale of the Spennymoor plant in December 2008.

#### Positive development of working capital

### Working Capital as % of rolling 12-month revenues



#### Operating cash flow rises by EUR 25.2 million

Cash flow from operating activities rose by EUR 25.2 million to EUR 103.3 million in 2012/13 (2011/12: EUR 78.1 million). This year-on-year improvement resulted primarily from cash inflows from the reduction in working capital that more than offset the decline in operating income after special effects.

#### Capital expenditure at prior year level

Capital expenditure in the Zumtobel Group amounted to EUR 59.5 million for the reporting year (2011/12: EUR 57.2 million). These expenditures covered investments in the manufacture of tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 16.1 million (2011/12: EUR 11.1 million). The expansion and maintenance investments were made chiefly at the luminaire plants in Dornbirn (Austria), Lemgo (Germany), Les Andelys (France) und Spennymoor (Great Britain).

#### Free cash flow doubles to EUR 44.8 million

Free cash flow doubled to EUR 44.8 million in 2012/13 due to the positive development of working capital. Cash flow of minus EUR 46.3 million from financing activities (2011/12: minus EUR 14.6 million) included, above all, the EUR 8.6 million dividend paid to the shareholders of Zumtobel AG for the 2011/12 financial year; interest payments of EUR 7.8 million and the reduction of the funds drawn from credit lines.

#### Secure liquidity position

In order to ensure its ability to meet payment obligations at any time, the Zumtobel Group held unsecured lines of credit totalling EUR 88.0 million as of 30 April 2013 (2011/12: EUR 100.6 million) as well as a consortium credit agreement concluded in November 2011 with a term extending to 2016 and a maximum volume of EUR 400 million. Of this total, EUR 170 million had been drawn by 30 April 2013 (2011/12: EUR 200 million). The financing from the consortium credit agreement requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2013 with a debt coverage ratio of 1.42 (2011/12: 1.60) and an equity ratio of 35.9% (2011/12: 35.8%). Net liabilities totalled EUR 113.2 million at the end of 2012/13 year (2011/12: EUR 141.4 million), which represents a decline of EUR 28.2 million below the prior year.

Balance sheet data in EUR million	30 April 2013	30. April 2012 *restated
Total assets	994.8	1,036.3
Net debt	113.2	141.4
<i>Debt coverage ratio</i>	1.42	1.60
Equity	357.4	370.6
<i>Equity ratio in %</i>	35.9	35.8
<i>Gearing in %</i>	31.7	38.1
Investments	59.5	57.2
Working capital	196.7	228.3
<i>As a % of rolling 12 month revenues</i>	15.8	17.8

The quality of the balance sheet structure did not change significantly during the reporting year. The balance sheet total was lower than on 30 April 2012 due to the reduction in working capital. Equity declined as a result of the dividend payment and an increase in the provision for pensions. The equity ratio rose from 35.8% on 30 April 2012 to 35.9%. Gearing, the ratio of net debt to equity, improved from 38.1% to 31.7%.

**Solid balance  
sheet structure**

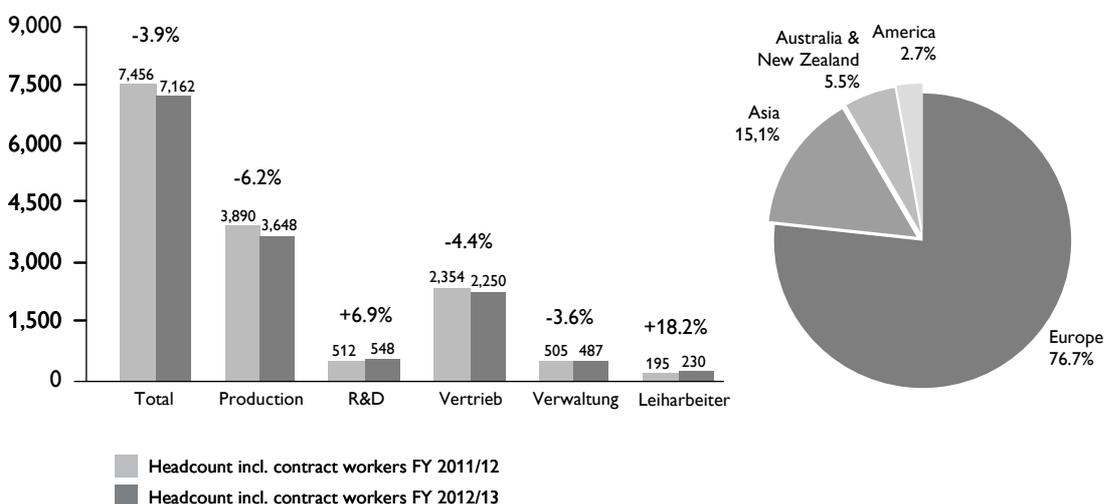
## 1.7 Human Resources

Qualified, committed and motivated employees play an important role in the entrepreneurial success of the Zumtobel Group. With their technical expertise, personal competence and passion for light, they create demanding lighting solutions that set worldwide benchmarks. Key values for the Group include a continuous focus on the needs of customers, an innovative spirit and entrepreneurial actions.

### Reduction of 3.9% in the workforce

The Zumtobel Group had 7,162 full-time employees (including contract workers) as of 30 April 2013. This represents a decrease of 294 employees and, with the exception of the R&D teams, involved all areas of the business. Structural changes related to the technology shift and weak market development in Europe were the main reasons for the workforce reduction. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



### Slight improvement in revenues per employee

Adjusted EBIT as a per cent of personnel expenses (labour productivity) equalled 8.2% for 2012/13 and reflected the prior year level (8.3%). Average revenues per employee (including contract workers) rose slightly from EUR 165,600 to EUR 167,600.

### Current challenges

#### Technology shift brings new challenges

The Zumtobel Group is addressing the challenges created by the technology shift with sustainable and responsible human resources policies. The major challenges include the qualification of existing employees, recruiting new talents and training staff in the new markets. In addition to the specialised and personal development of employees, performance-based compensation, close integration in an internal network and a commitment to corporate values form the basis for the company's long-term success.

### Employee training programmes and apprenticeships

#### Specialised brand academies

The brand academies offer a wide range of specially designed training programmes, above all for sales and marketing staff. These courses focus, for example, on technologies, applications and customer requirements as well as energy efficiency and sustainable lighting solutions. External courses and an extensive internal training offering are also available for employees.

In 2012/13 employees and managers took part in 490 (2011/12: 800) corporate training days. The local HR managers organised an additional 500 training days, which covered management, processes and social skills. Company instructors held roughly two-thirds of these courses. The Zumtobel Group is continually expanding its online training offering because of the related substantial savings in time, travel and costs as well as the high number of potential participants. Plans for 2013/14 include the implementation of an expanded integration process for younger employees, which will include longer and more intensive coaching.

### Corporate training

The number of apprentices rose from 158 in the prior year to 179 in 2012/13. Internal professional training is an important instrument to counter the lack of specialists caused by demographic shifts. The apprenticeship training programme is operated primarily in Austria and Germany, and includes the following eleven professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining, mechatronics, industrial clerk and media expert.

### Apprenticeship training in 11 professions

### Corporate values and social responsibility

The Zumtobel Group is built on a strong corporate culture that has grown over many decades. The three core values - passion, performance and partnership - form the basis for daily actions and are closely connected with the corporate strategy. In 2012/13 workshops were held throughout the world to implement these values. The managers were supported in these activities by their local HR partners and by specially trained employees, the so-called "value ambassadors". More than 80% of the workforce had taken part in these workshops by the end of the reporting year.

### Identification of employees with shared values

The compatibility of family and career are also important values for the Zumtobel Group. This orientation is underscored by the part-time and home office working models that are open to employees. In 2012/13, the number of part-time employees equalled 6% of the full-time equivalent workforce. Mothers and fathers who return to work after maternity or parental leave are actively supported in their reintegration. The Group companies in Germany, Austria and Switzerland were surveyed for the first time in 2012/13 to determine the number of employees returning to the company after maternity or parental leave, with the results showing a share of approx. 75%.

### Measures to support the work-life balance

The Code of Conduct of the Zumtobel Group calls for mandatory compliance with the core principles defined by the International Labour Organization ("ILO"). Compliance with these standards is monitored annually through an extensive survey of all subsidiary managing directors, who must confirm their company's observance of these norms. The survey also includes questions on human rights, employee benefits, health, occupational safety, etc. Many of the Group's subsidiaries also provide voluntary benefits to meet the needs of employees, including subsidies or company programmes for health, accident or life insurance.

### High labour standards

The Zumtobel Group does not tolerate any form of discrimination. Accordingly, all personnel decisions are based on performance and qualifications. The share of women in the Zumtobel Group's workforce currently equals approx. 34% and there is no quota for the appointment of women to management positions. Qualified applicants are rare because of the general lack of specialists, and the recruitment of the right persons for the right jobs represents a major challenge. The share of women in management positions currently equals 10.1%.

### Equal opportunity and diversity

**Integration of people with special needs**

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

**Remuneration**

**Performance-based remuneration schemes**

The Zumtobel Group follows a uniform remuneration scheme that promotes high transparency and ensures performance-based compensation. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. Internal and external comparisons are used to confirm that wages and salaries reflect the market level. In countries with low-wage standards, the Zumtobel Group also pays compensation over the legal minimum. New rules governing variable remuneration for mid-level and upper management were introduced in May 2012. The focus of upper management is directed to sustainable decisions by variable compensation that is distributed over three years with separate goals for each tranche. The base performance indicator is absolute EBIT, which is compared with the development of earnings in comparable companies (peer group).

Detailed position descriptions ("grading") 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 procedure excludes any gender-specific irregularities. The implementation of the grading system for the Lighting Segment in Austria was completed during the reporting year.

**Annual employee review**

The annual employee review forms an important instrument in the interaction between employees and their supervisors. In this structured discussion, a common understanding is developed for the values, corporate strategy and goals, mutual expectations are coordinated and development opportunities are systematically identified. After a revision in 2011/12, the implementation of this process started during the reporting year and should be completed in all Group companies by the end of 2013/14.

**Workplace safety**

**Focus on workplace safety**

Workplace safety and health protection represent an important focal point of activities for the Zumtobel Group. Local officers monitor compliance with specific environmental, health and safety guidelines for all brands. Measures are implemented on a continuous basis to increase workplace safety, including employee training, improvements to protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries = number of work accidents based on one million work hours) is monitored monthly for all plants. This statistic covers all incidents, independent of the resulting effects, whereby the most frequent injuries involve cuts. The TRI rate fell to 15.2 in the luminaire plants during 2012/13 (2011/12: 18.0) and to 5.4 (2011/12: 5.5) in the components plants. The overall rate for the Group improved from 13.6 to 12.0, with the medium-term target calling for a TRI rate of 10.

TRI-Rate	2012/13	2011/12	2010/11
Lighting Segment	15.2	18.0	18.9
Components Segment	5.4	5.5	10.6
Zumtobel Group	12.0	13.6	15.8

## 1.8 Suppliers

The cooperation between the member companies of the Zumtobel Group and their suppliers is based on long-term mutual trust and fairness. That provides economical, ecological and socially responsible protection for the supply chain, while ensuring optimal quality. The procurement specialists in the Zumtobel Group are faced with continuously new challenges due to the general economic uncertainty, highly volatile exchange rates, the technological shift and the growing shortage of raw materials.

**Focus on quality, costs and supplier reliability**

In both segments, procurement is based on the “lead buyer” concept. The bundling of procurement for specific groups of materials through specialised buyers improves the negotiating position with suppliers who frequently also act on a global basis. A platform and multi-sourcing strategy ensures supply security, even in the event of unexpected, external incidents and demand shifts. This multi-sourcing strategy, which means at least two suppliers for each product, is necessary especially for volume products in order to safeguard flexible reaction. Strategic partnerships with suppliers allow for flexible reaction to changes in the operating environment and also support innovation.

**Lead buyer concept and second-source strategy**

Both segments have established long-standing relationships with their suppliers, whereby business relationships with over half the supplier companies have existed for more than 15 years. The Thorn and Zumtobel brands source their merchandise over a network of approx. 1,180 suppliers in Europe alone, whereby 7% of these companies are responsible for approx. 80% of the procurement volume. At Tridonic the network is characterised by a high degree of standardisation: approx. 11% of the suppliers are responsible for approx. 80% of the procurement volume. The goal for procurement is to achieve a 20% reduction in the number of suppliers by the end of 2014.

**Long-term, reliable supplier management**

All brands purchase their key raw materials, e.g. steel, copper, aluminium and plastic granulate, in Central Europe. In contrast, electronic and LED components are generally sourced in Asia, where the most competitive suppliers for these parts are located. The growth in the LED business led to a further strong increase in procurement volumes on Asian markets during the reporting year. Of the total procurement volume, the Components Segment now sources 81% and the Lighting Segment approx. 10% in this region.

**Increasing importance of Asia**

All of the Zumtobel Group's brands have implemented systematic processes for the regular evaluation and auditing of suppliers. These evaluations are coordinated by the strategic procurement department in cooperation with the engineering, purchasing and supplier quality staffs. In addition to the success factors of supplier reliability, quality and service, sustainability aspects are also evaluated (environmental management system, code of conduct). The Zumtobel Group follows a systematic schedule for its supplier audits. Thorn and Zumtobel carried out 44 global supplier audits during the reporting year, including 20 with existing suppliers and 24 with potential new suppliers. These assessment systems facilitate the introduction of measures for the joint development of suppliers, which allow for the elimination of weak points and ensure long-term supplier quality. All new suppliers must, among others, demonstrate the availability of a verifiable environmental management system and confirm compliance with the Zumtobel Group's code of conduct in writing. As part of this process, the suppliers agree to observe the core standards of the International Labour Organisation (ILO) and to prevent corruption. Violations of the code of conduct or environmental standards by business partners are documented and corrective measures are required. If these measures are not implemented within an appropriate period of time, legal steps are taken or the business relationship is terminated.

**Systematic evaluation and audits of suppliers**

## 1.9 Quality

### Highest quality demands

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

### Close coordination between the brands

The Zumtobel Group quality council was established in February 2011 to develop and coordinate a global quality policy for the Group. This quality council and the production council were combined into a new joint Zumtobel Group operations council during the reporting year to coordinate issues such as capacity planning, capital expenditure, production technologies, quality, environmental protection in the plants and sustainability.

### High-quality processes and products

As part of its continuous improvement efforts, the Zumtobel Group aims to eliminate redundant processes, to reduce refuse and the waste caused by production errors, to avoid unnecessary transportation and – through these activities – to conserve resources. This minimises external and internal costs and, at the same time, reduces the negative impact on the environment. The Lighting and Components Segments use a wide variety of methods and control measures to continuously improve the quality of processes and products. Total Quality Management (TQM) and Lean Six Sigma form the core of these activities. TQM utilises various instruments to create an awareness of quality among all employees and at every workplace. The goal of Lean Six Sigma is to minimise errors and activities that do not create added value. With the exception of a plant in the USA, all production facilities in the Zumtobel Group's worldwide network have been certified according to the ISO 9001 international standard for quality management systems. Certification has also been awarded to the Zumobel brand sales organisations in Austria, Germany, Switzerland, Italy and Benelux, the Thorn sales organisation in Sweden and the Tridonic sales organisation in Germany. The Zumtobel brand voluntarily extended the required guarantee period to five years in 2010, and the Thorn brand matched this step by introducing an extended five-year guarantee in 2012.

### Standards and directives

The Zumtobel Group guarantees that the products in both segments meet all applicable standards and regulations. In particular, this applies to directives concerning light quality and energy efficiency as well as labelling requirements. The relevant legal regulations include, among others, CE labelling (agreement with EU directives), WEEE labelling (directive on the disposal of waste electrical and electronic equipment), REACH (EU directive on chemicals) and RoHS (EU directive on the use of hazardous substances).

Preparations began during the reporting year for the Group-wide implementation of material compliance software that will help to monitor and document suppliers' compliance with standards and regulations. This software will allow suppliers to upload material declarations directly into the documentation system. The implementation of this software will be completed in the near future at Tridonic.

Additional information on quality in the individual brands is provided in the sustainability report, which is published concurrently with the annual financial report for 2012/13.

## 1.10 Environmental Protection

Environmental protection represents a key focal point for the activities of the Zumtobel Group, not only with respect to the development of energy-efficient products but also in connection with efforts to make production more environmentally compatible. This focus is reflected in the sustainability strategy of the Zumtobel Group ("Through light, we care") and includes the careful and efficient use of raw materials as well as the minimisation of emissions and waste over the entire product lifecycle. With the beginning of the 2013/14 financial year, ecological aspects will also be systematically included in the decision process for capital expenditure and the furnishing of production buildings.

**Integral element of sustainability strategy**

Environmental management in the Zumtobel Group is based on three main supports: compliance with internal and external guidelines, environmental management systems that are certified according to ISO 14001 and the application of the Lean Six Sigma method. A global coordination office is responsible for organising environmental management; it issues guidelines and defines structures for measures to continuously improve environmental performance. Local responsibility lies with the environmental officers at the individual plants. These managers define their focal points and goals, and are responsible for the implementation of measures and the observance of national laws.

**Environmental management: global guidelines, local implementation**

The Zumtobel Group's commitment to environmental protection is anchored in the code of conduct, in the Thorn and Zumtobel environmental, health and occupational safety guidelines and quality guidelines and in the corporate policies of Tridonic. In order to continuously improve performance in the area of environmental protection, external and internal prospects for improvement in all plants are registered in software programmes and dealt with in structured form. High-priority opportunities are handled by the Zumtobel Group operations council. Special courses are held for employees to create an increased awareness for environmental protection, including specific training for new employees as part of their introduction to the company. In addition, six European plants in the Thorn and Zumtobel brand networks hold annual information events to present changes in environmental protection regulations.

**Training in environmental protection**

The certification of an environmental management system under ISO 14001 requires, among others, processes to ensure the systematic and continuous improvement of a company's environmental performance. Following the certification of the Thorn plant in Guangzhou (China), seven of the eleven Thorn and Zumtobel production facilities, all Tridonic electronic plants and the Tridonic connection technology plant in Innsbruck are now certified under ISO 14001. Thorn and Zumtobel are currently preparing for certification of the other plants outside Europe in 2013/14.

**Environmental management certified under ISO 14001**

Lean Six Sigma has been successfully used by the Components Segment since 2003 and by the Lighting Segment since 2008. This management philosophy comprises resource-efficient production, the reduction of negative effects on the environment and an increase in safety for employees. The careful use of resources is an important part of the Lean Six Sigma philosophy that is reflected in the regular analysis of indicators, the identification of opportunities for improvement and the implementation of necessary measures.

**Lean Six Sigma method**

Parallel to this 2012/13 annual report, the Zumtobel Group will publish its fourth sustainability report with extensive information, among others, on energy consumption, emissions, water consumption, waste & recycling, transportation & logistics, hazardous materials and related regulations, etc.

## 1.11 Research and Development

### Key data on R&D

#### Further increase in R&D expenditures

Through its role in the development and application of new technologies, research and development (R&D) is a decisive success factor for the global growth strategy of the Zumtobel Group. R&D expenditures include expenses recognised to the income statement (including the amortisation of capitalised development costs) as well as the development costs capitalised during the reporting year. In accordance with the goal to further expand the outstanding technology position of the Zumtobel Group, R&D expenditures were increased by 22.1% to EUR 85.2 million during the reporting year and the R&D team was expanded. In order to further improve the explanatory capability of this financial report, the employees (29 FTEs) and costs (EUR 7.2 million) related to the customised product department in 2012/13 were reclassified under the cost of goods sold and, based on their source, allocated to the development area. According to an October 2012 study by the consultants at Booz & Company, the Zumtobel Group ranked third for R&D expenditures (absolute) among the listed companies in Austria.

Expenditures for research and development in EUR million	2012/13	2011/12	Change in %
R&D through P&L	69.1	58.7	17.7
Capitalised R&D	16.1	11.1	45.5
R&D total	85.2	69.8	22.1
<i>as a % of revenues</i>	6.9	5.4	
Headcount (full-time equivalent) R&D	548	512	6.9

#### Individual brands are responsible for product development

The individual brands are responsible for product development because their close proximity to product management and production make an important contribution to the continuously accelerating development cycles. Specific responsibilities are concentrated at the Group level, above all the coordination of research subsidies and committee work, the standardisation and development of tools such as CAD and simulation programmes and the registration, administration and defence of intellectual property rights.

#### Focus on energy-efficiency, light quality and intelligent controls

The focal points for R&D activities are derived from the "functional chain" of lighting: light source, optics, controls and light management. Accordingly, the key focal points include LED and OLED in light sources, new optical methods to focus LED light, new controls for LEDs and OLEDs and new approaches for the operation of lighting equipment. These focal points create opportunities for differentiation in lighting quality, energy-efficiency, added value and the intelligence of lighting controls.

#### Continued high innovation power

The company's innovative strength is closely linked to R&D. An extensive patent portfolio, especially in the area of new technologies, protects the positions of the Group's brands in the areas of growth, competitive advantage and access to strategic cooperation with other companies. In 2012/13 the Lighting Segment registered 108 patents (2011/12: 81) and the Components Segment 80 patents (2011/12: 91). Statistics issued by the Austrian Patent Office rank the Zumtobel Group fourth in the number of patent registrations in Austria during 2012. The Zumtobel Group also collects data on the contribution made by new products (products not older than three years) to revenues. The share of revenues generated with new products during the reporting year equalled 26.2% (in Europe; 2011/12: 28.9%) in the Lighting Segment and 46.0% (worldwide; 2011/12: 36.0%) in the Components Segment. The number of active commercial property rights – currently approx. 6,700, including 4,100 patents – and the share of revenues recorded with new products speak for the company's innovative strength.

## Technological shift

LED technology continued to have a significant influence on R&D in the Zumtobel Group, while conventional technology is becoming less important. The short lifecycles of LED products therefore represent a major challenge, since they lead to a steady increase in the speed of the development process as well as a sharp rise in R&D expenses. Product development must also incorporate future trends in LED as well as a technology shift from LED to OLED. Other important factors are the need for greater system competence, higher demands on quality and increasing competition.

In addition to specially directed support for employees' qualifications in electronics and systems, the Zumtobel Group meets the current challenges by focusing on the modular development of products, through technical platforms and with internal and external standardisation (see the Zhaga Initiative). Development partnerships will become even more important in the future, including the Group's current long-term strategic partnerships with suppliers, research institutions and industrial partners, such as the Competence Centre for Light, LG Innotec and Schneider Electric.

The Zumtobel Group also plans to expand the R&D organisation beyond Europe's borders, for example through the creation of an R&D network with China for the Thorn brand and increased cooperation with the USA for the Zumtobel brand. The goal is information transfer in the area of new technologies, the use of similar tools and the creation of standardised processes to drive development toward global products for global brands.

In addition to independent research, cooperation programmes help to support sustainable innovation processes. The Zumtobel Group and its partners are currently working on a wide variety of research assignments. They are focused on the development of new technical solutions and, above all, on the effects of light on people in a wide variety of applications. The project partners include universities, which also play an important role in the promotion of new talents. Other cooperation partners are the Engineering Universities in Ilmenau and Berlin and the Hamburg University of Applied Sciences (all in Germany), the Technical Universities in Graz (Austria) and Lund (Sweden), the KTH Royal Institute of Technology in Stockholm (Sweden), the Swiss Federal Institute of Technology in Zurich (Switzerland) and Durham University (Great Britain). Another important network partner for the Zumtobel Group is the Fraunhofer Institute for Production Technology in Aachen (Germany).

The market for LED modules is currently characterised by a large number of products that are undergoing rapid, independent development because there are still no recognised standards. More than 180 companies in the lighting industry have joined the Zhaga Initiative to address this situation. The Zumtobel Group, in particular Tridonic, is part of this consortium and a member of various working groups.

## 1.12 Significant Events after the Balance Sheet Date

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. Based on the positive development of free cash flow during 2012/13, the Zumtobel Group voluntarily reduced the maximum line provided under the credit agreement by a further EUR 50 million from EUR 400 million to EUR 350 million in June 2013. No other significant events occurred after the balance sheet date on 30 April 2013.

**Technology shift to more electronics and LED**

**Growing importance of strategic partnerships**

**Cooperation with universities on research**

**Zhaga Initiative**

**Consortium credit line reduced by further EUR 50 million**

**Systematic approach  
for the early  
identification of  
opportunities and  
risks**

## **1.13 Risk Management**

The Zumtobel Group is well aware that an effective risk management system – as well as a system of internal controls – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of risk to protect the asset, financial and earnings positions of the Group and to support the identification of opportunities and the evaluation of entrepreneurial decisions. The goal of risk management is to identify risks and opportunities through a systematic approach, and thereby permit the implementation of suitable measures to deal with changes in the operating environment. Risk management in the Zumtobel Group is an independent strategic process that forms an integral part of operational management. The basic instruments for the monitoring and management of risks are the risk management software that was installed throughout the Group in 2011/12 as well as standardised planning and controlling processes, Group guidelines, regular reporting and the system of internal controls (see section 1.14).

**Risk management  
based on recognised  
best practices and  
standards**

The corporate financial analysis and 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 system of internal controls. The underlying framework for these two systems is formed by the COSO model<sup>3</sup> "Enterprise Risk Management – Integrated Framework" (COSO II, 2004), an internationally recognised guideline for risk management and internal control. Risks and opportunities are systematically identified and at least three-times each year by the "risk owners" at the operating unit level. Standardised tools and processes are used for this evaluation. The conclusions and the potential effects on corporate performance as well as the probability of occurrence are also analysed with uniform methods defined by the Group. Measures to manage the major risks and opportunities are then developed and implemented. Corporate risk management accompanies these processes and routinely evaluates the respective measures. Any major unexpected risks that occur are reported immediately to corporate risk management, and the Management Board is informed accordingly. Standardised guidelines and process descriptions for risk management are available to all companies in the Zumtobel Group.

Most of the risks to which the Group is exposed are managed directly in the operating units. Individual risks that are relevant for the entire Group are handled centrally based on special guidelines, e.g. financing and foreign exchange risks.

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 to the monthly financial report, a performance and risk report analyses the critical success factors and short-term risks issues for the segments and the Group. The Supervisory Board is supplied with information on the major risks and opportunities to which the Group is exposed in the form of a quarterly report.

The tools used by the Group to identify and evaluate risk are continuously developed and improved with the support of internal audit and the auditor. In accordance with Rule 83 of the Austrian Corporate Governance Code, the auditor of the consolidated financial statements evaluates the effectiveness of risk management at Zumtobel on a regular basis and reports to the Supervisory and Management Boards on the results of this analysis.

<sup>3</sup> COSO = Committee of Sponsoring Organizations of the Treadway Commission ([www.coso.org](http://www.coso.org))

The opportunities for the Zumtobel Group are described extensively in section 1.1.5. The major risks and possible countermeasures are described in the following sections.

### 1.13.1 Market and competitive risks in the lighting industry

A major risk for the development of business in the Zumtobel Group is the economic uncertainty in key selling markets, above all in Europe. Further economic weakness could lead to a significant decline in incoming orders for the Zumtobel Group as well as the postponement or cancellation of existing orders. Moreover, increased cost-cutting in the public sector could have a negative impact on business development for the Thorn brand because roughly 40% of its revenues are generated by the sale of exterior lighting for streets or public buildings. Increased destocking by wholesalers could also have a negative effect on revenues. These factors create risks for earnings growth, in particular through the underutilisation of production capacity, increased pressure on prices and negative shifts in the product mix. Necessary measures to bring structural costs and capacity in line with the difficult market environment could lead to restructuring costs.

**Macroeconomic risks**

The speed of the technological transformation from conventional lighting to LED has clearly exceeded the expectations of the Zumtobel Group. It represents a major challenge for the entire lighting industry and, above all, for the components business. In order to safeguard its competitive position, the Zumtobel Group must invest in both LED and conventional lighting technology at the same time. These efforts are reflected in a larger range of products as well as substantially higher R&D expenditures during the transition phase. The shorter innovation cycles and rising complexity of digital lighting systems also require tighter inventory management and more restrictive procedures for the capitalisation of development costs.

**Technology shift through LED**

New suppliers, above all the Asian LED chip producers, are entering the professional lighting market with strategies that include forward integration. These companies compete to a certain extent with the LED components business of the Zumtobel Group, especially in the areas of LED modules and LED converters. The result is increasing pressure on the prices of LED standard components. However, these companies currently lack specific application knowledge in the most important areas of indoor and outdoor lighting as well as the expertise to develop complete lighting solutions based on conventional and new LED lighting technology as well as an extensive direct sales network.

**Competition from Asia**

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

**Risks in personnel management**

### 1.13.2 Business risks / sales / production

Access to a global network of opinion leaders and decision-makers is an important success factor for the project business of the Zumtobel and Thorn brands as well as the OEM business at Tridonic. A particular strength of Tridonic is the development and maintenance of long-term customer relations with a large number of luminaire producers. The Zumtobel Group optimally services this network with highly qualified sales and marketing teams that have been trained in internal academies. Extensive training courses for customers form an additional part of the customer loyalty process. An extensive technological network with research institutes and universities allows the Zumtobel Group to defend its leading technical position and to remain a technological and design-oriented trendsetter.

**Access to global decision-making networks**

**Market acceptance  
of new products**

Differentiation from the competition can strengthen a company's market position and ensure appropriate margins. In both the luminaire and components businesses, the Zumtobel Group must regularly defend its strong technology position in the branch and adapt new developments to meet the changing requirements of various applications. The Zumtobel Group meets this challenge with a steady focus on innovation and close cooperation between development and sales. Above all in the Components Segment, the development of business is dependent on the market acceptance of the new innovative products in the areas of electronic ballasts and LED components for professional lighting.

**Political risks**

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with 78.6% of revenues. Other key strategic markets are Australia, the USA and China. Investments in property, plant and equipment are also concentrated in these core regions, where political risks such as the expropriation of assets, restrictions on the transfer of capital, war and the like are considered to be low. In other countries the Group operates primarily through local sales organisations or agency contracts. The analysis of new investment projects also includes an assessment of the political risk at the target location. The sovereign debt crisis in many of the EU states is threatening the stability of the euro zone and, consequently, also represents a central uncertainty factor for the Zumtobel Group. Further risks have arisen with the recent increasing danger of war in Korea and Syria.

**Procurement risks**

The sharp rise in the global demand for raw materials during phases of economic recovery can lead to worldwide supply shortages. In some cases, uninterrupted supplies can only be guaranteed by long-term contracts. Global market prices for the most important materials used by the Zumtobel Group – e.g. plastic granulate, aluminium, steel and copper – stabilized or declined during the past year because of the renewed market uncertainty. Energy sources such as electricity, gas and oil are less important for the Zumtobel Group, and the potential impact of higher energy prices on earnings is therefore immaterial. Fluctuations in copper prices are hedged on a rolling basis through futures or options. Increases in material prices are passed on to customers whenever possible. The current technology shift will lead to a significant increase in LED purchases (LED chips, LED modules and LED light engines) as a share of total raw material requirements, but the Zumtobel Group has already observed a sharp decline in the prices of these products.

The Zumtobel Group is well known as a manufacturer of quality products, and sets the same high standards for its suppliers. Regular audits of supplying companies and the inspection of incoming goods help to identify quality risks at an early point in time and allow the Group to implement appropriate measures. Professional communications and cooperation with suppliers support the identification and elimination of possible risks. Single sourcing is avoided wherever possible to minimise the impact of a supplier's inability to deliver. Additional details are provided in section 1.8 Suppliers.

The Group uses state-of-the-art hardware and software, and has concluded appropriate maintenance contracts to minimise IT risk. In addition, firewalls and virus protection software have been installed as a precaution against hacker attacks. IT systems are protected by a modern high-security computing centre as well as a back-up facility that operates with the latest technology in a so-called "hot stand-by" mode. 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 at least once each year 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 stored on a regular basis.

## IT risks

### 1.13.3 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. The selection of suppliers is based on the criteria described in section 1.8.

## Regular maintenance and replacement investments

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 damage to assets. Risk management also works closely with the insurance department to identify other risks that can be insured and arrange for the appropriate coverage. The Group is currently working to successively achieve a "high protected risk status" (HPR) at all major production locations, e.g. through the installation of sprinkler systems. Three major production locations (Dornbirn/Austria, Spennymoor/UK and Sydney/Australia) are currently qualified as HPR.

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

## Inventory valuation risks

### 1.13.4 Pension risks

The Zumtobel Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The obligations remaining after the deduction of plan assets are recognised as provisions. The amount of the pension provision is primarily dependent on the market value of the invested assets, but also on the development of wages and salaries, life expectancy according to the applicable mortality tables and the discount rate. Additional details on this subject are provided in the notes under section 2.6.6.11.

### 1.13.5 Product liability risks

These risks represent regress claims and the subsequent damage to the Group's image as a result of quality defects caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. Additional details on this subject are provided in section 1.9 Quality. The Zumtobel Group also carries product liability insurance. The five-year warranty introduced by a number of Group companies could lead to higher warranty costs. The necessary provisions have been recognised since 2010/11 and will be gradually increased up to 2014/15.

### 1.13.6 Legal risks

Legal risks can arise from changes in labour laws, political risks or legal disputes as well as from changes in environmental regulations.

The legal department of the Zumtobel Group regularly reviews the legal environment in the core markets and evaluates all pending proceedings to ensure that appropriate actions are taken at the required time. The Group's intellectual property is considered a major competitive factor, and is therefore monitored and protected. Third party property rights are respected. There are no pending legal proceedings that could pose a substantial risk for the Zumtobel Group.

### 1.13.7 Financial risks

#### Market risk

The Zumtobel Group is exposed to a variety of financial risks from its global operations. Market risk is understood to mean the risk arising from changes in market prices that are denominated in foreign currencies as well as changes in interest rates and raw material prices that could have a negative influence on earnings and the market value of financial instruments used by the Group. The goal of market risk management is to evaluate the existing risks and to minimise these risks as far as possible with suitable measures. Derivative financial instruments are used in some cases to hedge these risks, whereby the respective contracts are only concluded with selected banks in order to limit the credit risk associated with these transactions. The Zumtobel Group has issued a hedging policy to regulate the use of derivative financial instruments. No derivatives are used for trading or speculative purposes. In general, hedges are concluded on a rolling basis for a period of two to three quarters to cover planned cash flows and the risks arising from fluctuations in exchange rates or raw material prices. This method leads to a relatively constant volume of hedges, but levels foreign exchange exposure.

#### Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet current and/or future payments 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 that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset seasonal liquidity fluctuations arising from business activities, both in specific months and during the course of the year. As of 30 April 2013 the Zumtobel Group had short-term, unsecured lines of credit totalling EUR 88.0 million (2011/12: EUR 100.6 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. Based on the positive development of free cash flow during the first half of 2012/13, the maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group from EUR 500 million to EUR 400 million in November 2012. This decision also led to a reduction in the standard commitment fee. As of the balance sheet date on 31 April 2013, the amount drawn under the credit agreement totalled EUR 170 million. This financing requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2013 with a debt coverage ratio of 1.42 (2011/12: 1.60) and an equity ratio of 35.9% (2011/12: 35.8%). A deterioration or improvement in these financial indicators could lead to a gradual increase or decrease in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

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

The interest rates on existing bank liabilities are variable. In order to reduce the resulting interest rate risk, the Zumtobel Group has concluded interest rate swaps with various banks for a total nominal volume of approx. EUR 122 million, i.e. approx. 70% of the current outstanding long-term credit volume. Back-up hedges of EUR 60.0 million have already been concluded on a forward-start basis for EUR 62.0 million of interest rate swaps that will end in June 2013. These instruments are structured over various terms (up to June 2019 at the latest) and convert the variable interest payments on the financing into fixed interest payments or limit the interest rate to a maximum of 3.34%. Additional information on the fair value of the instruments used to hedge interest rates is provided in section 2.6.11.3 of the notes.

#### Interest rate risk

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

#### Foreign exchange risk

#### 1.13.8 Credit risk

The default risk associated with trade receivables is largely limited by credit management processes and appropriate merchandise credit insurance (also see section 2.6.11.1 of the notes). In cases where credit insurance companies have reduced or refused coverage, the Group carries out a careful risk assessment and, if necessary, sets its own limits after an internal approval procedure. The Zumtobel Group also requests bank guarantees or advance payments in specific cases. The information available at the present time does not lead to expectations of increased default risk during the 2013/14 financial year, although a difficult economic environment is generally connected with a higher number of default cases.

#### 1.13.9 Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The asset and earnings positions of the Group are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from the Thorn acquisition in 2000/01, the valuation of capitalised development costs and inventories, and the valuation of the pension fund in Great Britain. Detailed information on goodwill is provided in section 2.6.6.1 of the notes. Assets with an indefinite useful life are tested each year for signs of impairment, while assets with a finite useful life are tested when there are indications of impairment. The valuation effects of assets denominated in a foreign currency are recorded under equity without recognition through profit or loss.

#### 1.13.10 Other risks

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

#### Overall risk evaluation of the Zumtobel Group

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

A general analysis of the above factors shows a concentration on market risks, which reflect the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. The technological transformation process is connected with risk in the form of new competition, higher R&D expenditures and the rising complexity of products and systems, but also creates opportunities through the development of new market segments and applications. The technology shift to LED is shortening innovation cycles and, in this way, increases the risk of write-offs to inventories and capitalised development costs. In contrast, internal production processes are associated with substantially lower risk. Financial risks can be controlled through hedging activities (also see section 2.6.11 of the notes). The goodwill attributed to the Thorn brand represents a special focus of attention because of the cyclical losses recorded by the Thorn brand. Group controlling and the system of internal controls are able to quickly identify all major risks with a high degree of probability.

Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

## 1.14 System of Internal Controls

The COSO models have formed the basis for the system of internal controls and risk management in the Zumtobel Group for many years, while control activities for IT are based on Cobit. The system of internal controls covers all measures integrated into monitoring and management processes to protect the Group's assets, to guarantee the completeness and reliability of information and systems, to ensure the efficiency and effectiveness of processes and to support compliance with legal, internal and contractual regulations.

**COSO models and recognised best practice as basis**

Internal controls are implemented and monitored at both the corporate and local level, whereby responsibility lies with the individual business process managers. The general framework and rules are defined by the Management Board for the entire Group and published in the corporate policy on internal control systems. Line management is responsible for the implementation of these rules in the individual business processes. Group internal audit, as a staff department reporting to the Management Board, supports management in the on-going monitoring and improvement of the internal control system.

**Responsibility for internal controls reflects business responsibility**

### 1.14.1 Principles of the internal control system

The system of internal controls in the Zumtobel Group has been based for many years, among others, on the following key controls:

**Recognised and accepted controls**

- >> A transparent organisation with clear assignment of roles and responsibilities
- >> Sufficient progressive levels for release and approval procedures
- >> Appropriate documentation of processes
- >> Dual controls and separation of functions
- >> Controls for completeness, plausibility, cross-comparisons and variance analyses
- >> Agreement procedures, verification of consistency and validity
- >> Analytical review by specialised departments and management
- >> IT application controls that include mandatory fields, check digits and logic queries
- >> Appropriate general IT controls

The following principles form the basis for the design of the individual control and management measures in the Zumtobel Group:

**Appropriateness of risks and controls**

- >> Monitoring and control measures must reflect the scope and intensity of the relevant risk (cost-benefit analysis). Therefore, internal controls always follow a risk-oriented approach.
- >> The system of internal controls does not operate separately from business processes, but is much more an integral part of these processes.
- >> Automatic control mechanisms (e.g. IT-operated controls) should be used wherever possible. In cases where this is not possible or reasonable, manual or organisational controls should be used.

The written process documentation, the system of internal controls and the actual controls are designed to give an expert third party a reliable view of processes, risks and controls within an appropriate period of time.

**Suitable written documentation**

### 1.14.2 Internal control system in financial reporting

The corporate policy on internal controls includes a comprehensive description of the processes and systems used for financial reporting in the Zumtobel Group.

- >> Annual and quarterly financial statements as well as consolidated financial statements of Zumtobel AG and the major Group companies, each including a management report and notes as well as information for analysts, investors and road shows.
- >> All major IT systems used for financial reporting, i.e. accounting systems as well as the main systems used to publish the financial reports.

The Zumtobel Group has created a separate Intranet portal to document the processes and internal control system for financial reporting. This portal includes, among others, the so-called COSO matrix, which describes the major elements of the internal control system based on the five components of the COSO model (internal environment, risk management, control activities, information & communications and monitoring).

#### **Internal environment**

In the Zumtobel Group the corporate vision and values, the code of conduct, the corporate strategy and the organisational chart are documented and available in the Intranet. The same applies to the articles of association, the rules of procedure, plans for the distribution of duties among the Management Board members, information on corporate responsibility and other corporate directives.

#### **Risk management**

Risk management in the Zumtobel Group comprises two main elements: a separate risk management process directed by corporate headquarters that focuses on Group-wide risks and central risk reporting, and process-specific risk management that is integrated in the individual business processes by the respective process owners. An extensive description of risk management is provided in section 1.13 of this Group management report.

#### **Control activities**

Control activities in the Zumtobel Group are based, among others, on the corporate policies and corporate authorisation framework. Of special importance for the internal control system in financial reporting are the finance group manual and the closing checklist. The finance group manual includes all major accounting and valuation principles applied by the Zumtobel Group. The closing checklist defines the duties and control steps that must be completed in connection with accounting processes.

#### **Information & communications**

Centralised SAP systems are generally used to collect and process data in the Zumtobel Group. Data input and output is managed with these systems or with the SAP Business Warehouse. The results subsequently flow into standardised monthly, quarterly and annual reports that assist the Management Board and management in exercising their monitoring and control functions. The Group-wide Intranet (Lightweb), which is based on an enterprise wiki, and Microsoft Sharepoint represent the two most important additional information, documentation and cooperation platforms in the Zumtobel Group.

#### **Monitoring**

Monitoring includes regular assessments of routine management activities as well as special evaluations by separate supervising functions. For example, management monitors the performance of the segments and subsidiaries based on monthly reviews. Corporate internal audit, corporate controlling and quality management are responsible for the separate monitoring of the internal control system. The external review of the interim financial statements and the audit of the annual financial statements are carried out by a chartered accounting firm, whose international network guarantees the application of uniform auditing standards in all Group companies. The internal control system is also monitored by the Audit Committee of Zumtobel AG. At each meeting this committee receives a detailed report on the accounting process, the audit of the annual financial statements or the half-year review, the current status of risk management and the system of internal controls in financial reporting and the activities of corporate internal audit.

## Further development

In order to improve its effectiveness and efficiency, the Zumtobel Group's internal control system is continuously adapted to meet changes in the operating environment as well as newly identified risks and opportunities.

In 2012/13 all Group managing directors and key managers were instructed in the use of the newly developed training programme "LEAF - Legal & Financial Essentials". Four web-seminars were conducted by an expert panel from the corporate headquarters and covered, among others, compliance, the system of internal controls, financial reporting and fraud awareness. The revised code of conduct that was issued at the end of 2011/12 was expanded in the Intranet to include answers to frequent questions on the interpretation of specific issues.

Other focal points included the adaptation of various corporate policies and an improvement in the content of individual controls.

The revisions to the corporate policies covered, among others, the modification of the global approval matrix to incorporate the recently issued corporate citizenship policy as well as changes in the corporate authorisation framework. Other changes were related to the corporate insider policies (the appointment of a new insider compliance officer). In the first weeks of 2013/14, the new business policies developed during the reporting year will be formally approved and communicated throughout the Group. These business policies include updated rules on gifts, events, sponsoring etc.

The interim balance sheet and cash & bank reviews by corporate finance and corporate treasury that were introduced in 2010/11 were continued during the reporting year, and the documentation of the Group companies' bank accounts in the central treasury system was expanded. The fraud awareness information portal that was launched in the Intranet during 2011/12 was further developed to include, among others, changes to reflect the January 2013 amendment of the Austrian criminal laws on corruption. The questionnaire-based fraud awareness check, which was also implemented in the previous year, will be carried out throughout the Group at least once each year.

This focus on the continuous improvement and further development of the system of internal controls will also be continued during the 2013/14 financial year.

### **1.15 Information pursuant to § 243a of the Austrian Commercial Code**

1. The share capital of Zumtobel AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.50 each in share capital. All of the 43,500,00 shares are securitised in a collective certificate and deposited with Österreichische Kontrollbank (OeKB). As of 30 April 2013 the company held 366,110 shares as treasury stock.

2. AUGMENTOR private foundation (4,215,752 shares), ASTERIX private foundation (4,157,002 shares), GWZ private foundation (1,044,660 shares), Hektor private foundation (2,310,180 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (264,088 shares), Fritz Zumtobel (176,210 shares) and Jürg Zumtobel (144,248 shares) are parties to a syndicate contract.

This syndicate contract, which has not been disclosed to the Management Board, requires the parties to agree on a course of action prior to each annual general meeting and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate. This contract includes restrictions on the transfer of the shares held by the parties, which apply as long as the parties together hold at least 25% of the voting rights in share capital. The syndicate contract will expire on 31 December 2014.

3. As of 30 April 2013 an investment of over 10% was held by Delta Lloyd Asset Management NV and an investment of over 4% by FMR LLC (Fidelity). FMR LLC informed Zumtobel AG that its investment in Zumtobel had been reduced to less than 4% as of 6 June 2013. The company is not aware of any other holdings in excess of 4%.

4. None of the company's shares carry special control rights.

5. The Zumtobel Group had a share-based remuneration programme for key employees, das Matching Stock Option Program (MSP), up to 30 April 2012. All claims from the MSP were settled at the end of 2011/12. The MSP was replaced in 2012/13 by a cash-based long-term incentive programme (LTI). The Zumtobel Group also had a stock option programme (SOP) from 2004 to 2008. Options are no longer granted under the SOP, but the exercise period runs to 2015. Detailed information is provided under section 2.6.8.4 of the notes.

6. The Management Board was authorised, contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches – 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 three years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 22 July 2011, was recorded in the company register. Furthermore, the Management Board was empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board was authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

7. If a member of the Supervisory Board resigns before the end of his/her term of office, a replacement will be elected at the next annual general meeting. However, vacant seats must be filled without delay by an extraordinary general meeting if the number of members on the Supervisory Board falls below three. New members are elected for the remaining term of office of the member who has resigned. The maximum age for members of the Management Board on the date of initial appointment or reappointment is 65 years. There is no age limit for the initial appointment or reappointment of members to the Supervisory Board. There are no other extra-legal regulations governing the appointment or dismissal of members of the Management Board and Supervisory Board or amendments to the articles of association of the company.

8. In accordance with a resolution of the annual general meeting on 7 April 2006 and a resolution of the Management Board on 29 June 2006, and in agreement with the Supervisory Board, 800,000 shares of Zumtobel stock were repurchased up to 31 October 2006 to service the employee stock participation programmes.

A total of 1,943,555 shares were repurchased in accordance with §65 (1) 8 and §65 (1a) of the Austrian Stock Corporation Act based on a resolution of the Management Board on 29 July 2008 in accordance with a resolution of the annual general meeting on this same date and the approval of the Supervisory Board to repurchase up to 10% of share capital. Of these shares, 1,204,344 were withdrawn during 2009/10.

A total of 1,173,101 shares had been distributed to employees by 30 April 2013 as part of the employee stock participation programmes.

9. The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. Based on the positive development of free cash flow, the maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group from EUR 500 million to EUR 400 million in November 2012.

At the end of the reporting year on 30 April 2013, the amount drawn under the credit agreement totalled EUR 170 million. The agreement includes a change-of-control clause, which is linked to a change in the absolute majority of voting rights.

10. In the event of a mandatory offer or an offer that is directed to obtaining a controlling interest as defined in the Austrian Takeover Act, all options to be granted under the "SOP" employee stock participation programme for the current financial year or the following financial year are considered to be granted in full. Moreover, the granted options (including options that are considered to be granted) will be classified as exercised on the last day of the relevant offer (with no additional notice required by the company). Every option classified as exercised entitles the holder to a cash payment, which equals the positive difference between the offer price and the exercise price (if applicable to the SOP participant). Any such difference is due and payable on the 15th calendar day after the announcement of the results of the offer.

All claims from the MSP were settled by the end of 2011/12 and replaced in 2012/13 by a cash-based long-term incentive programme (LTI). The distribution from the LTI is spread over the three following 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.

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

12. The most important elements of the risk management system and the internal control system are described in sections 1.13 and 1.14 of the Group management report.

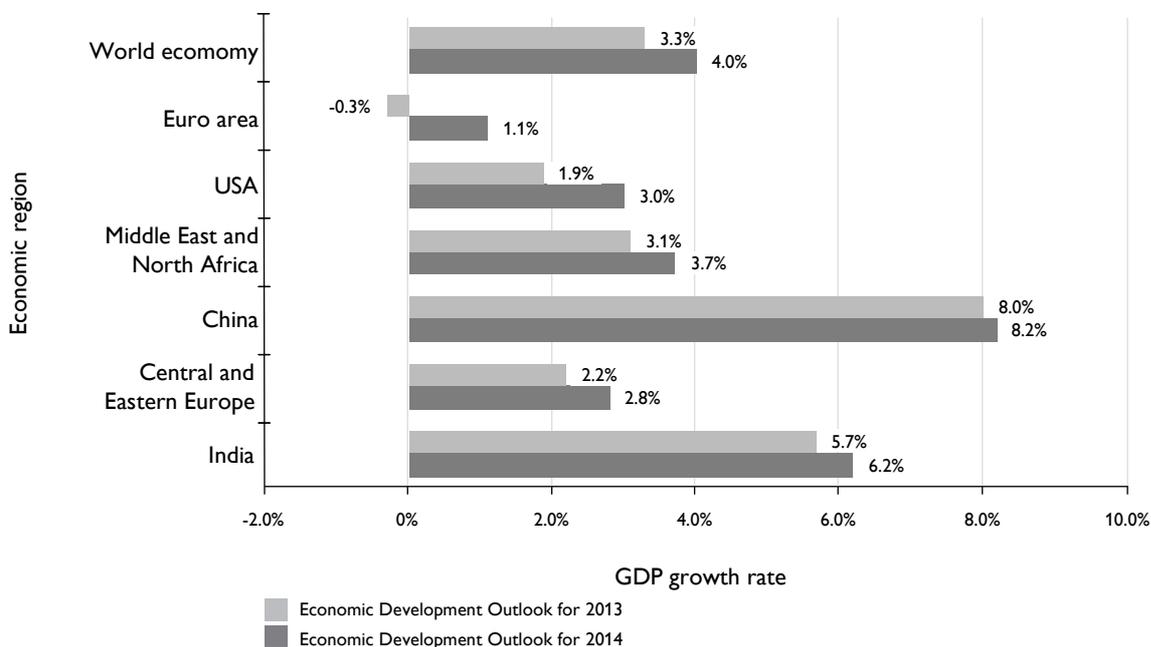
## 1.16 Outlook and Goals

The International Monetary Fund (IMF)<sup>4</sup> is forecasting a moderate increase of only 3.3% for the global economy during the 2013 calendar year and 4.0% for 2014. As in the previous years, most of the momentum in 2013 and 2014 will come from the developing and emerging countries. Economic growth in these countries is estimated at 5.3% in 2013 and 5.7% in 2014. Forecasts for the industrialised world show an increase of 1.2% in 2013 and 2.2% in 2014. The US economy can hope for a solid plus of 1.9% and 3.0%, respectively, for these two years. The IMF forecasts for the euro zone indicate that the 0.6% GDP decline in 2012 will be followed by a further decrease of 0.3% in 2013 and slight growth of 1.1% in 2014. The tense situation on the capital markets has eased somewhat as a result of drastic intervention by the central banks, but the risks associated with the massive sovereign debt in key industrial nations remain high. Consequently, the IMF experts still believe global economic development is connected with substantial uncertainty. This climate has a direct effect on the construction and construction equipment industries, two key customer groups for the Zumtobel Group, which is also reflected in substantially more volatile and short-term ordering than in earlier years.

**IMF forecasts  
recession for the  
euro zone in 2013**

<sup>4</sup> Source: IMF forecast, World Economic Outlook, April 2013

### Economic Development Outlook for 2013 and 2014



### Major strategic challenges and opportunities

#### Focus on global growth strategy

In this important phase of the technology shift, the Management Board will continue to follow the Group's globalisation and growth strategy. This strategy is based on wide-ranging market access for all brands, extensive know-how in lighting applications, a strong technology position and complete coverage of the entire value chain. However, the challenges are different for every brand because of the many structural changes in the industry and the currently very weak market environment.

#### Globalisation of market presence for Zumtobel brand

The premium luminaire brand Zumtobel has recorded dynamic growth in recent years and holds a very solid position, above all in Europe. We do not see Europe as a growth driver in the near future, but we do believe we can increase our market shares with an even more active sales approach because of the many, generally regional suppliers in the fragmented European luminaire industry. Furthermore Zumtobel is also working to globalise its market presence, add more innovative products to its portfolio, increase control activities and expand the service business, all this while improving profitability. The universally marketable product families and the related supply chain that were developed in recent quarters as well as the previously implemented international matrix organisation form a solid foundation for the worldwide roll-out of the successful European business model. The focus will be placed on organic growth, which may be supplemented by targeted acquisitions.

#### Steady continuation of Thorn restructuring

The Thorn luminaire brand holds a leading position on key core markets in Europe and Australia as well as a well-established presence in the growth markets of Asia and the Middle East. After breaking even in the previous year, Thorn recorded a loss for the second half of 2012/13 because of the weak economic environment. The restructuring programme implemented in recent years included key measures to modernise the product portfolio, focus the sales approach and make sustainable improvements in the efficiency and performance of the plants. These measures will now be continued with great intensity to make the Thorn business model independent of economic cycles and sustainably profitable. The focal points include necessary reduction of the fixed cost base, an improvement in the use of global production capacity through the adjustment of plant structures and the insourcing of externally purchased products, the strengthening of direct sales to moderate the effects of cyclical fluctuations in the stock business and the

increased expansion of growth activities in Asia and the Middle East. The development of an attractive product portfolio that is tailored to Thorn's brand positioning and sales channels will be pursued with full concentration.

A central element of the corporate strategy is to cover the value chain in the professional lighting industry as completely as possible. The growing use of LEDs and controls and the resulting increased digitalisation of the lighting industry will make this expertise even more important in the future. The technology shift has triggered extensive changes in **Tridonic's** business. Revenue from the sale of conventional components is on a structural decline and new, aggressive competitors are entering the market for LED components. Furthermore, the magnetics business is based on an outdated technology. The challenge is, on the one hand, to bring cost structures in line with sales and, on the other hand, to invest quickly in new, innovative LED products and expand global activities. The long-standing partnerships with OEM customers were, and still are, an important success factor for Tridonic. However, the focus will no longer be placed on individual components, but on solutions and services that are designed to meet the needs of customers. In order to offer the necessary, wide-ranging portfolio, Tridonic will be looking to form an increasing number of strategic partnerships in the future.

**Extensive structural  
adjustments at  
Tridonic**

**Significant uncertainty over market development in 2013/14**

The macroeconomic environment deteriorated significantly during the 2012/13 financial year. There are currently no signs of an easing in economic tensions and visibility remains very low, above all in the Zumtobel Group's key European market. Against the backdrop of growing forecast uncertainty, a reliable forecast for revenues and earnings is not possible at the present time. Activities for the 2013/14 financial year will focus on cost efficiency as well as progress on strategic brand development.

Dornbirn, 11 June 2013

The Management Board

Harald Sommerer  
Chief Executive Officer

Mathias Dähn  
Chief Financial Officer

Martin Brandt  
Chief Operating Officer



## **2. Consolidated Financial Statements**

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## 2. Consolidated Financial Statements

### 2.1 Income Statement

in TEUR	Notes	2012/13	2011/12 *restated	Change in %
Revenues	2.6.4.1	1,243,616	1,280,312	(2.9)
Cost of goods sold	2.6.4.2	(855,048)	(882,154)	(3.1)
<b>Gross profit</b>		<b>388,568</b>	<b>398,158</b>	<b>(2.4)</b>
<i>as a % of revenues</i>		31.2	31.1	
Selling expenses	2.6.4.2	(321,581)	(331,291)	(2.9)
Administrative expenses	2.6.4.2	(39,664)	(38,013)	4.3
Other operating results	2.6.4.3	(5,663)	6,149	<(100)
<i>thereof special effects</i>		(14,043)	0	
<b>Operating profit</b>		<b>21,660</b>	<b>35,003</b>	<b>(38.1)</b>
<i>as a % of revenues</i>		1.7	2.7	
Interest expense	2.6.4.4	(9,856)	(11,315)	(12.9)
Interest income	2.6.4.4	1,225	2,072	(40.9)
Other financial income and expenses	2.6.4.5	(4,592)	(4,911)	(6.5)
Loss from companies accounted for at-equity	2.6.6.4	(560)	(685)	(18.2)
<b>Financial results</b>		<b>(13,783)</b>	<b>(14,839)</b>	<b>7.1</b>
<i>as a % of revenues</i>		(1.1)	(1.2)	
<b>Profit before tax</b>		<b>7,877</b>	<b>20,164</b>	<b>(60.9)</b>
Income taxes	2.6.4.6	(1,629)	(4,155)	(60.8)
<b>Net profit from continuing operations</b>		<b>6,248</b>	<b>16,009</b>	<b>(61.0)</b>
<b>Net loss from discontinued operations</b>	<b>2.6.4.7</b>	<b>(162)</b>	<b>(764)</b>	<b>78.8</b>
<b>Net profit for the period</b>		<b>6,086</b>	<b>15,245</b>	<b>(60.1)</b>
<i>as a % of revenues</i>		0.5	1.2	
<i>thereof due to non-controlling interests</i>		127	23	>100
<i>thereof due to shareholders of the parent company</i>		5,959	15,222	(60.9)
Average number of shares outstanding – basic (in 1,000 pcs.)		43,122	43,100	
Average diluting effect (stock options) (in 1,000 pcs.)		3	41	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,125	43,141	
<b>Earnings per share (in EUR)</b>	<b>2.6.4.8</b>			
Basic earnings per share		0.14	0.35	
Diluted earnings per share		0.14	0.35	
<b>Earnings per share from continuing operations (in EUR)</b>				
Basic earnings per share		0.14	0.37	
Diluted earnings per share		0.14	0.37	
<b>Earnings per share from discontinued operations (in EUR)</b>				
Basic earnings per share		0.00	(0.02)	
Diluted earnings per share		0.00	(0.02)	

\* See section “2.6.3.3 Adjustment of prior year data” in the notes

## 2.2 Statement of Comprehensive Income

in TEUR	Notes	2012/13	2011/12 *restated	Change in %
<b>Net profit for the period</b>		<b>6,086</b>	<b>15,245</b>	<b>(60.1)</b>
Currency differences	2.6.5.1	(1,341)	19,513	<(100)
Currency differences arising from loans	2.6.5.2	(337)	4,198	<(100)
Hedge accounting		(970)	(2,936)	(67.0)
Actuarial loss	2.6.5.3	(11,214)	(25,115)	(55.3)
Deferred taxes	2.6.5.4	2,339	2,728	(14.2)
<i>thereof IAS 19</i>		2,096	1,994	5.2
<i>thereof Hedge accounting</i>		243	734	(67.0)
<b>Subtotal other comprehensive income</b>		<b>(11,523)</b>	<b>(1,612)</b>	<b>&lt;(100)</b>
<i>thereof due to non-controlling interests</i>		50	353	(85.8)
<i>thereof due to shareholders of the parent company</i>		(11,573)	(1,965)	<(100)
<b>Total comprehensive income</b>		<b>(5,437)</b>	<b>13,633</b>	<b>&lt;(100)</b>
<i>thereof due to non-controlling interests</i>		177	376	(53.0)
<i>thereof due to shareholders of the parent company</i>		(5,614)	13,257	<(100)

\* See section "2.6.3.3 Adjustment of prior year data" in the notes

## 2.3 Balance Sheet

in TEUR	Notes	30 April 2013	in %	30 April 2012 *restated	in %
Goodwill	2.6.6.1	190,035	19.1	190,842	18.4
Other intangible assets	2.6.6.2	52,837	5.3	51,414	5.0
Property, plant and equipment	2.6.6.3	239,966	24.1	242,271	23.4
Financial assets accounted for at-equity	2.6.6.4	3,667	0.4	4,366	0.4
Financial assets	2.6.6.5	1,101	0.1	2,547	0.2
Other assets	2.6.6.6	4,233	0.5	4,005	0.4
Deferred taxes	2.6.6.7	38,413	3.9	36,337	3.5
<b>Non-current assets</b>		<b>530,252</b>	<b>53.4</b>	<b>531,782</b>	<b>51.3</b>
Inventories	2.6.6.8	160,472	16.1	172,748	16.7
Trade receivables	2.6.6.9	185,533	18.6	209,724	20.2
Financial assets	2.6.6.5	2,435	0.3	8,390	0.8
Other assets	2.6.6.6	29,098	2.9	25,936	2.5
Liquid funds	2.6.6.10	87,048	8.7	87,704	8.5
<b>Current assets</b>		<b>464,586</b>	<b>46.6</b>	<b>504,502</b>	<b>48.7</b>
<b>ASSETS</b>		<b>994,838</b>	<b>100.0</b>	<b>1,036,284</b>	<b>100.0</b>
Share capital		108,750	10.9	108,750	10.5
Additional paid-in capital		335,210	33.7	335,005	32.3
Reserves		(96,042)	(9.7)	(91,070)	(8.8)
Net profit for the period		5,959	0.6	15,222	1.5
Capital attributed to shareholders of the parent company		353,877	35.5	367,907	35.5
Capital attributed to non-controlling interests		3,509	0.4	2,714	0.3
<b>Equity</b>	<b>2.6.8</b>	<b>357,386</b>	<b>35.9</b>	<b>370,621</b>	<b>35.8</b>
Provisions for pensions	2.6.6.11	74,669	7.5	71,658	6.9
Provisions for severance compensation	2.6.6.11	42,744	4.3	39,149	3.8
Provisions for other defined benefit employee plans acc. to IAS19	2.6.6.11	14,146	1.4	13,068	1.3
Other provisions	2.6.6.13	921	0.1	668	0.1
Borrowings	2.6.6.14	197,001	19.9	227,342	21.9
Other liabilities	2.6.6.17	1,911	0.2	14	0.0
Deferred taxes	2.6.6.7	7,307	0.7	10,175	1.0
<b>Non-current liabilities</b>		<b>338,699</b>	<b>34.1</b>	<b>362,074</b>	<b>35.0</b>
Provisions for taxes		20,487	2.1	21,242	2.0
Other provisions	2.6.6.13	24,580	2.5	22,849	2.2
Borrowings	2.6.6.14	4,264	0.4	3,744	0.4
Trade payables		131,801	13.2	130,960	12.6
Other liabilities	2.6.6.17	117,621	11.8	124,794	12.0
<b>Current liabilities</b>		<b>298,753</b>	<b>30.0</b>	<b>303,589</b>	<b>29.2</b>
<b>EQUITY AND LIABILITIES</b>		<b>994,838</b>	<b>100.0</b>	<b>1,036,284</b>	<b>100.0</b>

\* See section "2.6.3.3 Adjustment of prior year data" in the notes

## 2.4 Cash Flow Statement

in TEUR	Notes	2012/13	2011/12 *restated
Operating profit from continuing and discontinued operations	2.1	21,497	34,239
Depreciation and amortisation	2.6.4.2	57,811	53,883
Gain/loss from disposal of fixed assets		1,246	178
Changes in the consolidation range		(420)	0
Results from discontinued operations		(382)	(220)
<b>Cash flow from operating results</b>		<b>79,752</b>	<b>88,080</b>
Inventories		12,459	24,812
Trade receivables		26,849	(23,104)
Trade payables		(2,414)	(8,004)
Prepayments received		(5,473)	15,631
<b>Change in working capital</b>		<b>31,421</b>	<b>9,335</b>
Non-current provisions		(10,787)	(6,382)
Current provisions		1,910	(3,175)
Other current and non-current assets and liabilities		6,193	(3,758)
<b>Change in other operating items</b>		<b>(2,684)</b>	<b>(13,315)</b>
<b>Taxes paid</b>		<b>(5,181)</b>	<b>(5,968)</b>
<b>Cash flow from operating activities</b>		<b>103,308</b>	<b>78,132</b>
Proceeds from the sale of non-current assets		111	1,068
Capital expenditures on non-current assets		(59,509)	(57,159)
Change in non-current and current financial assets		702	227
Change in liquid funds from changes in the consolidation range		237	0
<b>Cash flow from investing activities</b>		<b>(58,459)</b>	<b>(55,864)</b>
<b>FREE CASH FLOW</b>		<b>44,849</b>	<b>22,268</b>
Change in net borrowings		(30,979)	15,654
<i>thereof restricted cash</i>		185	(122)
Dividends		(8,957)	(22,523)
Exercise of options		205	(381)
Interest paid		(7,792)	(9,540)
Interest received		1,222	2,170
<b>Cash flow from financing activities</b>		<b>(46,301)</b>	<b>(14,620)</b>
Effects of exchange rate changes on cash and cash equivalents		616	5,333
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(836)</b>	<b>12,981</b>
Cash and cash equivalents at the beginning of the period	2.6.7.1	83,738	70,757
Cash and cash equivalents at the end of the period	2.6.7.1	82,902	83,738
<b>Change absolute</b>		<b>(836)</b>	<b>12,981</b>

\* See section "2.6.3.3 Adjustment of prior year data" in the notes

## 2.5 Statement of Changes in Equity

2012/13 Financial Year

in TEUR	Attributed to shareholders of the parent company								Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19 *restated	Net profit/loss for the period *restated			
<b>30 April 2012</b>	<b>108,750</b>	<b>335,005</b>	<b>3,293</b>	<b>(27,738)</b>	<b>(3,643)</b>	<b>19,732</b>	<b>(82,714)</b>	<b>15,222</b>	<b>367,907</b>	<b>2,714</b>	<b>370,621</b>
+/- Additions to reserves	0	0	15,222	0	0	0	0	(15,222)	0	0	0
+/- Total comprehensive income	0	0	0	(1,728)	(728)	0	(9,117)	5,959	(5,614)	177	(5,437)
+/- Capital increases	0	0	0	0	0	0	0	0	0	402	402
+/- Stock options – exercises	0	205	0	0	0	0	0	0	205	0	205
+/- Stock options – addition/reversal	0	0	0	0	0	0	0	0	0	0	0
+/- Dividends	0	0	(8,621)	0	0	0	0	0	(8,621)	(336)	(8,957)
+/- Changes in the consolidation range	0	0	0	0	0	0	0	0	0	552	552
<b>30 April 2013</b>	<b>108,750</b>	<b>335,210</b>	<b>9,894</b>	<b>(29,466)</b>	<b>(4,371)</b>	<b>19,732</b>	<b>(91,831)</b>	<b>5,959</b>	<b>353,877</b>	<b>3,509</b>	<b>357,386</b>

2011/12 Financial Year

in TEUR	Attributed to shareholders of the parent company								Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19 *restated	Net profit/loss for the period *restated			
30 April 2011	108,750	335,386	(25,750)	(51,095)	(1,441)	18,418	(59,950)	51,026	375,344	3,308	378,652
Restatement	0	0	0	0	0	0	356	(431)	(75)	0	(75)
30 April 2011	108,750	335,386	(25,750)	(51,095)	(1,441)	18,418	(59,594)	50,595	375,269	3,308	378,577
+/- Additions to reserves	0	0	50,595	0	0	0	0	(50,595)	0	0	0
+/- Total comprehensive income	0	0	0	23,357	(2,202)	0	(23,120)	15,222	13,257	376	13,633
+/- Capital increases	0	0	0	0	0	0	0	0	0	0	0
+/- Stock options – exercises	0	(381)	0	0	0	0	0	0	(381)	0	(381)
+/- Stock options – addition/reversal	0	0	0	0	0	1,314	0	0	1,314	0	1,314
+/- Dividends	0	0	(21,552)	0	0	0	0	0	(21,552)	(970)	(22,522)
<b>30 April 2012</b>	<b>108,750</b>	<b>335,005</b>	<b>3,293</b>	<b>(27,738)</b>	<b>(3,643)</b>	<b>19,732</b>	<b>(82,714)</b>	<b>15,222</b>	<b>367,907</b>	<b>2,714</b>	<b>370,621</b>

\* See section "2.6.3.3 Adjustment of prior year data" in the notes

## 2.6 Notes to the Consolidated Financial Statements

### 2.6.1 General Information

The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code and the provisions of IFRS/IAS that were issued by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee that were valid as of the balance sheet date, to the extent that these regulations have also been adopted by the European Union through its endorsement proceedings. Therefore, the consolidated financial statements of Zumtobel AG reflect all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2012/13 financial year.

The rules in the revised version of IAS 19 "Employee Benefits" were applied prematurely beginning with the 2012/13 financial year. This standard was issued by the IASB in June 2011 and approved by the European Union in June 2012, and requires mandatory application for all financial years beginning on or after 1 January 2013. The changes related to the premature application of this standard are described in section 2.6.3.3 "Accounting and Valuation Methods".

The Management Board of Zumtobel AG released the consolidated financial statements for distribution to the Supervisory Board on 11 June 2013. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether or not it approves the consolidated financial statements. The relevant Supervisory Board meeting is scheduled for 25 June 2013 in Dornbirn.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel 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 2012 to 30 April 2013. The reporting currency is the euro. The business activities of the Group are carried out primarily through the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic and magnetic lighting components, LED lighting components and connection technology).

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 Consolidation Range and Methods

#### 2.6.2.1 Consolidation range

The consolidated financial statements for 2012/13 include 93 (2011/12: 94) fully consolidated companies in which Zumtobel AG exercises management control or directly or indirectly owns the majority of shares. Five companies were included in the consolidation at equity (2011/12: six), and no companies were included using the proportional method. Fifteen companies (2011/12: 16) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial.

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 consolidation range changed as follows during the reporting year:

	Consolidation Method		
	full	at equity	Total
<b>30 April 2012</b>	<b>94</b>	<b>6</b>	<b>100</b>
Included during reporting period for first time	1	0	1
<i>thereof newly founded</i>	<i>1</i>	<i>0</i>	<i>1</i>
Deconsolidated during reporting period	(2)	(1)	(3)
<b>30 April 2013</b>	<b>93</b>	<b>5</b>	<b>98</b>

Zumtobel Lighting Saudi Arabia Limited was initially consolidated as of May in the 2012/13 financial year. The Zumtobel Group holds 51% of the shares in this newly founded company.

The following fully consolidated companies were deconsolidated during the reporting year: Ledon Lamp GmbH, Austria, and LM AF 30. APRIL 2013 A/S I LIKVIDATION (formerly Lightmakers A/S), Denmark.

The majority shareholders of z-werkzeugbau-gmbh exercised their option to acquire the remaining 30% of the company during the third quarter of 2009/10. The shares were transferred on 31 May 2012.

#### 2.6.2.2 Consolidation methods

##### Basis of consolidation

For subsidiaries included using the full consolidation method, the principles set forth in IFRS 3 are used to eliminate the investment and equity. In accordance with this method, the identifiable assets and liabilities of the subsidiary are recognised at fair value as of the acquisition date. If the acquisition price exceeds the fair value of purchased identifiable assets and liabilities, the difference is recognised as goodwill. In accordance with IFRS 3, any negative differences are recognised immediately to profit or loss.

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

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

## Foreign currency translation

The functional currency method is used to translate the financial statements of foreign companies included in the consolidation. The local currency represents the functional currency for all these companies because the entities operate independently from a financial, economic, and organisational standpoint. The functional currency of the Zumtobel Group is the euro. Assets and liabilities are translated using the average rate as of the balance sheet date. On the income statement, revenues and expenses are translated using the monthly average exchange rate for the year. 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 shown in the following table:

1 EUR equals	Average exchange rate Income Statement		Closing rate Balance sheet	
	30 April 2013	30 April 2012	30 April 2013	30 April 2012
AUD	1.2463	1.3116	1.2649	1.2684
CHF	1.2117	1.2057	1.2238	1.2018
USD	1.2858	1.3681	1.3072	1.3214
SEK	8.5812	9.0186	8.5420	8.9185
GBP	0.8172	0.8585	0.8443	0.8130

## 2.6.3 Accounting and Valuation Methods

### 2.6.3.1 Effects of new and revised standards

The following new or revised standards and interpretations are relevant for the Zumtobel Group and were applied for the first time in the reporting year:

The revised IAS 12 "Deferred taxes – realisation of underlying assets" clarifies the treatment of temporary taxable differences on investment property. The valuation of deferred taxes is based on a refutable assumption and the reversal occurs through sale.

The changes to IAS 19 "Employee Benefits" (effective date defined by the IASB: 1 January 2013 with an option for premature application), which were adopted by the EU in June 2012, were applied prematurely in preparing these consolidated financial statements. The revised standard includes a number of fundamental changes as well as clarifications and rewordings. The most important change involves the requirement to recognise actuarial gains and losses for post-employment benefits under other comprehensive income as soon as they occur, without reclassification to the income statement at a later date ("recycling"). Another change concerns the income on plan assets: this calculation is no longer based on the expected return, but must be reflect the same discount rate used to discount defined benefit obligations. The revised IAS 19 also calls for expanded disclosures on defined benefit plans and changes in the accounting treatment of termination benefits. These changes were applied retroactively in accordance with the transition provisions defined in IAS 19, which led to the adjustment of prior year data. The effects of these adjustments are explained in section 2.6.3.3.

The changes to IFRS 1 "Hyperinflation and Removal of Fixed Dates for First-time Adopters" clarify how a company should resume presenting financial statements in accordance with IFRSs after a period in which the functional currency was subject to severe hyperinflation.

The changes to IFRS 7 “Financial Assets: Disclosures“ calls for additional disclosures on the transfer of financial assets and is intended to give the users of financial statements a better understanding of the effects of the risks remaining with the company.

With the exception of the revised IAS 19, the above-mentioned changes had no effect on the consolidated financial statements for 2012/13.

The following new or amended IAS/IFRIC interpretations were not applied prematurely and are therefore not relevant for the 2012/13 consolidated financial statements of the Zumtobel Group:

Revised standards and interpretations		Mandatory application in financial years beginning after
IAS 1	Presentation of individual components of other comprehensive income	01 July 2012
IAS 27	Separate Financial Statements	01 January 2014
IAS 28	Investments in Associates and Joint Ventures	01 January 2014
IAS 32	Net presentation of financial assets and liabilities	01 January 2014
IFRS 1	Government grants	01 January 2013
IFRS 7	Disclosures – net presentation of financial assets and liabilities	01 January 2013
IFRS 9	Financial Instruments	01 January 2015*
IFRS 10	Consolidated Financial Statements	01 January 2014
IFRS 11	Joint Arrangements	01 January 2014
IFRS 12	Disclosures of Interests in Other Entities	01 January 2014
IFRS 13	Fair Value Measurement	01 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

\* This standard has not yet been adopted by the European Union through its endorsement proceedings.

These new regulations are not expected to have a material impact on the consolidated financial statements for 2013/14.

### 2.6.3.2 Major accounting and valuation methods

#### Goodwill

Goodwill represents the excess cost for the acquisition of an entity over the fair value of identifiable assets and liabilities of a subsidiary, associated company or joint venture purchased by the Group at the date of acquisition.

Goodwill is recognised as an asset and tested for impairment with the relevant cash-generating unit at least once each year. Any impairment is recognised immediately to the income statement (also see the section on “Discretionary decisions and estimation uncertainty”).

#### Other intangible assets

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

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

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

Internally generated intangible assets are recognised on a straight-line basis (four to eight 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. Interest costs are capitalised if material and not recognised as expenses of the period incurred.

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

Straight-line depreciation	Depreciation rate per year
Buildings	2 - 3.3%
Technical equipment and machinery	14.3 - 20%
Other equipment, furniture, fixtures and office equipment	14.3 - 33.3%

### Leases

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

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

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

### Inventories

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

## Financial instruments

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

- Securities and similar rights
- Trade receivables and trade payables
- Other liabilities
- Loans received and originated
- Finance leases
- Positive/negative market values of derivatives held for trading
- Positive/negative market values of derivatives (hedge accounting)
- Liquid funds

### >> Securities and similar rights

Securities and similar rights (e.g. investments in other companies) are initially recognised at acquisition cost. They are then classified as held for trading and measured at fair value through profit and loss in subsequent periods.

### >> Trade receivables

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

### >> Originated loans, other receivables (financial assets)

Originated loans and other receivables are carried at amortised cost.

### >> Loans, finance leases (financial liabilities)

Loans and finance lease liabilities are carried at their repayment amount or nominal value, including transaction costs (amortised cost). Non-current liabilities are carried at their present value.

Derivative financial instruments are principally recorded at fair value.

### >> Market value of derivatives held for trading

Changes in the value of derivative instruments that are not part of hedge accounting are shown on the income statement under financial results.

### >> Market value of derivatives (hedge accounting)

Increases or decreases in the fair value of derivative instruments that qualify for hedge accounting as defined in IAS 39 (cash flow hedges) and are highly effective are credited or charged to equity. The ineffective portion is recognised immediately through profit or loss. The amounts accumulated under equity are recognised as gains or losses of the same period in which the hedged item is recognised to the income statement. The hypothetical derivative method is used to confirm the effectiveness of these derivatives.

### >> Market value of a net investment in a foreign operation

Derivative instruments concluded to hedge a net investment in a foreign operation (IAS 21) are recorded on the balance sheet as derivatives (hedge accounting). Accordingly, all changes in the fair value of these instruments are recognised directly in equity.

>> Determination of fair value

The determination of fair value is based on a three-level hierarchy that reflects the valuation certainty.

Level 1: Listed prices on active markets for identical instruments

Level 2: Valuation based on input factors that can be monitored on the market

Level 3: Valuation based on input factors that cannot be monitored on the market

In the Zumtobel Group, the calculation of fair value is based primarily on market value. The market value of non-current receivables and other non-derivative financial instruments reflects the present value discounted at the market interest rate. The market value of current financial instruments reflects the carrying amount due to their short term.

The fair value of derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based primarily on external data sources (stock exchange prices or bank statements). Therefore, all instruments represent Level 1 or 2 valuations.

The financial instruments classified under Level 2 represent the derivatives included under financial assets and financial liabilities (positive market value: TEUR 1,409, 2011/12: TEUR 1,667; negative market value TEUR -12,504, 2011/12: TEUR -12,340; also see section 2.6.10).

#### Current and non-current assets and liabilities

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

#### Share-based remuneration

The stock option programmes of Zumtobel AG – the “Stock Option Programme“ (SOP) and the “Matching Stock Programme“ (MSP) – represent share-based remuneration that is paid in the form of equity instruments. The value of the compensation for services provided by employees is derived from the market value of the issued equity instruments at the grant date, and is based on accepted option valuation models. Additions to and reversals from the reserve are recognised to profit or loss. The reserve is not adjusted through profit or loss to reflect the options actually exercised. These items are reported on the balance sheet under reserves. The MSP was settled in 2011/12 and replaced by a cash-based long-term incentive programme beginning in the reporting year. Moreover, no further options are granted under the SOP. Additional information is provided in section 2.6.8.4.

#### Provisions

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

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

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

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

### Employee benefits

The revised IAS 19 was applied for the first time in 2012/13. The necessary adjustments to the prior year data were made retroactively in accordance with IAS 8. The most important changes resulting from the application of the revised standard are explained in section 2.6.3.1. The effects of the adjustments to the prior year data are described in section 2.6.3.3.

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

Plan assets represent assets that are held by a fund; they are netted out with pension obligations. These assets are valued each year by certified actuaries.

Defined benefit plans are measured as of each valuation date based on current best assumptions, which may change from one valuation date to the next. The actuarial gains and losses arising from changes in actuarial assumptions or differences between earlier actuarial assumptions and actual developments are recognised as incurred under other comprehensive income after the deduction of deferred taxes. Accordingly, the balance sheet shows the full scope of the obligation – after the deduction of plan assets – without the effects of possible changes in the calculation parameters and the resulting fluctuations in expenses. The actuarial gains and losses for the respective reporting period are reported separately on the statement of comprehensive income together with the related deferred taxes.

Interest costs and income on plan assets are reported under financial results, while the other components are shown under operating results.

>> **Defined contribution plans**

Under a defined contribution plan, a company has no obligations above or beyond the payment of contributions to a fund. These contributions are recognised as personnel expenses in the period incurred.

**Income taxes**

The calculation of tax expense for the current period is based on taxable income for the financial year. Taxable income differs from net profit on the income statement because it excludes income and expenses that will become taxable in later years, or never become taxable or deductible for tax purposes. The Group's obligations from current tax expense are calculated at the relevant local tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred taxes include the expected tax charges and/or tax recovery that result from differences between the carrying amount of assets and liabilities in the annual financial statements and the relevant tax bases used to calculate taxable income as well as from tax loss carryforwards. The balance sheet-oriented liability method forms the basis for these calculations. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

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

**Revenue recognition**

Revenue from the sale of goods and services is recognised when the Group transfers the major risks and opportunities associated with ownership to the buyer. Rebates and discounts are deducted from this figure. Operating expenses are recognised to profit or loss when a service is used or an expense is incurred.

Interest income is recognised proportionately over time in accordance with the effective interest paid on the asset. This represents the interest rate used to discount the estimated future cash payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income is recognised when a legal claim to payment arises.

**Foreign currency transactions**

Foreign currency transactions are recorded using the exchange rate in effect on the date of the transaction, while monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Realised and unrealised gains and losses arising from foreign currency transactions are generally reported under financial results. The measurement effects of non-current loans, which qualify as part of the net investment in a foreign operation as defined in IAS 21, are recorded under other comprehensive income.

**Discretionary decisions and estimation uncertainty**

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions by management, which have an influence on the amount and reporting of recognised assets and liabilities, income and expenses, and contingent liabilities for the financial period. The principle of providing a "true and fair view" is also followed without limitation in the use of estimates.

Actual values may differ from the relevant assumptions and estimates when the operating environment does not develop as expected by the balance sheet date. The assumptions and estimates used by the Group are reviewed regularly. Significant changes are reflected in an adjustment of the premises and subsequent recognition through profit or loss.

Estimates and assumptions are related, above all, to the following areas:

>> Impairment of goodwill, other intangible assets and property, plant and equipment

Property, plant and equipment as well as intangible assets are tested for indications of impairment as of each balance sheet date. If such indications are identified, the recoverable amount of each asset is estimated in order to determine the potential impairment charge. In cases where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit containing the asset is estimated.

Intangible assets with an indefinite useful life, intangible assets that are not yet available (e.g. development projects still in progress) and goodwill are tested each year for impairment – even when there are no such indications.

The recoverable amount represents the higher of fair value less costs to sell and the value in use, whereby the value in use is determined by discounting the estimated future cash flows from the asset. A standard weighted average cost of capital (WACC) of 6.4% was used in 2012/13 (2011/12: 7.2%) as the discount rate for the impairment testing of capitalised development costs.

The adjustment of the internal reporting structure during the first quarter of 2012/13 led to changes in the allocation of goodwill for the purpose of impairment testing. This goodwill was previously assigned by region ("CGU Lighting Brands – Europa", "CGU Lighting Brands – MENA and Asia", "CGU Lighting Brands – Australia and New Zealand" and "CGU Lighting Brands – USA"), but was reallocated to the newly defined cash-generating units (CGUs) in accordance with IAS 36.87.

The goodwill arising from the acquisition of the Thorn Lighting Group, which was previously allocated by region, was reassigned during the first quarter of 2012/13 based on brands in accordance with the new reporting structure. The newly defined CGUs are:

"CGU Zumtobel Brand"

"CGU Thorn Brand"

Results are now monitored on the basis of financial information that is classified by brand. This led to a change in the allocation of goodwill, which was reassigned in accordance with the fair value of the CGU. The newly created CGUs represent operating segments as defined in IFRS 8.5, which are aggregated under "Lighting Brands" for segment reporting. In 2012/13 the following WACC rates were applied to the cash-generating units listed below:

CGU Zumtobel Brand: WACC 6.4%

CGU Thorn Brand: WACC 6.6%

These discount rates are derived from regional discount rates, which are weighted according to the volume of business in the respective region. The regional interest rates were based, above all, on the inflationary trends of the individual countries in relation to the risk-free base interest rate, country risk premiums and the applicable national tax rates.

The value in use serves as a benchmark for the impairment testing of goodwill. It is calculated as the discounted cash flows produced by the relevant cash-generating unit. The estimates of future cash inflows are based on internal forecasts, which were prepared in detail for 2013/14 and with minor simplifications for a further three years. A regional growth rate that reflects the different inflation trends was applied to the periods after the detailed forecast range. The quality of the forecast data is regularly compared with actual results through a variance analysis. Cash flows are estimated on the basis of regional assumptions for the development of the market. Cost structures are generally forecasted on the basis of experience and then extrapolated. All impairment charges are recognised immediately to profit or loss.

Even if there was a relative change of more than 10% in the forecast assumptions or the WACC for the CGU Zumtobel Brand, it would not be necessary to recognise an impairment charge to the related goodwill. An impairment charge of TEUR 26,416 would be required for the goodwill in the CGU Thorn Brand if the respective WACC rose by 10% and a forecast variance of minus 10% was recorded at the same time.

>> Provisions for employee benefits

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

>> Other provisions

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

>> Deferred tax assets

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

>> Stock option programmes

The determination of option values under the Black-Scholes method involves the use of assumptions for the interest rate, the expected volatility and the dividend policy.

As of the balance sheet date on 30 April 2013, the Group was unaware of any major circumstances that could lead to a significant variance in the carrying amount of an asset or liability during the next financial year.

### Special effects

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

### Government grants

Government grants related to income, which are provided as compensation for expenses, are generally recognised as income of the period in which they are granted. These grants are capitalised as a liability if they are connected with future expenses. Grants related to assets are recognised to profit or loss over the useful life of the related asset.

## 2.6.3.3 Adjustment of prior year data

The premature application of the revised version of IAS 19 "Employee Benefits" led to the adjustment of prior year data as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The new provisions of the revised IAS 19 require retroactive application. The balances carried forward as of 1 May 2011, the data reported for the prior year and the balances carried forward to 1 May 2012 were therefore adjusted and are reported accordingly.

The prior year data presented in these consolidated financial statements reflects the changes resulting from the premature application of the revised IAS 19.

The financial information reported for 2011/12 was adjusted as follows to reflect the application of the revised IAS 19:

**Restatement Income Statement**

in TEUR	2011/12
Cost of goods sold	373
<b>Gross profit</b>	<b>373</b>
Selling expenses	21
Administrative expenses	18
<b>Operating profit</b>	<b>412</b>
Other financial income and expenses	(980)
<b>Financial results</b>	<b>(980)</b>
<b>Loss before tax</b>	<b>(568)</b>
Income taxes	(165)
<b>Net loss from continuing operations</b>	<b>(733)</b>
<b>Net loss from discontinued operations</b>	<b>0</b>
<b>Net loss for the period</b>	<b>(733)</b>
<i>thereof due to shareholders of the parent company</i>	<i>(733)</i>
<b>Earnings per share (in EUR)</b>	
Basic earnings per share	(0.02)
Diluted earnings per share	(0.02)
<b>Earnings per share from continuing operations (in EUR)</b>	
Basic earnings per share	(0.02)
Diluted earnings per share	(0.02)
<b>Earnings per share from discontinued operations (in EUR)</b>	
Basic earnings per share	0.00
Diluted earnings per share	0.00

The adjustment of TEUR 412 to operating profit in 2011/12 comprises TEUR 19 for the Components Segment and TEUR 393 for the Lighting Segment.

#### Restatement of Comprehensive Income

in TEUR	2011/12
<b>Net loss for the period</b>	<b>(733)</b>
Currency differences	(428)
Actuarial loss/gain	1,357
Deferred taxes	(46)
<i>thereof IAS 19</i>	(46)
<b>Subtotal other comprehensive income</b>	<b>883</b>
<i>thereof due to shareholders of the parent company</i>	883
<b>Total comprehensive income</b>	<b>150</b>
<i>thereof due to shareholders of the parent company</i>	150

#### Restatement Balance Sheet

in TEUR	30 April 2012	1 May 2011
Reserves	809	356
Net loss for the period	(733)	(431)
Capital attributed to shareholders of the parent company	76	(75)
<b>Equity</b>	<b>76</b>	<b>(75)</b>
Provisions for pensions	860	1,171
Provisions for severance compensation	491	523
Provisions for other defined benefit employee plans acc. to IAS19	(1,685)	(1,386)
Deferred taxes	258	(233)
<b>Non-current liabilities</b>	<b>(76)</b>	<b>75</b>
<b>EQUITY AND LIABILITIES</b>	<b>0</b>	<b>0</b>

#### Adjustments to the cash flow statement

On the cash flow statement for 2011/12, the positions "operating profit from continuing and discontinued operations" and "non-current positions" were each adjusted by TEUR 412.

#### Adjustments to the statement of changes in equity

The adjustments to the statement of changes in equity are explained in section 2.5.

## 2.6.4 Notes to the Income Statement

### 2.6.4.1 Revenues

Revenues include an adjustment of TEUR 51,141 (2011/12: TEUR 50,630) for sales deductions (primarily cash discounts to customers). Gross revenues total TEUR 1,294,757 (2011/12: TEUR 1,330,941).

### 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:

#### 2012/13 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(538,291)	(5,113)	(66)	0	(543,470)
Personnel expenses	(219,429)	(180,038)	(28,638)	(9,803)	(437,908)
Depreciation	(49,236)	(6,264)	(1,221)	(1,090)	(57,811)
Other expenses	(76,644)	(126,041)	(14,286)	(3,373)	(220,344)
Own work capitalised	17,670	620	13	0	18,303
Internal charges	5,924	(10,018)	4,094	0	0
<b>Total expenses</b>	<b>(860,006)</b>	<b>(326,854)</b>	<b>(40,104)</b>	<b>(14,266)</b>	<b>(1,241,230)</b>
<b>Other income</b>	<b>4,958</b>	<b>5,273</b>	<b>440</b>	<b>8,603</b>	<b>19,274</b>
<b>Total</b>	<b>(855,048)</b>	<b>(321,581)</b>	<b>(39,664)</b>	<b>(5,663)</b>	<b>(1,221,956)</b>

#### 2011/12 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(573,297)	(5,291)	(60)	1	(578,647)
Personnel expenses	(220,947)	(174,364)	(28,129)	(44)	(423,484)
Depreciation	(46,940)	(6,008)	(935)	0	(53,883)
Other expenses	(70,554)	(140,579)	(12,851)	(291)	(224,275)
Own work capitalised	11,961	148	9	0	12,118
Internal charges	8,012	(11,176)	3,164	0	0
<b>Total expenses</b>	<b>(891,765)</b>	<b>(337,270)</b>	<b>(38,802)</b>	<b>(334)</b>	<b>(1,268,171)</b>
<b>Other income</b>	<b>9,611</b>	<b>5,979</b>	<b>789</b>	<b>6,483</b>	<b>22,862</b>
<b>Total</b>	<b>(882,154)</b>	<b>(331,291)</b>	<b>(38,013)</b>	<b>6,149</b>	<b>(1,245,309)</b>

The cost of materials includes TEUR 21,510 (2011/12: TEUR 21,951) of third party services.

Other income includes government grants of TEUR 5,166 (2011/12: TEUR 3,705), which were provided primarily for research activities. Of this total, TEUR 3,913 (2011/12: TEUR 2,446) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 65,586 (2011/12: TEUR 54,786). The increase resulted, among others, from the reclassification of items under the cost of goods sold. Costs of TEUR 7,187 allocated to the development area in 2012/13 represent items that were reported under other expenses in the cost of goods sold during the previous year. The comparable prior year amount equals TEUR 6,576.

Development costs capitalised during the reporting year amounted to TEUR 16,079 (2011/12: TEUR 11,053) and the related amortisation totalled TEUR 13,108 (2011/12: TEUR 11,024). The capitalised development costs were reduced by impairment charges of TEUR 150 (2011/12: TEUR 1,828). As a result, the development costs recognised as expenses in 2012/13 were reduced by a net amount of TEUR 2,852 (2011/12: net increase of TEUR 1,799 in expenses).

Research costs of TEUR 3,527 (2011/12: TEUR 3,898) are reported under selling expenses. The criteria defined by IAS 38.57 for the capitalisation of research costs were not met.

Administrative expenses include TEUR 1,587 (2011/12: TEUR 1,275) of auditing services performed by the KPMG network for the Zumtobel Group.

The own work capitalised reported under selling expenses in 2012/13 was related, above all, to the renovation of a customer showroom in England.

The year-on-year change in other operating results is related primarily to special effects recognised in 2012/13 (also see section 2.6.4.3).

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

in TEUR	2012/13	2011/12
Wages	(79,804)	(79,440)
Salaries	(250,773)	(244,208)
Expenses for severance compensation	(3,893)	(4,372)
Expenses for pensions	(4,173)	(4,281)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(67,452)	(65,892)
Other employee benefits	(11,935)	(11,973)
Contract workers	(10,090)	(13,318)
Expenses from restructuring	(9,788)	0
<b>Personnel expenses</b>	<b>(437,908)</b>	<b>(423,484)</b>

#### 2.6.4.3 Other operating results

in TEUR	2012/13	2011/12
Government grants	3,913	2,446
License revenues	4,370	4,138
Special effects	(14,043)	0
<i>Impairment charges to non-current assets</i>	(1,090)	0
<i>Restructuring</i>	(11,873)	0
<i>Impairment charges to current assets</i>	(1,500)	0
<i>Changes in the consolidation range</i>	420	0
Miscellaneous	97	(435)
<b>Total</b>	<b>(5,663)</b>	<b>6,149</b>

As in the prior year, the government grants received in 2012/13 represent subsidies that were recognised to profit or loss.

License revenues for the reporting year were generated chiefly by the LED business, as was the case in 2011/12.

Special effects reported in 2012/13 as required by IAS 1 include the following major items:

The costs reported under "impairment charges to non-current assets" consist chiefly of impairment charges to property, plant and equipment totalling TEUR 403 and an impairment charge of TEUR 457 to a customer base that was written off because of restructuring measures in the involved market.

Of the restructuring expenses recognised in 2012/13, TEUR 8,276 were attributable to the Lighting Segment and TEUR 3,597 to the Components Segment. The expenses charged to the Lighting Segment included TEUR 6,856 for restructuring at various European locations. These activities were related chiefly to reorganisation measures, above all to the sales organisations in Germany, England, France and Denmark for a total of TEUR 3,708, and to the restructuring of the plant in Sweden for TEUR 2,993. Restructuring expenses for the Lighting Segment also included TEUR 726 for the closing of a plant in the den USA.

The restructuring expenses in the Components Segment consisted primarily of TEUR 2,769 for the production facilities in Australia and Switzerland as well as expenses for restructuring measures in Austria. The latter amounted to TEUR 828 for the reporting year.

An impairment charge of TEUR 1,500 was recognised to current assets in the Components Segment during the third quarter of 2012/13. It was related to Ledon Lamp GmbH, which was sold during February 2013.

The income reported under changes in the consolidation range represents the net results from the deconsolidation of two fully consolidated subsidiaries during 2012/13. The reported amount includes TEUR 456 from the deconsolidation of LM AF 30. APRIL 2013 A/S I LIKVIDATION, Denmark (formerly Lightmakers A/S) and TEUR -36 from the deconsolidation of Ledon Lamp GmbH, Austria.

Miscellaneous items represent the net total of income and expenses arising from ordinary business operations, which cannot be clearly allocated to other functional areas.

#### 2.6.4.4 Interest income and expense

Interest expense consists mainly of interest and fees for the consortium credit agreement. Interest expense declined TEUR 1,459 year-on-year to TEUR 9,856 for the reporting year, above all due to the lower average amount drawn and the further drop in market interest rates for variable interest loans.

This position also includes the interest component of the lease for the plant in England (TEUR 1,948; 2011/12: TEUR 1,856).

#### 2.6.4.5 Other financial income and expenses

in TEUR	2012/13	2011/12
Interest component as per IAS 19 less income on plan assets	(5,168)	(5,668)
Foreign exchange gains and losses	61	395
Market valuation of financial instruments	115	362
Gains/losses on sale	400	0
<b>Total</b>	<b>(4,592)</b>	<b>(4,911)</b>

Foreign exchange gains and losses are composed mainly of realised gains on foreign currency receivables and liabilities as well as realised foreign exchange losses on forward exchange contracts.

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at their respective market values as of the balance sheet date.

#### 2.6.4.6 Income taxes

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

in TEUR	2012/13	2011/12
Current taxes	(4,080)	(4,988)
<i>thereof current year</i>	(3,354)	(4,950)
<i>thereof prior years</i>	(726)	(38)
Deferred taxes	2,451	833
<b>Income taxes</b>	<b>(1,629)</b>	<b>(4,155)</b>

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 21% for the reporting year (2011/12: 19%).

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 tax expense

in TEUR	2012/13	2011/12
Profit before tax	7,877	20,164
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	(1,969)	(5,041)
<b>Difference between calculated/actual tax expense</b>	<b>(340)</b>	<b>(886)</b>
Non-deductible expenses	(2,410)	(9,466)
Foreign tax rates	(848)	(863)
Valuation discounts for deferred taxes	3,230	4,885
Tax credit/Subsequent payments	1,795	(916)
Tax-free income	1,369	715
Other items	(2,797)	6,531
<b>Total tax expense</b>	<b>(1,629)</b>	<b>(4,155)</b>

Deferred taxes of TEUR 7,837 (2011/12: TEUR 7,414) were recognised on tax deductible impairment charges to subsidiaries by the head company of the Austrian tax group. This represents 100% of the impairment charges on tax group members in Austria.

Zumtobel AG has formed a tax group in accordance with § 9 of the Austrian Corporate Tax Act of 1988, which includes the taxable profit of all major Austrian subsidiaries.

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

#### 2.6.4.7 Results from discontinued operations

Results from discontinued operations represent subsequent expenses and income in connection with the reorganisation process for Space Cannon VH SRL. This company was part of the event lighting business, which was discontinued during the second quarter of 2009/10. The net loss reported under this position in the prior year also reflects the discontinuation of the event lighting business.

#### 2.6.4.8 Earnings per share

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

The distribution to shareholders from reserves and annual results may not exceed the total profit reported on the individual financial statements of Zumtobel AG, which are prepared in accordance with Austrian corporate law (TEUR 53,540; 2011/12: TEUR 38,601, also see section 2.6.8.5).

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

#### 2012/13 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
<b>1 May 2012</b>	<b>43,106</b>	<b>43,106</b>
Stock options – exercises	27	16
<b>30 April 2013</b>	<b>43,133</b>	<b>43,122</b>

#### 2011/12 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
<b>1 May 2011</b>	<b>42,821</b>	<b>42,821</b>
Stock options – exercises	285	279
<b>30 April 2012</b>	<b>43,106</b>	<b>43,100</b>

### 2.6.5 Notes to the Statement of Comprehensive Income

#### 2.6.5.1 Foreign exchange differences

Foreign exchange differences occur when companies do not report in the euro and, in this connection, when the historical exchange rate applied on the date of initial consolidation differs from the rate in effect on the balance sheet date. In addition, foreign exchange differences result from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. This position also includes TEUR -806 (2011/12: TEUR 6,973) of currency-related adjustments to goodwill. The currency reserve under equity contains foreign exchange-related effects of TEUR 50 (2011/12: TEUR 353) from non-controlling interests.

#### 2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR -337 (2011/12: TEUR 4,198) from loans reflect long-term loans granted by the Group in SEK, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 and must therefore be reported under other comprehensive income. This position also includes foreign exchange differences from an interest rate hedge.

### 2.6.5.3 Actuarial loss/gain

The actuarial losses of TEUR 11,214 for 2012/13 include TEUR 6,236 related to the provision for pensions in Great Britain. This change resulted from an increase in the present value of the defined benefit obligation (DBO) following the application of a lower interest rate and from the adjustment of the expected return on plan assets to reflect the discount rate used to calculate the obligations. Interest rate adjustments to the provisions for severance compensation also led to an actuarial loss of TEUR 3,103. The actuarial loss in the prior year resulted mainly from interest rate adjustments to British pension plans.

### 2.6.5.4 Deferred taxes

The year-on-year change from TEUR 2,728 to TEUR 2,339 resulted chiefly from deferred taxes that were recorded under equity without recognition through profit or loss in accordance with IAS 19.

## 2.6.6 Notes to the Balance Sheet

### 2.6.6.1 Goodwill

The adjustment of the internal reporting structure during 2012/13 led to changes in the allocation of goodwill for the purpose of impairment testing. This goodwill was previously assigned by region ("CGU Lighting Brands – Europe", "CGU Lighting Brands – MENA and Asia", "CGU Lighting Brands – Australia and New Zealand" and "CGU Lighting Brands – USA"), but was reallocated to the newly defined cash-generating units (CGUs) in accordance with IAS 36.87.

The original goodwill arising from the acquisition of the Thorn Lighting Group, which was previously allocated by region, was reassigned during the first quarter of 2012/13 based on brands in accordance with the new reporting structure. The newly defined CGUs are

"CGU Zumtobel Brand"

"CGU Thorn Brand"

Results are now monitored on the basis of financial information that is classified by brand. This led to a change in the allocation of goodwill, which was reassigned in accordance with the relative fair value of the CGU.

The newly created CGUs represent operating segments as defined in IFRS 8.5, which are aggregated under "Lighting Brands" for segment reporting.

in TEUR	CGU Zumtobel Brand	CGU Thorn Brand	Tridonic Jennersdorf	Total
<b>30 April 2012</b>	<b>140,486</b>	<b>48,634</b>	<b>1,722</b>	<b>190,842</b>
FX effects	(969)	162	0	(807)
<b>30 April 2013</b>	<b>139,517</b>	<b>48,796</b>	<b>1,722</b>	<b>190,035</b>

The original goodwill in the Thorn Lighting Group had a historical cost of TEUR 543,661. The accumulated impairment charges recognised up to 30 April 2010 totalled TEUR 338,278 and the accumulated foreign exchange effects equalled TEUR 23,654.

As of 30 April 2011 the original goodwill in the Thorn Lighting Group was reallocated by region. The carrying amount of the goodwill allocated by region equalled TEUR 189,120 as of 30 April 2012. This amount includes TEUR 7,391 of accumulated foreign exchange effects that were recorded under equity without recognition through profit or loss. The carrying amount of TEUR 189,120 was reallocated by brand during the first quarter of 2012/13 to reflect the changes in the internal reporting structure.

The application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") led to a foreign exchange-based adjustment of TEUR -806 (2011/12: TEUR 6,973) to goodwill during the reporting year, which was not recognised through profit or loss. These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

The reallocation of goodwill had no influence on its value. No impairment charges were recognised to this goodwill during the reporting year or the previous year.

#### 2.6.6.2 Other intangible assets

The change in this position is related primarily to the capitalisation of development projects.

#### 2012/13 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
<b>Acquisition costs</b>			
<b>30 April 2012</b>	<b>40,559</b>	<b>91,919</b>	<b>132,478</b>
Foreign currency translation	(69)	(357)	(426)
Changes in the consolidation range	0	(133)	(133)
Additions	2,313	16,079	18,392
Disposals	(1,663)	(413)	(2,076)
Transfers	194	0	194
<b>30 April 2013</b>	<b>41,334</b>	<b>107,095</b>	<b>148,429</b>
<b>Accumulated amortisation</b>			
<b>30 April 2012</b>	<b>(32,549)</b>	<b>(48,515)</b>	<b>(81,064)</b>
Foreign currency translation	67	274	341
Changes in the consolidation range	0	133	133
Scheduled depreciation	(2,764)	(13,250)	(16,014)
Impairment	(506)	(181)	(687)
Disposals	1,682	17	1,699
<b>30 April 2013</b>	<b>(34,070)</b>	<b>(61,522)</b>	<b>(95,592)</b>
<b>Net carrying amount 30 April 2012</b>	<b>8,010</b>	<b>43,404</b>	<b>51,414</b>
<b>Net carrying amount 30 April 2013</b>	<b>7,264</b>	<b>45,573</b>	<b>52,837</b>

The intangible assets do not include any capitalised brand rights.

#### Patents, licenses and similar assets

The main component of the impairment charge represents a write-off of TEUR 457 to an impaired customer base.

#### Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38. The additions to acquisition costs, including transfers, consist almost entirely of capitalised development expenses (TEUR 16,079, 2011/12: TEUR 11,053). Most of these additions involve work on luminaires and lighting components, whereby TEUR 14,787 (2011/12: TEUR 8,808) were not yet available for use as of the balance sheet date.

## 2011/12 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
<b>Acquisition costs</b>			
<b>30 April 2011</b>	<b>36,741</b>	<b>80,780</b>	<b>117,521</b>
Foreign currency translation	6	1,408	1,414
Additions	4,012	10,918	14,930
Disposals	(291)	(1,322)	(1,613)
Transfers	91	135	226
<b>30 April 2012</b>	<b>40,559</b>	<b>91,919</b>	<b>132,478</b>
<b>Accumulated amortisation</b>			
<b>30 April 2011</b>	<b>(30,669)</b>	<b>(36,034)</b>	<b>(66,703)</b>
Foreign currency translation	(29)	(799)	(828)
Scheduled depreciation	(2,131)	(11,176)	(13,307)
Impairment	0	(1,828)	(1,828)
Disposals	280	1,322	1,602
<b>30 April 2012</b>	<b>(32,549)</b>	<b>(48,515)</b>	<b>(81,064)</b>
<b>Net carrying amount 30 April 2011</b>	<b>6,072</b>	<b>44,746</b>	<b>50,818</b>
<b>Net carrying amount 30 April 2012</b>	<b>8,010</b>	<b>43,404</b>	<b>51,414</b>

### 2.6.6.3 Property, plant and equipment

## 2012/13 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
<b>Acquisition costs</b>					
<b>30 April 2012</b>	<b>220,019</b>	<b>413,181</b>	<b>115,058</b>	<b>10,043</b>	<b>758,301</b>
Foreign currency translation	(867)	(1,016)	408	(16)	(1,491)
Changes in the consolidation range	(97)	(119)	(254)	0	(470)
Additions	5,237	9,267	3,259	23,353	41,116
Disposals	10,554	(42,023)	(8,651)	0	(40,120)
Transfers	4,238	9,833	1,599	(15,864)	(194)
<b>30 April 2013</b>	<b>239,084</b>	<b>389,123</b>	<b>111,419</b>	<b>17,516</b>	<b>757,142</b>
<b>Accumulated amortisation</b>					
<b>30 April 2012</b>	<b>(93,801)</b>	<b>(329,734)</b>	<b>(92,495)</b>	<b>0</b>	<b>(516,030)</b>
Foreign currency translation	(13)	791	(359)	0	419
Changes in the consolidation range	97	57	252	0	406
Scheduled depreciation	(9,216)	(24,070)	(7,422)	0	(40,708)
Impairment	0	(305)	(98)	0	(403)
Disposals	(10,723)	41,110	8,753	0	39,140
Transfers	(1,110)	0	1,110	0	0
<b>30 April 2013</b>	<b>(114,766)</b>	<b>(312,151)</b>	<b>(90,259)</b>	<b>0</b>	<b>(517,176)</b>
<b>Net carrying amount 30 April 2012</b>	<b>126,218</b>	<b>83,447</b>	<b>22,563</b>	<b>10,043</b>	<b>242,271</b>
<b>Net carrying amount 30 April 2013</b>	<b>124,318</b>	<b>76,972</b>	<b>21,160</b>	<b>17,516</b>	<b>239,966</b>

The transfers shown under acquisition costs represent the reclassification of construction in progress to other asset categories.

No property, plant or equipment was pledged as security for loans under the consortium credit agreement.

Moreover, the Group has incurred obligations of TEUR 4,749 (2011/12: TEUR 3,326) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 454 (2011/12: TEUR 448), plant and machinery at TEUR 3,362 (2011/12: TEUR 2,695) and other non-current assets at TEUR 933 (2011/12: TEUR 183).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 6,638 (2011/12: TEUR 1,117), plant and machinery at TEUR 5,364 (2011/12: TEUR 8,613) and other non-current assets at TEUR 5,514 (2011/12: TEUR 313).

### 2011/12 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
<b>Acquisition costs</b>					
<b>30 April 2011</b>	<b>206,567</b>	<b>390,071</b>	<b>111,355</b>	<b>11,189</b>	<b>719,182</b>
Foreign currency translation	4,869	8,594	2,245	228	15,936
Additions	6,389	9,652	6,298	19,890	42,229
Disposals	(1,229)	(10,825)	(6,766)	0	(18,820)
Transfers	3,423	15,689	1,926	(21,264)	(226)
<b>30 April 2012</b>	<b>220,019</b>	<b>413,181</b>	<b>115,058</b>	<b>10,043</b>	<b>758,301</b>
<b>Accumulated amortisation</b>					
<b>30 April 2011</b>	<b>(84,918)</b>	<b>(310,853)</b>	<b>(89,568)</b>	<b>0</b>	<b>(485,339)</b>
Foreign currency translation	(1,488)	(6,445)	(1,595)	0	(9,528)
Scheduled depreciation	(7,854)	(23,014)	(7,880)	0	(38,748)
Disposals	459	10,578	6,548	0	17,585
<b>30 April 2012</b>	<b>(93,801)</b>	<b>(329,734)</b>	<b>(92,495)</b>	<b>0</b>	<b>(516,030)</b>
<b>Net carrying amount 30 April 2011</b>	<b>121,649</b>	<b>79,218</b>	<b>21,787</b>	<b>11,189</b>	<b>233,843</b>
<b>Net carrying amount 30 April 2012</b>	<b>126,218</b>	<b>83,447</b>	<b>22,563</b>	<b>10,043</b>	<b>242,271</b>

#### 2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in five (2011/12: six) companies, in which it has significant influence over major financial and/or operating policies but does not exercise control ("associated companies"). Therefore, these companies are included in the consolidated financial statements at equity.

	Staff Iberica S.A.	Tridonic SA (Pty) Ltd.	LEDON OLED Lighting GmbH & Co. KG	LEDON OLED Lighting Verwaltungs GmbH	z-werkzeugbau gmbh	LEXEDIS Lighting GmbH	Total
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%	
<b>30 April 2011</b>	<b>2,488</b>	<b>978</b>	<b>1,417</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>4,889</b>
Additions	0	0	701	0	0	0	701
Net profit/loss for the period	(106)	76	(660)	5	0	0	(685)
Dividends	(500)	0	0	0	0	0	(500)
Foreign currency translation	0	(39)	0	0	0	0	(39)
<b>30 April 2012</b>	<b>1,882</b>	<b>1,015</b>	<b>1,458</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>4,366</b>
Capital increases	0	0	0	0	0	0	0
Net profit/loss for the period	136	56	(752)	0	0	0	(560)
Dividends	0	0	0	0	0	0	0
Foreign currency translation	0	(139)	0	0	0	0	(139)
<b>30 April 2013</b>	<b>2,018</b>	<b>932</b>	<b>706</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>3,667</b>

The stake owned in LEDON OLED Lighting GmbH & Co. KG equals 51%, but the share of earnings amounts to 85%. However, the requirements for control are not met because this company is managed by LEDON OLED Lighting Verwaltungs GmbH, a company in which the Zumtobel Group only holds 49%. The Zumtobel Group is therefore not able to exercise a controlling influence over LEDON OLED Lighting Verwaltungs GmbH or LEDON OLED Lighting GmbH & Co. KG.

The majority owners of z-werkzeugbau gmbh exercised their option to acquire the remaining 30% of the company during the third quarter of 2009/10. The shares were transferred on 31 May 2012, and the company was therefore deconsolidated in the first quarter of 2012/13.

The valuation of LEXEDIS Lighting GmbH at equity was discontinued because of the losses accumulated to date. The profit generated in 2012/13 was offset against these losses. This valuation will be resumed if / when profits exceed the accumulated losses.

Current trade receivables due from associated companies totalled TEUR 991 as of 30 April 2013 (2011/12: TEUR 1,513); no impairment charges were recognised to these assets. The respective parent companies have concluded agreements with companies included at equity for the provision of goods and services.

Key indicators for the associated companies are presented in the following table:

	Staff Iberica S.A.	Tridonic SA (Pty) Ltd.	LEDON OLED Lighting GmbH & Co. KG	LEDON OLED Lighting Verwaltungs GmbH	z-werkzeugbau gmbh	LEXEDIS Lighting GmbH
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%
<b>30 April 2013</b>						
Assets	6,902	3,366	827	23	0	2,044
Liabilities	2,866	1,502	0	0	0	4,729
Equity	4,036	1,864	827	23	0	(2,685)
Revenues	6,998	4,511	61	0	0	19,159
Net profit/loss for the period	208	112	(884)	1	0	138

	Staff Iberica S.A.	Tridonic SA (Pty) Ltd.	LEDON OLED Lighting GmbH & Co. KG	LEDON OLED Lighting Verwaltungs GmbH	z-werkzeugbau gmbh	LEXEDIS Lighting GmbH
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%
<b>30 April 2012</b>						
Assets	2,845	1,481	928	11	2,858	1,512
Liabilities	963	467	55	0	2,193	2,921
Equity	1,882	1,015	873	11	665	(1,409)
Revenues	2,940	2,349	123	0	5,792	9,406
Net profit/loss for the period	(106)	76	(660)	5	196	69

Deferred tax assets of TEUR 228 (2011/12: TEUR 53) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39.

#### 2.6.6.5 Financial assets

Non-current financial assets consist primarily of securities and similar rights that are carried at fair value.

The decline in current financial assets resulted mainly from the payment of the final instalment (TEUR 4,373) from the sale of the Spennymoor plant.

Detailed information is presented in section 2.6.10.1.

#### 2.6.6.6 Other assets

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

in TEUR	30 April 2013	30 April 2012
Coverage capital for Group life insurance	3,429	3,335
Other	804	670
<b>Other non-current assets</b>	<b>4,233</b>	<b>4,005</b>
Prepaid expenses and deferred charges	5,663	5,372
Amounts due from tax authorities	6,531	7,485
Prepayments made	1,149	1,758
Other	15,755	11,321
<b>Other current assets</b>	<b>29,098</b>	<b>25,936</b>

The coverage capital for Group life insurance is related to the Zumtobel companies in Germany. This item represents assets held to cover pension obligations, which do not qualify as plan assets under IAS 19.

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

The position "other" comprises maintenance materials, receivables arising from part-time work for older employees in Germany and advance contributions to pension plans in Switzerland. The year-on-year change in this position resulted mainly from a receivable that serves as security for pending legal proceedings connected with Space Cannon VH SRL, Italy, which was deconsolidated in 2009/10.

## 2.6.6.7 Deferred taxes

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

in TEUR	30 April 2013		30 April 2012	
	Assets	Liabilities	Assets	Liabilities
Other intangible assets	52	10,382	64	9,339
Property, plant and equipment	1,703	6,627	1,498	6,605
Financial assets	0	0	1,478	0
Inventories	3,286	166	3,846	209
Trade receivables	1,060	601	1,133	691
Other receivables	340	4,454	638	6,731
Non-current provisions	18,029	1,668	15,194	1,362
Other provisions	2,094	1,326	1,699	3,276
Trade payables	4,292	83	5,204	12
Loss carryforwards	132,752	0	131,615	0
<b>Deferred tax credits or liabilities</b>	<b>163,608</b>	<b>25,307</b>	<b>162,369</b>	<b>28,225</b>
Valuation discounts for deferred taxes	(107,195)	0	(107,982)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(18,000)	(18,000)	(18,050)	(18,050)
<b>Deferred taxes</b>	<b>38,413</b>	<b>7,307</b>	<b>36,337</b>	<b>10,175</b>

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 428,780 (2011/12: TEUR 431,926) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 22,170 (2011/12: TEUR 14,463) will expire within 10 years. In agreement with IAS 12.39, deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries. The calculation of deferred taxes for Group companies was based on the applicable national tax rate. Deferred taxes on loss carryforwards were only capitalised if they were offset by deferred tax liabilities or if the utilisation of the loss carryforwards was sufficiently certain.

Deferred taxes of TEUR 2,339 (2011/12: TEUR 2,728) were recognised under other comprehensive income during the reporting year. This amount includes TEUR 2,096 related to actuarial losses on the provisions for pensions and severance compensation as required by IAS 19 as well as TEUR 243 for the hedge accounting reserve.

#### 2.6.6.8 Inventories

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

in TEUR	30 April 2013	30 April 2012
Raw materials	55,361	61,369
<i>Gross value</i>	65,696	71,321
<i>Impairment charges</i>	(10,335)	(9,953)
Work in process	2,593	3,171
Semi-finished goods	11,342	12,062
<i>Gross value</i>	12,658	13,362
<i>Impairment charges</i>	(1,316)	(1,300)
Merchandise	19,513	17,420
<i>Gross value</i>	23,905	20,753
<i>Impairment charges</i>	(4,392)	(3,333)
Finished goods	71,663	78,726
<i>Gross value</i>	81,144	90,317
<i>Impairment charges</i>	(9,481)	(11,591)
<b>Inventories</b>	<b>160,472</b>	<b>172,748</b>

Income was increased by valuation adjustments of TEUR -653 to inventories during the reporting year (2011/12: reduction of TEUR 780 in income).

In addition, a special valuation adjustment of TEUR 1,500 to inventories was recognised to profit or loss during 2012/13 in connection with the sale of Ledon Lamp GmbH, Austria.

#### 2.6.6.9 Trade receivables

in TEUR	30 April 2013	30 April 2012
Trade receivables gross	211,223	237,185
Valuation adjustments to receivables	(9,414)	(9,675)
Provision for customer bonuses and cash discounts	(16,276)	(17,786)
<b>Trade receivables</b>	<b>185,533</b>	<b>209,724</b>

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts amounted to TEUR 41,781 (2011/12: TEUR 41,795). The respective receivables were derecognised.

#### 2.6.6.10 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 204 (2011/12: TEUR 391) are not available for discretionary use. The carrying amount of cash and cash equivalents corresponds to market value because of the terms of these funds.

## 2.6.6.11 Employee benefits (IAS 19R)

The provisions for pensions and severance compensation represent post-employment benefits. Other provisions include miscellaneous non-current employee benefits as defined in IAS 19R.

As explained in section 2.6.3.1, the revised IAS 19 rules were applied prematurely in 2012/13, and the prior year data were adjusted accordingly based on IAS 8. The prior year data shown below reflect the adjusted values. These adjustments are shown in section 2.6.3.3.

The reconciliation from the beginning balances to the ending balances is as follows:

Defined benefit plans as per IAS 19 in TEUR	Post-employment benefits				Other	
	Pensions		Severance compensation		2012/13	2011/12
	2012/13	2011/12	2012/13	2011/12		
<b>Beginning balance, net liability</b>	<b>71,658</b>	<b>58,561</b>	<b>39,149</b>	<b>33,820</b>	<b>13,068</b>	<b>10,945</b>
Foreign currency translation & reclassification	(1,450)	3,228	0	0	(18)	209
Change in consolidation range & reclassifications	0	0	(20)	0	(5)	(61)
Changes recognised through profit or loss	5,230	5,965	3,312	3,191	3,635	3,395
<i>thereof service cost</i>	2,915	2,778	1,674	1,494	2,360	2,051
<i>thereof past service cost</i>	0	0	0	0	0	0
<i>thereof plan reductions and settlements</i>	(842)	0	0	0	0	0
<i>thereof interest expense</i>	9,368	10,163	1,638	1,697	372	372
<i>thereof expected income from plan assets</i>	(6,211)	(6,976)	0	0	0	0
<i>thereof actuarial loss</i>	0	0	0	0	903	972
Actuarial loss/gain recognised to equity	10,893	15,342	3,103	4,147	0	0
<i>based on demographic adjustments</i>	1,911	0	0	0	0	0
<i>based on financial adjustments</i>	8,773	15,554	2,814	3,753	0	0
<i>based on experience adjustments</i>	210	(212)	289	394	0	0
Payments	(11,662)	(11,438)	(2,800)	(2,009)	(2,534)	(1,420)
<i>thereof employer</i>	(10,421)	(10,103)	(2,800)	(2,009)	(2,534)	(1,420)
<i>thereof employee</i>	(1,241)	(1,335)	0	0	0	0
<b>Ending balance, net liability</b>	<b>74,669</b>	<b>71,658</b>	<b>42,744</b>	<b>39,149</b>	<b>14,146</b>	<b>13,068</b>

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

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)	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Germany	3.5%	4.3%	-	-	3.0%	3.0%	2.0%	1.8%	1)	1)
Great Britain	4.3%	4.7%	4.3%	4.7%	-	-	2.3%	3.1%	65/65	65/65
Switzerland	2.1%	2.5%	2.1%	2.5%	1.5%	1.5%	0.0%	0.0%	64/65	64/65
Norway	2.8%	2.6%	2.8%	2.6%	3.3%	3.3%	0.1%	0.1%	67/67	67/67
Sweden	3.3%	3.5%	-	-	-	-	1.8%	2.0%	65/65	65/65
Austria	3.8%	4.3%	-	-	3.3%	3.3%	-	-	2)	2)
France	3.0%	4.3%	-	-	2.0%	2.5%	-	-	3)	63/67
Italy	3.2%	4.3%	-	-	3.0%	3.0%	-	-	60/65	61/65
Australia	2.9%	3.5%	2.9%	3.5%	3.5%	4.0%	-	-	-	-

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

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

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

Note 3): Salaried employees 63/67, wage employees 62/65

### Pension obligations

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

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

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

Two major steps were taken to remedy the shortage of assets in this plan. An agreement was reached with the plan trustee to reduce the deficit by 2022 through annual contributions by the involved British company. In addition, the trustee developed and presented an investment strategy in the form of a "statement of investment principles" (SIP), which should support the generation of a portfolio return that exceeds the discount factor.

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

The pension plans in Germany are financed entirely through provisions and generally represent commitments for fixed salary-based pension subsidies or commitments based on the employee's final salary, whereby the amount is dependent on the number of years of service with the company. However, the pension plans in Germany have been closed to new employees for over 10 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 because of the legally guaranteed minimum payment. This also applied to the pension plan of Zumtobel Licht AG, Switzerland, for the first time in 2012/13. The management of plan assets by the syndicated funds is based on BVG regulations and the Swiss directive on occupational benefits for retirees, surviving dependents and invalids ("BVV 2").

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

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 577 for the reporting year (2011/12: TEUR 471). The asset coverage calculated in accordance with Swedish law equalled 129% as of December 2012 (2011/12: 113%) for all plan participants. This coverage represents the difference between the insurance obligations and the fair value of the relevant assets, which was determined on the basis of information provided by the pension fund programme.

The Norwegian pension plan is financed entirely by employer contributions, whereby the assets are held by an insurance company. This plan is open to new employees.

The defined benefit obligations in Australia consist primarily of commitments based on the final salary. However, the part of the plan related to defined-benefit commitments is closed for new employees. The plan assets are invested in a pooled investment fund, whose trustee manages the plan in accordance with the provisions of the Australian "Superannuation Industry Supervision Legislation".

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

Net obligations and net assets

in TEUR	30 April 2013	30 April 2012
Obligations not financed through funds	29,660	27,613
Obligations financed through funds	211,063	199,291
<b>Present value of defined benefit obligation (DBO)</b>	<b>240,723</b>	<b>226,904</b>
Fair value of plan assets	(166,054)	(155,246)
<b>Net liability as per balance sheet</b>	<b>74,669</b>	<b>71,658</b>

The provision for pensions is classified by country as follows:

Net liability

in TEUR	30 April 2013	30 April 2012
Great Britain	39,824	40,940
Germany	26,653	24,512
Switzerland	4,923	2,123
Sweden	3,006	3,102
Other	263	981
<b>Net liability as per balance sheet</b>	<b>74,669</b>	<b>71,658</b>

The change in the defined benefit obligation and plan assets from the beginning to the end of the financial year is as follows:

in TEUR	2012/13		2011/12	
	DBO	Plan assets	DBO	Plan assets
<b>30 April 2012</b>	<b>226,905</b>	<b>155,246</b>	<b>190,767</b>	<b>132,207</b>
Foreign currency translation	(6,531)	(5,081)	15,228	12,000
Service cost	2,915	0	2,778	0
Plan reductions and settlements	(3,138)	(2,295)	0	0
Interest expense / income	9,368	6,211	10,163	6,976
Actuarial loss/gain recognised to equity	19,830	8,937	16,746	1,404
<i>based on demographic adjustments</i>	1,911	0	0	0
<i>based on financial adjustments</i>	17,709	8,937	16,959	1,404
<i>based on experience adjustments</i>	210	0	(213)	0
Payments	(8,626)	3,036	(8,777)	2,660
<b>30 April 2013</b>	<b>240,723</b>	<b>166,054</b>	<b>226,904</b>	<b>155,246</b>

The plan reductions and settlements are related entirely to a Swiss group company and reflect the exit of participants from the current pension plan. Payments from the pension plans totalled TEUR 8,626 for the reporting year (2011/12: TEUR 8,777).

The DBO of the Swiss pension plans was also adjusted based on the application of the revised IAS 19. Other changes resulting from the revised standard included the adjustment of the expected income on plan assets and the calculation of the pension obligation and service cost to reflect risk sharing between the employers and employees.

As of 30 April 2013 the plan assets consisted of international stocks (25%; 2011/12: 26%), fixed-interest securities (55%; 2011/12: 51%), alternative investments (11%; 2011/12: 16%) and cash and cash equivalents / real estate (9%; 2011/12: 7%). The actual income on plan assets equalled TEUR 15,149 (2011/12: TEUR 8,084).

Prices on an active market were not available for the assets in the Australian and Norwegian pension plans as of 30 April 2013. The fair value of the assets in these two plans totalled TEUR 4,587 as of 30 April 2013.

A price on an active market was not available for TEUR 1,358 of the alternative investments in a British plan. Market prices were available for the remaining plan assets as of 30 April 2013.

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

in TEUR	30 April 2013	30 April 2012
Present value	240,723	226,904
Plan assets	(166,054)	(155,246)
<b>Deficit</b>	<b>74,669</b>	<b>71,658</b>

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

#### 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 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 2013	30 April 2012
Austria	37,573	34,730
France	3,596	3,123
Italy	1,575	1,296
<b>Severance compensation obligation</b>	<b>42,744</b>	<b>39,149</b>

## IAS 19 Reserve

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

	Pensions	Severance compensation	Total
<b>30 April 2011</b>	<b>58,295</b>	<b>1,299</b>	<b>59,594</b>
Actuarial loss	15,342	4,146	19,488
Foreign currency translation	5,626	0	5,626
Deferred taxes	(942)	(1,052)	(1,994)
<b>30 April 2012</b>	<b>78,321</b>	<b>4,393</b>	<b>82,714</b>
Actuarial loss	10,893	3,102	13,995
Foreign currency translation	(2,782)	0	(2,782)
Deferred taxes	(1,298)	(798)	(2,096)
<b>30 April 2013</b>	<b>85,134</b>	<b>6,697</b>	<b>91,831</b>

Deferred taxes of TEUR 2,096 were recorded directly in equity during the reporting year (2011/12: TEUR 1,994).

## Sensitivity

Effects on the DBO per 30 April 2013:

	Discount rate		Pension trend		Salary trend	
	+0.5%	(0.5)%	+0.5%	(0.5)%	+0.5%	(0.5)%
Pension plans	(18,695)	21,125	15,362	(14,818)	445	(388)
Severance compensation	(2,658)	2,755	0	0	2,757	(2,680)

## Weighted average term of the obligations in years

	2012/13
Pension plans	19
Severance compensation	13

In 2013/14 contributions to pension plans are expected to total TEUR 10,738 and severance compensation payments are expected to equal TEUR 1,223.

## Other long-term employee benefits

These obligations total TEUR 14,146 (2011/12: TEUR 13,068) and consist mainly of the provisions for service anniversary bonuses in Austria (TEUR 5,305; 2011/12: TEUR 4,910), part-time work for older employees in Germany (TEUR 5,039; 2011/12: TEUR 3,970), special leave in Australia (TEUR 2,986; 2011/12: TEUR 3,426) provisions for legally required profit sharing and bonus payments for long-standing service in France.

The application of the revised IAS 19 also led to the adjustment of the prior year data for other long-term employee benefits. This change involved the part-time work for older employees because the employer's obligations for supplementary payments are now considered to be earned gradually and not earned in full when the respective agreement is concluded. Consequently, no past service cost is reported in connection with the new part-time work agreements for older employees.

The actuarial loss of TEUR 499 recorded in 2012/13 (2011/12: TEUR 461) resulted from experience-based adjustments during that year. The remaining actuarial losses of TEUR 404 (2011/12: TEUR 510) were related to the adjustment of the financial parameters used to calculate the obligation.

#### 2.6.6.12 Defined contribution obligations

Defined contribution payments of TEUR 6,438 were made by various group companies in 2012/13 (2011/12: TEUR 5,912). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

The adjustment of the prior year value of TEUR 679 resulted from the reclassification of a Swiss pension plan, which was accounted for as a defined contribution plan in 2011/12 and is now classified as a defined benefit plan.

#### 2.6.6.13 Other provisions

##### 2012/13 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
<b>30 April 2012</b>	<b>12,984</b>	<b>436</b>	<b>1,140</b>	<b>1,466</b>	<b>7,491</b>	<b>23,517</b>
Addition	4,951	5,620	107	672	5,615	16,965
Utilisation	(3,854)	(419)	(434)	(1,460)	(5,795)	(11,962)
Reversal	(2,014)	(18)	(360)	0	(444)	(2,836)
Changes in the consolidation range	(42)	(61)	0	(6)	0	(109)
Foreign currency translation	(20)	(30)	6	(11)	(20)	(75)
<b>30 April 2013</b>	<b>12,005</b>	<b>5,529</b>	<b>459</b>	<b>661</b>	<b>6,847</b>	<b>25,501</b>
<i>thereof current</i>	12,005	5,529	459	661	5,926	24,580
<i>thereof non-current</i>	0	0	0	0	921	921

##### Provision for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 7,298 (2011/12: TEUR 8,735) for individual items as well as experience-based provisions of TEUR 4,707 (2011/12: TEUR 4,249) for cases not recognised individually or not known. This provision is determined by applying separate percentage rates for the various product groups to product revenues for the respective period.

##### Provisions for restructuring

The increase in the provision for restructuring resulted from the restructuring measures that are described in section 2.6.4.3 and had not been concluded as of 30 April 2013.

##### Provisions for legal proceedings

This provision declined during the reporting year; above all due to the positive outcome of a legal dispute involving an Austrian group company.

##### Onerous contracts

This position includes the provision for office space that is affected by the closing of a sales office in Great Britain.

**Other current provisions** include accruals for licenses, commissions, customs duties, freight and professional associations as well as consulting and auditing fees. The comparable position under **other non-current provisions** is comprised chiefly of expected settlement payments to sales representatives.

## 2011/12 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
<b>30 April 2011</b>	<b>14,338</b>	<b>2,171</b>	<b>1,364</b>	<b>1,902</b>	<b>6,085</b>	<b>25,860</b>
Addition	7,066	0	125	0	6,412	13,603
Utilisation	(4,801)	(1,652)	(365)	(673)	(4,534)	(12,025)
Reversal	(3,953)	0	(42)	0	(528)	(4,523)
Reclassification	0	(92)	28	92	(28)	0
Foreign currency translation	334	8	30	145	84	601
<b>30 April 2012</b>	<b>12,984</b>	<b>436</b>	<b>1,140</b>	<b>1,466</b>	<b>7,491</b>	<b>23,517</b>
<i>thereof current</i>	12,984	436	1,140	1,466	6,823	22,849
<i>thereof non-current</i>	0	0	0	0	668	668

### 2.6.6.14 Financial liabilities

in TEUR	30 April 2013	30 April 2012
Loans from financial institutions	10	16
Finance leases	312	79
Loans from public authorities	0	75
Loans from other third parties	0	0
Working capital credits	3,942	3,574
<b>Current borrowings</b>	<b>4,264</b>	<b>3,744</b>
Loans from financial institutions	175,322	205,097
Finance leases	19,619	20,809
Loans from public authorities	2,060	1,099
Loans from other third parties	0	337
<b>Non-current borrowings</b>	<b>197,001</b>	<b>227,342</b>
<b>Borrowings</b>	<b>201,265</b>	<b>231,086</b>

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. Based on the positive development of free cash flow during the first half of 2012/13, the maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group from TEUR 500,000 to TEUR 400,000 in November 2012. This decision reduces the standard commitment fee, while maintaining the necessary financial flexibility for strategic steps. At the end of the reporting year on 30 April 2013, the amount drawn under the credit agreement totalled TEUR 170,000 (30 April 2012: TEUR 200,000).

### 2.6.6.15 Finance leases

in TEUR	Expenses 2012/13	Minimum lease payments			Total Liability	Net carrying amount assets
		Future payments				
		< 1 year	1 - 5 years	> 5 years		
Patents, licenses and similar items	70	0	0	0	0	120
Land & buildings	2,014	2,197	8,421	30,917	41,535	11,006
Plant & machinery	7	2	0	0	2	2
Other equipment	0	0	0	0	0	0
<b>Total minimum lease payments</b>	<b>2,091</b>	<b>2,199</b>	<b>8,421</b>	<b>30,917</b>	<b>41,537</b>	<b>11,128</b>
Less: finance charge = Interest expense	1,950	1,887	6,804	12,915	21,606	
<b>Present value of net minimum lease payments</b>	<b>141</b>	<b>312</b>	<b>1,617</b>	<b>18,002</b>	<b>19,931</b>	

There are no conditional lease payments for finance leases.

In 2008/09 a GBP 15.7 million finance lease was concluded for the plant building in Spennymoor. 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 19,929 as of 30 April 2013 (2011/12: TEUR 20,764). The year-on-year decline in the net present value of the minimum lease payments is the result of foreign exchange translation effects.

### 2.6.6.16 Operating leases

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

in TEUR	Expenses 2012/13	Future payments to third parties			Total
		< 1 year	1 - 5 years	> 5 years	
Minimum lease payments based on non-cancellable leases	22,531	18,929	31,864	11,410	62,203
Less payments received from leases and sub-leases	438	800	1,451	23	2,274
<b>Net minimum lease payments</b>	<b>22,093</b>	<b>18,129</b>	<b>30,413</b>	<b>11,387</b>	<b>59,929</b>

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from one month to 69 years, depending on the object and contract.

The Zumtobel Group signed an operating lease with an external lessee for the mothballed luminaire plant in Romania. This non-cancellable lease began on 1 May 2010 and has a term of five years and six months. The lessee has an option to extend the contract. The lease payment is adjusted as of 1 May each year based on the development of the harmonised EU consumer price index.

in TEUR	Income 2012/13	Future payments from third parties			Total
		< 1 year	1 - 5 years	> 5 years	
Minimum lease payments based on non-cancellable leases	495	490	736	0	1,226

#### 2.6.6.17 Other liabilities

The major components of other current liabilities are as follows:

in TEUR	30 April 2013	30 April 2012
Vacations, comp. in free time, special payments to employees	42,962	42,333
Amounts due to employees	10,489	11,785
Miscellaneous taxes	14,743	16,713
Social security	5,772	5,995
Prepayments received	17,527	23,258
Accrued interest	67	64
Deferred income	1,174	976
Derivatives (hedge accounting)	9,384	8,854
Derivatives held for trading	3,120	3,486
Customs	1,534	1,907
Other liabilities	10,849	9,423
<b>Other current liabilities</b>	<b>117,621</b>	<b>124,794</b>

Other liabilities consist primarily of accruals for expenses and customers with credit balances, which do not represent financial instruments.

The decrease in payments received is attributable primarily to the final invoicing of a major project that was completed during the reporting year.

The increase in other non-current liabilities resulted chiefly from the accrual of the long-term component of the long-term incentive programme for managers that was introduced during the reporting year (TEUR 1,857).

#### 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 were translated at the average monthly exchange rate and then aggregated, while the balance sheet positions were translated at the exchange rate in effect on the respective closing date. Individual positions on the cash flow statement therefore differ significantly from the respective balance sheet positions, above all under cash flow from operating activities.

In agreement with the indirect method, operating profit 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. Depreciation and amortisation include the respective scheduled expenses for the reporting period (TEUR 56,721) as well as impairment charges (TEUR 1,090).

The amounts recognised under other comprehensive income in accordance with IAS 19, IAS 21 and IAS 39 are included in the cash flow statement under the changes to the respective balance sheet positions.

Cash flow from operating activities rose by TEUR 25,176 over the prior year. This increase is attributable, above all, to a reduction in working capital, which was partly offset by the year-on-year drop in operating profit and subsequent decline in cash flow from operating results. The negative change in non-current provisions resulted primarily from the change in the IAS 19 reserve that is included in other comprehensive income for the reporting year. The positive cash flow effect from other non-current and current assets and liabilities resulted chiefly from the receipt of the final instalment payment from the sale of the plant in Spennymoor.

Cash flow from investing activities was TEUR 2,595 higher than the previous year. This development reflected an increase in payments made for additions to non-current assets in 2012/13 and a decline in payments received on the sale of non-current assets. The additions consisted mainly of capitalised research and development costs and also include investments in buildings and production equipment for the plants Dornbirn, Lemgo, Les Andelys and Spennymoor. The change in cash and cash equivalents from changes in the consolidation range includes, above all, a positive effect of TEUR 740 from the initial consolidation of Zumtobel Lighting Saudi Arabia Limited and negative cash effects from the deconsolidation of two previously fully consolidated companies in 2012/13.

The change in cash flow from financing activities from TEUR -14,620 in the prior year to TEUR -46,301 in 2012/13 resulted, above all, from the repayment of funds drawn from the consortium credit agreement and a higher amount drawn under the agreement in 2011/12. This effect was offset in part by a year-on-year decrease in the dividend paid to the shareholders of Zumtobel AG.

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 liquid funds.

#### 2.6.7.1 Reconciliation to cash and cash equivalents

in TEUR	30 April 2013	30 April 2012
Liquid funds	87,048	87,704
Not available for disposal	(204)	(391)
Overdrafts	(3,942)	(3,575)
<b>Cash and cash equivalents</b>	<b>82,902</b>	<b>83,738</b>

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

## 2.6.8 Notes to the Statement of Changes in Equity

### 2.6.8.1 Share capital

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

The Management Board is authorised, contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches – 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 three years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 22 July 2011, was recorded in the company register. Furthermore, the Management Board is empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board is also authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

A total of 43,133,890 shares were outstanding as of 30 April 2013 (2011/12: 43,106,610). Transactions carried out in 2012/13 as part of the employee stock participation programmes involved the exercise of 27,280 options (2011/12: 24,239). The Matching Stock Programme was terminated at the end of 2011/12 and, consequently, no further shares were distributed to employees under this programme (2011/12: 260,924). The company held 366,110 treasury shares as of 30 April 2013 (2011/12: 393,390).

### 2.6.8.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel AG. This item also includes transactions in treasury shares, e.g. the cash change resulting from the exercise of stock options (exercise price).

### 2.6.8.3 Reserves

#### Other reserves

This position includes profit carried forward.

#### 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 SEK, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 (also see sections 2.6.5.1 and 2.6.5.2), as well as the foreign exchange effects from an interest rate hedge. Foreign exchange-based adjustments to goodwill are also recorded under this position.

#### Hedge accounting

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

#### Reserve for stock options

Additional information on the reserve for stock option is provided in section 2.6.8.4.

### IAS 19 reserve

Also see section 2.6.6.11 for information on IAS 19 actuarial losses.

#### 2.6.8.4 Stock option programmes

The Zumtobel Group had a share-based compensation programme for key managers, the Matching Stock Programme (MSP), up to 30 April 2012. This programme was terminated at the end of the 2011/12 financial year and replaced by a cash-based long-term incentive programme in 2012/13. A stock option programme (SOP) was also in effect up to 2008.

##### SOP (Stock Option Programme)

The Zumtobel Group had a share-based compensation programme from 2004 to 2008, the Stock Option Programme (SOP), which was replaced by the MSP in 2008. Options are no longer granted under the SOP, but the exercise period is open until 2015. This exercise period contains a number of exercise slots, whereby the company has reserved the right to close the exercise periods prematurely. Each option carries the right to purchase one share at a fixed price.

##### MSP (Matching Stock Programme)

The MSP was introduced in connection with the initial public offering of Zumtobel AG on 1 May 2006. In order to participate in the MSP, an eligible manager was required to deposit a certain number of shares ("MSP shares") in blocked deposit; these shares represented the individual investment. The maximum total investment by the key managers in the MSP was limited to EUR 2.2 million. The MSP was divided into three individual programmes (MSP I, MSP II, MSP III), whereby each individual programme was subdivided into five segments. The term of each programme equalled seven years beginning on the starting date, while the terms of the individual segments equalled two years. Each segment granted to the key managers comprised eight-times the value of the shares invested in the respective programme. This multiplied value was credited to a bank account opened for the participants in the form of so-called phantom shares, and a base price (60-day average share price on the date of granting + 10%) was assigned. The options were granted at the beginning of the financial year. They were exercised automatically two years after granting, whereby the base price of the segment was compared with the 60-day average share price (strike price) on the exercise date. The difference multiplied by the number of phantom shares represented the MSP gross profit. This profit was used to purchase shares at the strike price, which were credited to the managers. If the increase in value was less than or equal to zero, no shares were granted. The managers were able to dispose freely over the shares after a waiting period of two years.

All claims from the MSP (with the exception of claims by employees leaving the company) were settled by the end of the 2011/12 financial year. The payments made for these settlements (TEUR 192) were recorded under personnel expenses in the prior year. The final tranche, which was scheduled for May 2012, was not allocated. The Matching Stock Programme was replaced by a cash-based long-term incentive programme in 2012/13.

The SOP and MSP options are/were not transferrable. There is no retention period for shares purchased with SOP options, but a retention period of two years applied to the MSP.

The options are valued in accordance with the Black-Scholes model. The major parameters for the SOP are as follows:

- >> Market price per share: EUR 8.50 (2011/12: EUR 24.30)
- >> Expected volatility: 39.15% (2011/12: 36.40%) per year
- >> Risk-free interest rate: 0.51% per year (2011/12: 2.359% per year)
- >> Dividend yield: 0% per year
- >> Exercise price SOP EUR 7.50 for eligible participants FY 03/04; EUR 11.55 and 14.22 FY 04/05; EUR 16.60 FY 05/06 and FY 06/07
- >> Term SOP: up to 30 April 2015

The expected volatility was calculated on the basis of the historical volatility over the past year. The development of treasury shares for the stock option programmes is shown in the following table:

in pcs.	Total
Share buyback (to 30 April 2012)	1,539,211
Exercised (to 30 April 2012)	(1,145,821)
<b>30 April 2012</b>	<b>393,390</b>
Exercised	(27,280)
<b>30 April 2013</b>	<b>366,110</b>

The exercise price payable by employees in 2012/13 was TEUR 205. A total of TEUR 7,106 was paid for the 912,177 shares previously exercised (average price of EUR 7.80 per share). This amount was credited to additional paid-in capital.

### Reserve for stock options

The reserve for stock options, which is included under reserves, remained unchanged at the prior year level of TEUR 19,732 because there are no more allocations from the Stock Option Programme (SOP) or the Matching Stock Programme (MSP).

The change in the number of outstanding options from the beginning to the end of the financial year is shown in the following table:

	SOP		MSP	
	2012/13	2011/12	2012/13	2011/12
<b>Granted options – beginning balance</b>	<b>77,251</b>	<b>124,146</b>	<b>70,912</b>	<b>788,624</b>
New grants	0	0	0	241,808
Exercised	(27,280)	(24,239)	0	(367,520)
Cancelled	(28,082)	(22,656)	(70,912)	(592,000)
Forfeited	0	0	0	0
<b>Granted options – ending balance</b>	<b>21,889</b>	<b>77,251</b>	<b>0</b>	<b>70,912</b>
<i>Thereof eligible for exercise</i>	<i>21,889</i>	<i>77,251</i>	<i>0</i>	<i>0</i>

The following table shows the exercise prices for the options that were granted from the SOP, but not yet exercised:

	2007/08	2006/07	2005/06	2004/05	2003/04	Total
Exercise price 7.5	4,728	6,326	2,720	1,632	2,003	17,409
Exercise price 11.5	0	0	0	0	0	0
Exercise price 14.2	520	1,040	1,040	0	0	2,600
Exercise price 16.6	840	1,040	0	0	0	1,880
<b>Total options granted</b>	<b>6,088</b>	<b>8,406</b>	<b>3,760</b>	<b>1,632</b>	<b>2,003</b>	<b>21,889</b>

### 2.6.8.5 Dividend

The annual general meeting on 27 July 2012 authorised the payment of a EUR 0.20 dividend per share for the 2011/12 financial year. The resulting amount of TEUR 8,621 for the 43,106,610 shares outstanding as of 31 July 2012 (43,500,000 shares less 393,390 treasury shares) was distributed to shareholders on 3 August 2012.

The Zumtobel Group follows a continuous dividend policy that is based on the distribution of roughly 30% to 50% of annual profit to shareholders. Consequently, the Management Board will make a recommendation to the Supervisory Board and

subsequently to the annual general meeting of Zumtobel AG on 26 July 2013 to distribute a dividend of EUR 0.07 for the 2012/13 financial year. That represents a pay-out of 50% based on net profit for the year.

### 2.6.9 Capital management

The goals of equity management in the Zumtobel Group are to protect the continued existence of the member companies of the Group and to optimise the return for shareholders by optimising 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 procedures used to manage equity include an increase or decrease in financial liabilities and dividend payments as well as new issues and share buybacks. The Zumtobel Group follows a policy to pay dividends whenever possible based on a targeted payout ratio of 30 to 50% of Group profit.

The financial framework for the Group's actions is defined, above all, by a credit agreement concluded in November 2011 with seven banks. This credit agreement has a term extending to October 2016 and a maximum volume of TEUR 400,000. Of this total, TEUR 170,000 had been drawn as of 30 April 2013. This financing requires compliance with specific financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These financial covenants were met in full as of 30 April 2013 with a debt coverage ratio of 1.42 (2011/12: 1.60) and an equity ratio of 35.9% (2011/12: 35.8%).

### 2.6.10 Financial instruments

#### 2.6.10.1 Categories of financial instrument as defined in IAS 39

The financial instruments used by the Zumtobel Group are classified as follows, based on the categories defined in IAS 39:

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

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

The fair value of current financial instruments reflects the carrying amount of these items because of their short-term. All loans from financial institutions carry variable interest rates; therefore, the carrying amount of non-current financial liabilities also reflects fair value.

## 2012/13 Financial Year

### Assets

in TEUR	Carrying amount	Fair Value	At fair value through P&L				Cash
			upon initial recognition	HFT	HTM	L&R	
Non-current financial assets	1,101	1,101	594	-	-	507	-
<i>Securities and similar rights</i>	603	-	594	-	-	9	-
<i>Loans originated and other receivables</i>	498	-	-	-	-	498	-
Current financial assets	2,435	2,435	-	1,409	-	1,026	-
<i>Securities and similar rights</i>	18	-	-	-	-	18	-
<i>Loans originated and other receivables</i>	1	-	-	-	-	1	-
<i>Positive market values of derivatives held for trading</i>	1,409	-	-	1,409	-	-	-
<i>Other</i>	1,007	-	-	-	-	1,007	-
Trade receivables	185,533	185,533	-	-	-	185,533	-
Liquid funds	87,048	87,048	-	-	-	-	87,048
<b>Total</b>	<b>276,117</b>	<b>276,117</b>	<b>594</b>	<b>1,409</b>	<b>-</b>	<b>187,066</b>	<b>87,048</b>

The position "other" under current financial assets includes a financial receivable of TEUR 995 (2011/12: TEUR 2,003) that is due from an associated company.

### Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge accounting	Non-FI
Non-current borrowings	197,001	197,001	-	197,001	-	-
<i>Loans received</i>	177,382	-	-	177,382	-	-
<i>Finance leases</i>	19,619	-	-	19,619	-	-
Other non-current liabilities	1,911	1,911	-	-	-	1,911
Current borrowings	4,264	4,264	-	4,264	-	-
<i>Loans received</i>	3,952	-	-	3,952	-	-
<i>Finance leases</i>	312	-	-	312	-	-
Trade payables	131,801	131,801	-	131,801	-	-
Other current liabilities	117,621	117,621	3,120	567	9,384	104,550
<i>Negative market values of derivatives held for trading</i>	3,120	-	3,120	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	9,384	-	-	-	9,384	-
<i>Other</i>	105,117	-	-	567	-	104,550
<b>Total</b>	<b>452,598</b>	<b>452,598</b>	<b>3,120</b>	<b>333,633</b>	<b>9,384</b>	<b>106,461</b>

The carrying value of non-current loans reflects fair value because most of these items (TEUR 170,000; 2011/12: TEUR 200,000) have a variable interest rate, i.e. the rate does not differ from the current market rate. Non-current fixed-interest loans include TEUR 2,060 (2011/12: TEUR 1,099) of subsidised loans, whose interest rates differ immaterially from the current market rate. The differences between the interest rates on the remaining fixed-interest rate loans and the current market interest rates are negligible.

Information on the other current liabilities is provided in section 2.6.6.17.

## 2011/12 Financial Year

### Assets

in TEUR	Carrying amount	Fair Value	At fair value through P&L				Cash
			upon initial recognition	HFT	HTM	L&R	
Non-current financial assets	2,547	2,547	422	-	-	2,125	-
<i>Securities and similar rights</i>	422	-	422	-	-	-	-
<i>Loans originated and other receivables</i>	2,125	-	-	-	-	2,125	-
Current financial assets	8,390	8,390	9	1,667	-	6,714	-
<i>Securities and similar rights</i>	27	-	9	-	-	18	-
<i>Loans originated and other receivables</i>	4,693	-	-	-	-	4,693	-
<i>Positive market values of derivatives held for trading</i>	1,667	-	-	1,667	-	-	-
<i>Other</i>	2,003	-	-	-	-	2,003	-
Trade receivables	209,724	209,724	-	-	-	209,724	-
Liquid funds	87,704	87,704	-	-	-	-	87,704
<b>Total</b>	<b>308,365</b>	<b>308,365</b>	<b>431</b>	<b>1,667</b>	<b>-</b>	<b>218,563</b>	<b>87,704</b>

### Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge accounting	Non-FI
<i>Loans received</i>	206,533	-	-	206,533	-	-
<i>Finance leases</i>	20,809	-	-	20,809	-	-
Other non-current liabilities	14	14	-	-	-	14
Current borrowings	3,744	3,744	-	3,744	-	-
<i>Loans received</i>	3,665	-	-	3,665	-	-
<i>Finance leases</i>	79	-	-	79	-	-
Trade payables	130,960	130,960	-	130,960	-	-
Other current liabilities	124,794	124,794	3,486	1,464	8,854	110,990
<i>Negative market values of derivatives held for trading</i>	3,486	-	3,486	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	8,854	-	-	-	8,854	-
<i>Other</i>	112,454	-	-	1,464	-	110,990
<b>Total</b>	<b>486,854</b>	<b>486,854</b>	<b>3,486</b>	<b>363,510</b>	<b>8,854</b>	<b>111,004</b>

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

in TEUR	2012/13	2011/12
Net gains or net losses	576	757
<i>Financial instruments measured at amortised cost</i>	61	395
<i>Held for trading</i>	115	362
<i>At fair value through P&amp;L</i>	400	0
Interest expense	(9,856)	(11,315)
<i>Interest expense for financial assets measured at amortised cost</i>	(7,607)	(9,752)
<i>Interest expense hedge accounting</i>	(2,512)	(1,563)
<i>Interest expense held for trading</i>	263	0
Interest income	1,226	2,072
<i>Interest income at amortised cost</i>	1,087	1,667
<i>Interest income hedge accounting</i>	78	262
<i>Interest income held for trading</i>	61	143
Valuation adjustments to loans and receivables	(817)	807

Other financial income and expense (TEUR -4,592; 2011/12: TEUR -4,911) includes net income or expense (TEUR 576; 2011/12: TEUR 757) as well as the interest component as defined in IAS 19 less income on plan assets (TEUR -5,168; 2011/12: TEUR -5,668).

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

The positive valuation adjustments to loans and receivables result primarily from changes in receivables allowances (net of foreign currency effects) to reflect the balance as of 30 April 2013.

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

### 2.6.11 Information on Risk Management

The use of financial instruments exposes the Group above all to the following risks:

- >> Credit risk
- >> Liquidity risk
- >> Market risk

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

#### 2.6.11.1 Credit risk

- >> Trade receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts reported under assets therefore represent the maximum credit and default risk. However, this risk is considered to be low because it is distributed over a large number of customers and financial institutions. In 2012/13 losses on receivables, i.e. derecognised receivables, totalled 0.2% (2011/12: 0.3%) of Group revenues. This year-on-year decline resulted, above all, from the derecognition in 2011/12 of uncollectible receivables that were written off in earlier periods. The ten largest customers were responsible for 21% of Group revenues in 2012/13 (2011/12: 20%).

The Group has arranged for credit insurance to cover the default risk on specific trade receivables, and an application is filed to cover 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 2013. Group managers are authorised to approve credit limits for customers, whereby the amount of the credit limit is matched to the management level.

The valuation adjustments to trade receivables reflect actual cases or experience, and developed as follows:

in TEUR	30 April 2013	30 April 2012
<b>Beginning balance</b>	<b>9,675</b>	<b>10,726</b>
Addition	3,679	3,549
Utilisation	(1,840)	(2,971)
Reversal	(2,100)	(1,629)
<b>Ending balance</b>	<b>9,414</b>	<b>9,675</b>

In individual cases, valuation adjustments were recognised to reflect possible default. These individual charges are based on the classification of receivables into doubtful and non-doubtful. Impairment charges of between 20% and 70% are recognised to non-doubtful receivables that are overdue more than 60 days. Doubtful receivables are generally written down by at least 80%. Insured receivables are deducted from the basis for the calculation of impairment charges, whereby the deductible from the credit insurance is taken into account.

The age structure of trade receivables is shown below:

in TEUR	30 April 2013		30 April 2012	
	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	180,566	147	204,365	20
Overdue 1-60 days	16,436	107	17,691	23
Overdue 61-90 days	2,293	451	3,185	678
Overdue 91-120 days	1,199	444	716	278
Overdue 121-180 days	1,381	826	1,585	584
Overdue > 180 days	9,348	7,439	9,644	8,092
<b>Total</b>	<b>211,223</b>	<b>9,414</b>	<b>237,185</b>	<b>9,675</b>

The nominal value of receivables includes TEUR 5,620 (2011/12: TEUR 5,993) that are classified as doubtful. These doubtful receivables were adjusted by a total of TEUR 5,272 (2011/12: TEUR 5,343).

- >> Liquid funds, non-current securities, derivatives and other financial assets  
The 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 276,117 as of 30 April 2013 (2011/12: TEUR 308,365). This amount is comprised primarily of trade receivables and liquid funds.

## 2.6.11.2 Liquidity risk

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

As of 30 April 2013 liquidity was secured through funds provided by the long-term consortium financing agreement (see section 2.6.6.14) as well as short-term unsecured lines of credit totalling TEUR 88,004 (2011/12: TEUR 100,653). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The future payments reflect the periods in which the cash flows are expected to occur and will presumably have an impact on the income statement. The following table shows the payments that will result from financial liabilities recognised as of 30 April 2013:

30 April 2013

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Borrowings	201,265	227,368	8,892	187,559	30,917
<i>Loans from financial institutions</i>	175,332	179,742	2,715	177,027	0
<i>Loans from public authorities</i>	2,060	2,147	36	2,111	0
<i>Loans from other third parties</i>	0	0	0	0	0
<i>Finance leases</i>	19,931	41,537	2,199	8,421	30,917
<i>Working capital credits</i>	3,942	3,942	3,942	0	0
Trade payables	131,801	131,801	131,801	0	0
Other liabilities	119,532	119,523	111,836	7,756	(69)
<i>Derivatives held for trading</i>	3,120	3,201	2,713	488	0
<i>Derivatives (hedge accounting)</i>	9,384	9,294	2,095	7,268	(69)
<i>Other financial instruments</i>	567	567	567	0	0
<i>Liabilities Non-FI</i>	106,461	106,461	106,461	0	0
<b>Liquidity risk</b>	<b>452,598</b>	<b>478,692</b>	<b>252,529</b>	<b>195,315</b>	<b>30,848</b>

30 April 2012

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Borrowings	231,086	271,806	10,678	227,118	34,010
Loans from financial institutions	205,113	221,314	4,943	216,371	0
Loans from public authorities	1,174	1,243	97	1,146	0
Loans from other third parties	337	389	25	364	0
Finance leases	20,888	45,286	2,039	9,237	34,010
Working capital credits	3,574	3,574	3,574	0	0
Trade payables	130,960	130,960	130,960	0	0
Other liabilities	124,808	121,978	114,675	7,281	22
Derivatives held for trading	3,486	1,035	230	805	0
Derivatives (hedge accounting)	8,854	8,475	1,977	6,476	22
Other financial instruments	1,464	1,464	1,464	0	0
Liabilities Non-FI	111,004	111,004	111,004	0	0
<b>Liquidity risk</b>	<b>486,854</b>	<b>524,744</b>	<b>256,313</b>	<b>234,399</b>	<b>34,032</b>

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

30 April 2013

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Financial assets	1,409	1,321	1,321	0	0
Derivatives held for trading	1,409	1,321	1,321	0	0

30 April 2012

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Financial assets	1,667	1,348	1,348	0	0
Derivatives held for trading	1,667	1,348	1,348	0	0

No securities were pledged as collateral.

### 2.6.11.3 Market risk

Market risk comprises 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 hedges. The use of derivative financial instruments is regulated by a Group hedging policy.

Hedging activities focus primarily on cash flows, shifts in market prices that result from exchange rate fluctuations and changing raw material prices. In these cases, the relevant positions are hedged for a period of two to three quarters on a rolling basis. This method leads to a relatively constant volume of hedges and smoothes foreign exchange exposure.

### 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. The risk associated with interest rate fluctuations is related primarily to receivables and liabilities with a term of more than one year. These terms are not of material importance in the operating area, but can play a greater role with respect to financial assets and financial liabilities.

The amount currently outstanding under the consortium credit agreement (TEUR 170,000) is considered long-term because of its maturity date on 28 October 2016. However, this credit also carries a variable interest rate (a EURIBOR-based money market interest rate).

In order to reduce the resulting interest rate risk, the Zumtobel Group concluded interest rate swaps with a total nominal volume of TEUR 122,000 (including TEUR 20,000 as a cross-currency swap with payment obligations in Swiss francs) that represent approx. 70% of the long-term credit volume currently outstanding. A backup hedge of TEUR 60,000 on a forward-start basis has already been arranged for TEUR 62,000 of interest rate swaps that are scheduled to end in June 2013. These interest rate instruments are structured over various terms (up to June 2019 at the latest) and convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 3.34%. The euro-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39. The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The foreign exchange component of the cross-currency swap with payment obligations in Swiss francs meets the requirements of IAS 21 for a hedge of a net investment in a foreign operation. The fixed interest component for the payments in Swiss francs is included under derivatives held for trading.

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2012/13	Fair value in TEUR 2011/12
EUR	62,000	(412)	(2,053)
EUR	20,000	(758)	(1,130)
EUR	20,000	(852)	
CHF	28,728	(3,492)	(3,883)
EUR Forward Start 1	20,000	(1,352)	(775)
EUR Forward Start 2	20,000	(1,868)	(1,013)
EUR Forward Start 3	10,000	(311)	0
EUR Forward Start 4	10,000	(339)	0
<b>Negative market values of interest rate hedging instrument (hedge accounting)</b>		<b>(9,384)</b>	<b>(8,854)</b>
<b>Negative market values of derivatives (hedge accounting)</b>		<b>(9,384)</b>	<b>(8,854)</b>

**>> 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 2013	30 April 2012
Borrowings	(31,264)	(31,086)
<b>Fixed rate instruments</b>	<b>(31,264)</b>	<b>(31,086)</b>
Financial assets	3,536	10,937
Liquid funds	87,048	87,704
Borrowings	(170,000)	(200,000)
<b>Variable rate instruments</b>	<b>(79,416)</b>	<b>(101,359)</b>
<b>Total</b>	<b>(110,680)</b>	<b>(132,445)</b>

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 871 (2011/12: TEUR 1,141) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, a change in the interest rate would not lead to any valuation effects on the income statement or equity.

For the interest rate swap, a change of 100 basis points in the interest rate over a period of one year would result in an opposite change of TEUR 923 (2011/12: TEUR 1,209).

**Foreign exchange risk**

Most of 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 alternative instruments such as options are also used where necessary. Translation risks are not hedged.

The Group's main currencies are the EUR, GBP, USD (as well as Asian currencies that are linked to the USD), AUD and CHF.

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

**>> Sensitivity analysis**

The following information illustrates the sensitivity of an increase in the euro over the relevant foreign currency from the Group point of view. All financial instruments reported on the balance sheet as of 30 April 2013 (including internal financial instruments) are included in the calculation.

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 relevant foreign currency as of 30 April 2013 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.

in TEUR	EUR increase of 10%		EUR decrease of 10%	
	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	8,065	5,685	(8,065)	(5,685)
EUR - SEK	4,819	527	(4,819)	(527)
EUR - USD	(1,330)	344	1,330	(344)

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

in TEUR	Fair value	EUR increase of 10%	EUR decrease of 10%
EUR - GBP	(526)	(6,384)	4,650
EUR - CHF	(415)	(3,259)	2,199
EUR - AUD	25	(924)	840
EUR - USD	498	5,340	(5,478)
EUR - SEK	191	(929)	845

### Raw material price risk

The most important raw materials used by the Zumtobel Group are energy, aluminium, steel and copper. Fixed-term supply contracts are concluded wherever possible (energy, aluminium, steel) to minimise the risks arising from unexpected price fluctuations. Fluctuations in copper prices are also hedged if necessary (futures or options).

#### >> Sensitivity analysis

Copper purchases totalled 1,270 MT (metric tonnes) in 2012/13. A price increase of EUR 1,000/MT would represent an annual price risk of approx. TEUR 1,270.

## 2.6.12 Segment Reporting

### 2.6.12.1 Operating segments

Two operating segments represent the primary segments of business for the Zumtobel Group: the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic and magnetic lighting components). The transfer of goods and services between the two divisions is based on ordinary market conditions.

Segment reporting is principally based on the same presentation, accounting and valuation methods used to prepare the consolidated financial statements. In accordance with the management approach prescribed by IFRS 8, operating 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 amounted to TEUR -560 (2011/12: TEUR -685) and included TEUR 56 (2011/12: TEUR 76) from the Components Segment and TEUR -616 (2011/12: TEUR -761) from the Lighting Segment. Taxes and the remaining balance of financial results are not allocated to a specific segment of business.

Depreciation for the reporting year includes TEUR 1,090 (2011/12: TEUR 1,828) of impairment charges. The impairment charges for 2012/13 are related entire to the Lighting Segment. The impairment charges recognised in the prior year covered TEUR 1,730 for the Components Segment and TEUR 98 for the Lighting Segment.

The elimination of inter-segment revenues is included in the reconciliation column.

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	2012/13	2011/12	2010/11	2012/13	2011/12	2010/11	2012/13	2011/12	2010/11	2012/13	2011/12	2010/11
Net revenues	935,662	949,191	868,966	377,722	408,093	437,338	(69,768)	(76,972)	(78,100)	1,243,616	1,280,312	1,228,204
External revenues	934,883	948,424	868,078	308,344	331,520	359,530	389	368	596	1,243,616	1,280,312	1,228,204
Inter-company revenues	779	767	888	69,378	76,573	77,808	(70,157)	(77,340)	(78,696)	0	0	0
Operating profit/loss	24,298	26,020	28,250	8,605	19,558	54,750	(11,243)	(10,575)	(6,997)	21,660	35,003	76,002
Investments	41,140	33,638	26,942	16,296	19,932	26,841	2,073	3,589	3,520	59,509	57,159	57,304
Depreciation	(33,675)	(32,331)	(28,957)	(22,000)	(20,015)	(21,247)	(2,136)	(1,537)	(1,346)	(57,811)	(53,883)	(51,550)

in TEUR	30 April 2013	30 April 2012	30 April 2011	30 April 2013	30 April 2012	30 April 2011	30 April 2013	30 April 2012	30 April 2011	30 April 2013	30 April 2012	30 April 2011
Assets	640,657	662,142	624,458	208,852	222,124	247,232	145,329	152,018	148,796	994,838	1,036,284	1,020,486

in TEUR	30 April 2013	30 April 2012	30 April 2011	30 April 2013	30 April 2012	30 April 2011	30 April 2013	30 April 2012	30 April 2011	30 April 2013	30 April 2012	30 April 2011
Headcount (full-time equivalent)	5,091	5,328	5,322	1,946	2,000	2,368	125	128	124	7,162	7,456	7,814

The reconciliation column comprises the following:

in TEUR	2012/13	2011/12
Group parent companies	(10,377)	(10,780)
Group entries	(866)	205
<b>Operating profit/loss</b>	<b>(11,243)</b>	<b>(10,575)</b>

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 2013	30 April 2012
Assets used by more than one segment	136,385	157,997
Group parent companies	42,429	40,858
Group entries	(33,485)	(46,837)
<b>Assets</b>	<b>145,329</b>	<b>152,018</b>

No individual external customers are responsible for more than 10% of total revenues.

## 2.6.12.2 Regional segments

The classification of business activities by region is based on Europe, Asia, Australia & New Zealand, America and Other:

in TEUR	External revenues			Assets		
	2012/13	2011/12	2010/11	2012/13	2011/12	2010/11
Europe	977,662	995,001	944,872	624,251	656,222	647,253
Asia	109,361	114,701	113,453	52,071	49,160	50,823
Australia & New Zealand	105,863	124,312	122,263	42,895	45,799	49,664
America	39,397	35,530	35,095	10,707	13,356	13,080
Others	11,333	10,768	12,521	0	0	0
Reconciliation	0	0	0	264,913	271,747	259,666
<b>Total</b>	<b>1,243,616</b>	<b>1,280,312</b>	<b>1,228,204</b>	<b>994,838</b>	<b>1,036,284</b>	<b>1,020,486</b>

Reconciliation of regions:

in TEUR	2012/13	2011/12
Assets used by more than one segment	258,472	278,251
Group entries	6,441	(6,504)
<b>Assets</b>	<b>264,913</b>	<b>271,747</b>

## 2.6.13 Contingent liabilities and guarantees

The Group has provided bank guarantees of TEUR 6,782 (2011/12: TEUR 7,274) for various liabilities.

## 2.6.14 Subsequent Events

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. Based on the positive development of free cash flow during 2012/13, the Zumtobel Group voluntarily reduced the maximum line provided under the credit agreement by a further TEUR 50,000 from TEUR 400,000 to TEUR 350,000 in June 2013.

No other significant events occurred after the balance sheet date on 30 April 2013.

## 2.6.15 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel AG. As of 30 April 2013 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (also see section 2.6.6.4). Trade receivables due from associated companies totalled TEUR 991 as of 30 April 2013 (2011/12: TEUR 1,513) and trade payables equalled TEUR 1,770 (2011/12: TEUR 2,137). No receivables due from associated companies were derecognised because of impossible collection in 2012/13, and no receivables due from associated companies were classified as uncollectible as of 30 April 2013.

## Remuneration for the corporate bodies of the Group

in TEUR	2012/13	2011/12
Total remuneration for the Management Board	2,559	1,989
<i>thereof fixed component</i>	1,478	1,468
<i>thereof short-term variable component</i>	271	421
<i>thereof long-term variable component</i>	810	0
<i>thereof other remuneration resulting from compensation of MSP</i>	0	100

in TEUR	2012/13	2011/12
Harald Sommerer	1,210	882
<i>thereof fixed component</i>	675	625
<i>thereof short-term variable component</i>	107	206
<i>thereof long-term variable component</i>	428	0
<i>thereof other remuneration resulting from compensation of MSP</i>	0	51
Mathias Dähn	674	570
<i>thereof fixed component</i>	401	441
<i>thereof short-term variable component</i>	82	117
<i>thereof long-term variable component</i>	191	0
<i>thereof other remuneration resulting from compensation of MSP</i>	0	12
Martin Brandt	675	537
<i>thereof fixed component</i>	402	402
<i>thereof short-term variable component</i>	82	98
<i>thereof long-term variable component</i>	191	0
<i>thereof other remuneration resulting from compensation of MSP</i>	0	37

The Matching Stock Program (MSP) was cancelled in April 2012 and claims arising from the programme were settled through a cash payment that was included under personnel expenses. The settlement payments for the members of the Management Board are shown in the above table. The MSP was replaced by a cash-based, long-term incentive programme in 2012/13. As of 30 April 2013 the Management Board had no further claims from share-based remuneration programmes. Moreover, the Management Board had no claims for termination or post-employment payments as of 30 April 2013.

Details on the remuneration scheme for the Management Board are provided in the Corporate Governance Report.

The first shares from the MSP were distributed to participating employees in May 2011. Management Board member Martin Brandt received 43,486 shares from this programme.

The remuneration received by the Supervisory Board of Zumtobel AG is shown in the following table:

in TEUR	2012/13	2011/12
Total Supervisory Board remuneration	337	351
<i>thereof annual remuneration</i>	180	180
<i>thereof attendance fees</i>	153	168
<i>thereof reimbursement for expenses</i>	4	3

## 2.6.16 Information on Employees and Corporate Bodies

### 2.6.16.1 Personnel structure

	2012/13		2011/12	
	Average	Balance Sheet Date	Average	Balance Sheet Date
Production	3,794	3,648	4,053	3,890
R&D	540	547	503	512
Sales	2,339	2,250	2,340	2,354
Administration	499	487	494	505
Miscellaneous	247	230	342	195
<b>Total</b>	<b>7,419</b>	<b>7,162</b>	<b>7,732</b>	<b>7,456</b>

The above number of employees includes the contract workers employed by the Zumtobel Group.

### 2.6.16.2 Corporate bodies

#### Supervisory Board

Jürg Zumtobel (Chairman)  
 Hero Brahms (Vice-Chairman)  
 Johannes Burtscher (Vice-Chairman)  
 Fritz Zumtobel (Member)  
 Stephan Hutter (Member)  
 Hans-Peter Metzler (Member)

Delegated by the Employees' Council:

Ludwig Auer, up to 28 June 2012  
 Richard Apnar, as of 28 June 2012  
 Herbert Kaufmann, up to 8 November 2012  
 Erich Zucalli, as of 8 November 2012  
 Mario Wintschnig

#### Management Board

Harald Sommerer, appointed up to 30 April 2016  
 Martin Brandt, appointed up to 30 April 2015  
 Mathias Dähn, appointed up to 30 April 2014

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

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

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

Dornbirn, 11 June 2013

The Management Board

Harald Sommerer  
Chief Executive Officer (CEO)

Mathias Dähn  
Chief Financial Officer (CFO)

Martin Brandt  
Chief Operating Officer (COO)

## 2.8 Consolidation Range

No.	Company	Country	Share in %	Consolidation Method	Balance Sheet Date	Currency
1	ATCO Finance Pty. Ltd.	Australia	100	full	30 April	AUD
2	ATCO Industrial Pty. Ltd.	Australia	100	full	30 April	AUD
3	Conlux Pty. Limited	Australia	100	full	30 April	AUD
4	Thorn Lighting Pty Ltd.	Australia	100	full	30 April	AUD
5	Tridonic Australia Pty. Ltd.	Australia	100	full	30 April	AUD
6	Tridonic Manufacturing Pty Ltd.	Australia	100	full	30 April	AUD
7	Tridonic Oceania Holding Pty. Ltd.	Australia	100	full	30 April	AUD
8	Zumtobel Lighting Pty. Ltd.	Australia	100	full	30 April	AUD
9	FURIAE Raiffeisen-Immobilien-Leasing GmbH	Austria	100	full	30 April	EUR
10	LEDON Lighting GmbH	Austria	100	full	30 April	EUR
11	Tridonic Jennersdorf GmbH	Austria	100	full	30 April	EUR
12	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
13	Thorn Licht Gesellschaft mbH	Austria	99,95	full	30 April	EUR
14	Tridonic connection technology GmbH	Austria	100	full	30 April	EUR
15	Tridonic connection technology GmbH & Co KG	Austria	100	full	30 April	EUR
16	Tridonic GmbH	Austria	100	full	30 April	EUR
17	Tridonic GmbH & Co KG	Austria	100	full	30 April	EUR
18	Tridonic Holding GmbH	Austria	100	full	30 April	EUR
19	Zumtobel AG	Austria	100	full	30 April	EUR
20	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
21	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
22	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
23	Zumtobel LED Holding GmbH	Austria	100	full	30 April	EUR
24	Zumtobel Licht GmbH	Austria	100	full	30 April	EUR
25	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
26	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
27	N.V. Zumtobel Lighting S.A.	Belgium	100	full	30 April	EUR
28	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
29	Thorn Lighting (Hong Kong) Ltd.	China	100	full	30 April	HKD
30	Thorn Lighting (Tianjin) Co. Ltd.	China	70	full	31 December	CNY
31	Tridonic (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
32	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
33	TridonicAtco Hong Kong Ltd.	China	100	full	30 April	HKD
34	Zumtobel Licht d.o.o.	Croatia	100	full	30 April	HRK
35	Thorn Lighting CS Spol s.r.o.	Czech Republic	99,95	full	30 April	CZK
36	Zumtobel Lighting s.r.o.	Czech Republic	100	full	30 April	CZK
37	Thorn Lighting AS	Denmark	100	full	30 April	DKK
38	Thorn Lighting OY	Finland	100	full	30 April	EUR
39	Thorn Europhane S.A.	France	99,95	full	30 April	EUR
40	Tridonic France Sarl	France	100	full	30 April	EUR
41	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
42	Thorn Licht GmbH	Germany	100	full	30 April	EUR

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43	LEDON OLED Lighting Verwaltungs GmbH	Germany	49	equity	30 April	EUR
44	LEDON OLED Lighting GmbH & Co. KG	Germany	51	equity	30 April	EUR
45	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
46	Tridonic Deutschland GmbH	Germany	100	full	30 April	EUR
47	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
48	Zumtobel Licht GmbH	Germany	100	full	30 April	EUR
49	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR
50	Luxmate Ltd.	Great Britain	100	full	30 April	GBP
51	Rewath Ltd.	Great Britain	100	full	30 April	GBP
52	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
53	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
54	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
55	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
56	Tridonic UK Ltd.	Great Britain	100	full	30 April	GBP
57	Wengen-Five Ltd.	Great Britain	100	full	30 April	GBP
58	Wengen-Four Ltd.	Great Britain	100	full	30 April	GBP
59	Wengen-One Ltd.	Great Britain	100	full	30 April	GBP
60	Wengen-Three Ltd.	Great Britain	100	full	30 April	GBP
61	Wengen-Two Ltd.	Great Britain	100	full	30 April	GBP
62	Zumtobel Lighting Limited	Great Britain	100	full	30 April	GBP
63	Zumtobel Lighting Kft	Hungary	100	full	30 April	HUF
64	Thorn Lighting India Private Limited	India	100	full	30 April	INR
65	Thorn Lighting (Ireland) Limited	Ireland	100	full	30 April	EUR
66	Thorn Europhane SPA	Italy	99.89	full	30 April	EUR
67	Tridonic Italia SRL	Italy	100	full	30 April	EUR
68	Zumtobel Illuminazione SRL	Italy	100	full	30 April	EUR
69	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
70	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
71	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
72	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
73	Thorn Lighting (NZ) Limited	New Zealand	100	full	30 April	NZD
74	Tridonic NZ Limited	New Zealand	100	full	30 April	NZD
75	Thorn Lighting AS	Norway	100	full	30 April	NOK
76	Thorn Lighting Polska SP ZOO	Poland	100	full	30 April	PLN
77	R Lux Immobilien Linie SRL	Romania	100	full	31 December	EUR
78	Zumtobel Lighting Romania SRL	Romania	100	full	31 December	RON
79	Zumtobel Lighting Saudi Arabia Limited	Saudi-Arabia	70	full	31 December	SAR
80	Thorn Lighting (Singapore) Pte Ltd.	Singapore	100	full	30 April	SGD
81	Tridonic (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
82	ZUMTOBEL LICHT d.o.o.	Slovenia	100	full	30 April	EUR
83	Tridonic SA (Proprietary) Limited	South Africa	49.99	equity	28 February	ZAR
84	Luxmate S.L.	Spain	100	full	30 April	EUR
85	Staff Iberica S.A.	Spain	50	equity	30 April	EUR
86	Tridonic Iberia SL	Spain	100	voll	30 April	EUR
87	Hans-Agne Jakobsson AB	Sweden	100	full	30 April	SEK

88	Thorn Lighting AB	Sweden	100	full	30 April	SEK
89	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK
90	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
91	Tridonic Schweiz AG	Switzerland	100	full	30 April	CHF
92	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
93	Zumtobel Pool AG	Switzerland	100	full	30 April	EUR
94	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
95	Thorn Gulf LCC	UAE	60	full	31 December	AED
96	Tridonic (ME) FZE	UAE	100	full	30 April	AED
97	Lemgo Realty Corp.	USA	100	full	30 April	USD
98	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidated in 2012/13:

1	z-werkzeugbau gmbh	Austria	30	equity	30 April	EUR
2	Ledon Lamp GmbH	Austria	100	full	30 April	EUR
3	LM AF 30.APRIL 2013 A/S I LIKVIDATION	Denmark	51	full	30 April	DKK

## Unqualified Auditor's Report

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

Zumtobel AG,  
Dornbirn, Austria,

for the year from 1 May 2012 to 30 April 2013. These consolidated financial statements comprise the balance sheet as of 30 April 2013, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended 30 April 2013 and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 30 April 2013 and of its financial performance and its cash flows for the year from 1 May 2012 to 30 April 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

## Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 11 June 2013

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Michael Schlenk  
Wirtschaftsprüfer

p.p. MMag. Angelika Vogler  
Wirtschaftsprüferin

(Austrian Chartered Accountants)



### **3. Corporate Governance Report 2012/13**

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## 3. Corporate Governance

### 3.1 Corporate Governance in der Zumtobel Group

The Zumtobel Group views corporate governance as a comprehensive model for the management and monitoring of the company. This orientation is reflected in the Group's corporate culture with its strategic focus on sustainability, long-term development and responsibility.

Information on Corporate Governance also under [www.zumtobelgroup.com](http://www.zumtobelgroup.com)

The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code. The major building blocks of this system are corporate values, which play a key role in the long-term creation of value and a sustainable increase in the worth of the company. The corporate values are supplemented by the code of conduct and corporate policies.

Management encourages employees to report possible violations of the code of conduct, whereby all such information is treated confidentially. Employees may contact specially trained colleagues in the legal and internal audit departments or the ethics officer of the Zumtobel Group for assistance. The employee representatives and human resources staff also serve as internal contact partners. There has been a significant improvement in employees' knowledge and awareness of the code of conduct over recent years. Numerous employees consulted the above specialists on compliance issues during the reporting year.

#### Further developments during the 2012/13 financial year

In keeping with the objective to continuously adapt the corporate governance system to reflect changes in the operating environment, the Zumtobel Group implemented a number of measures during 2012/13. These measures included instructions for all Group managing directors and key managers on compliance, the system of internal controls, financial reporting and fraud awareness as part of a newly developed training programme. The revised code of conduct that was issued at the end of 2011/12 was expanded in the Intranet to include answers to frequent questions on the interpretation of specific issues. The legal department also held a series of lectures on compliance and the code of conduct, primarily for the sales organisations. Other focal points included the amendment of various corporate policies and the modification of controls to reflect changes in the general framework and legal requirements. In particular, the global approval matrix was adapted to reflect the new corporate citizenship policy and changes were made to the corporate authorisation framework. Other revisions involved the corporate insider policies.

The Zumtobel Group's compliance management system was audited by an objective external expert during the reporting year. The results of this analysis will form the basis for the further development of organisational measures and processes in the compliance management system during 2013/14.

### 3.2 The Austrian Corporate Governance Code

The Austrian Corporate Governance Code, which is issued by the Austrian Working Group for Corporate Governance, represents a benchmark for good corporate governance and corporate control that exceeds legal requirements and meets international standards. The code was initially presented in 2002 and has since been amended several times, last in July 2012. The latest version of the code is available for review on the following website: [www.corporate-governance.at](http://www.corporate-governance.at).

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

As in previous years, Zumtobel AG complied with nearly all provisions of the code in 2012/13, meeting not only the minimum requirements but also generally observing almost all R-Rules. The Group's actions deviated in part from only three C-Rules of the 83 Rules in the code. These differences are described below in accordance with the "comply or explain" principle.

### 3.2.1 Comply or Explain

The Management Board of Zumtobel AG instructed the investor relations department to review compliance with the Austrian Corporate Governance Code during the 2012/13 financial year. Based on this compliance review, Zumtobel AG confirms that it met all L-Rules of the Austrian Corporate Governance Code (July 2012 version) during the reporting year. The following C-Rules in the July 2012 version of the code were not or are not met in full:

**Rule 27a:** In cases where a Management Board contract is terminated prematurely by the Supervisory Board or as the result of a change in ownership (change of control clause), the involved Board member(s) is(are) entitled to payment for the remaining contract term. The maximum amount of this payment can exceed two-year's remuneration, since the Management Board contracts are generally concluded for a longer period of time.

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

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

### 3.2.2 Other disclosure requirements

#### 3.2.2.1 Auditor's fees

The annual general meeting on 27 July 2012 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and annual financial statements of Zumtobel AG for the 2012/13 financial year. KPMG also performs limited tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria performed or arranged to perform the following services for Zumtobel AG in 2012/13:

In TEUR	2012/13	2011/12
<b>Total fees</b>	<b>291</b>	<b>177</b>
thereof audit and related activities	229	158
thereof other services	62	19

The fees for other services are primarily related to transaction support for the sale of Ledon Lamp GmbH. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,587 for the reporting year (2011/12: TEUR 1,275).

#### 3.2.2.2 Measures to support the development of women in the Group

The code of conduct issued by the Zumtobel Group in 2004 and revised in 2012 prohibits any form of discrimination. Experience, qualifications and performance represent the basis for personnel decisions in all

areas of the corporation and at all management levels. The Zumtobel Group is an equal opportunity employer and, as such, helps working parents to create a positive work-life balance, e.g. through flexible working schedules or the use of a home office. The prerequisite for most of the key positions in the company is a technical education. In line with the current labour market for technical professions, the Zumtobel Group receives few applications from women for these positions. The company works to counteract this situation by providing strong support for the training of women in technical professions, for example as part of its apprenticeship programmes. An increase in the share of women in management positions is an important focal point for the Zumtobel Group.

### **3.3 Risk Management and the System of Internal Controls**

The COSO models form the basis for the risk management and internal control systems used in the Zumtobel Group. Consequently, these systems overlap and influence each other during their daily application.

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

In accordance with § 243a (2) of the Austrian Corporate Code as well as Rules 69 and 70, the management report must disclose the major elements of the internal control system and risk management system related to accounting processes. The relevant information can be found in the Group Management Report under sections 1.13 (Risk Management) and 1.14 (System of Internal Controls).

#### **Internal audit**

The corporate internal audit department of Zumtobel AG is a staff department that reports directly to the Management Board. In accordance with Rule 18 of the Austrian Corporate Governance Code, this department provides regular reports to the Audit Committee on the planning for and most important results of its activities.

A risk-oriented audit schedule that is approved by the Management Board and coordinated with the Audit Committee forms the basis for the work of corporate internal audit. This group is also responsible for monitoring the internal control system used in financial reporting.

The activities of corporate internal audit also include ad hoc audits at the request of the Management Board. These examinations focus on current risks and reviews that are not directly related to processes, e.g. projects and other non-recurring activities.

## 3.4 The Corporate Bodies and Committees of Zumtobel AG

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

### 3.4.1 Shareholders and the annual general meeting

Shareholders protect their interests and exercise their voting rights at the annual general meeting. The shares of Zumtobel 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 Companies Act is published on the company's website at the latest 21 days prior to the annual general meeting.

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

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

### 3.4.2 The Management Board

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

Name	Function	Appointed in	Term ends in	Service time
Harald Sommerer	CEO (Chief Executive Officer)	2010	2016	3 years
Martin Brandt	COO (Chief Operating Officer)	2009	2015	4 years
Mathias Dähn	CFO (Chief Financial Officer)	2011	2014	2 years

### **Harald Sommerer – CEO**

Harald Sommerer has been a member of the Management Board since 25 March 2010 and CEO and Chairman of the Management Board of Zumtobel AG since 1 May 2010. His term of office extends until 30 April 2016. Mr. Sommerer was born in Vienna in 1967, and received a Doctorate in Social and Economic Sciences from the University of Economics and Corporate Management in Vienna as well as a Master of Management from the J. L. Kellogg Graduate School of Management at Northwestern University. From 1997 to 2010 Harald Sommerer was a member of the Management Board of AT&S Austria Technologie & Systemtechnik AG, where he served as CFO from 1998 to 2005 and CEO from 2005 to January 2010. Mr. Sommerer joined the Supervisory Board of Zumtobel AG in 2006, but resigned as of 25 March 2010 upon his appointment to the Management Board.

Additional functions or inter-company relations outside the Zumtobel Group: member of the Professional Association Committee of FEEI, Vienna (Austria) since 1 May 2010, member of the Management Boards of the Vorarlberg Federation of Industry and the Federation of Austrian Industry since 1 May 2010, member of the Executive Board of Lighting Europe since 1 February 2013.

### **Martin Brandt – COO**

Martin Brandt has been a member of the Management Board and Chief Operating Officer of the Zumtobel Group since 1 September 2009. His term of office extends until 30 April 2015. Mr. Brandt was born in Ravensburg in 1960, and received his degree as an industrial engineer from the Technical University in Karlsruhe. Martin Brandt started his career with Mercer Management Consulting GmbH, and subsequently became head of the Munich office of Baumgartner und Partner consultants. In 1996 he joined Effeff Fritz Fuss GmbH & Co KGAA in Albstatt as a division manager and was appointed Managing Director in 1998. At ASSA ABLOY Sicherheitstechnik GmbH in Berlin, he served as Market Regional Manager for the D/A/CH regions beginning in 2004, and became Executive Vice President of ASSA ABLOY AG in Hong Kong and CEO of ASSA ABLOY Asia Pacific in 2006.

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

### **Mathias Dähn – CFO**

Mathias Dähn has been a member of the Management Board of Zumtobel AG and CFO since 1 February 2011. He was appointed for a three-year term of office ending on 30 April 2014. Mr. Dähn was born in Munich, Germany, in 1967. He studied at the University of Bamberg and began his professional career at Robert Bosch GmbH, where he worked, among others, as the Head of Controlling for Eastern Europe. After further key functions in the controlling area at debitel AG and as CFO of Loyalty Partner GmbH, he joined the MAN Group in 2005. There he first served as the Director of Corporate Controlling, and most recently he was the Director of Group Purchasing for MAN Diesel & Turbo.

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

The **distribution of duties** among the members of the **Management Board** is defined in the rules of procedure for this body, which were approved by the Supervisory Board and last amended in 2012.

	Harald Sommerer CEO	Martin Brandt COO	Mathias Dähn CFO
<b>Operating segments</b>	Brand and plant coordination	Lighting brands coordination Brand and plant coordination, Reiss	
<b>Lighting Segment Regional responsibility</b>	Lighting brands Europe, Lighting brands USA	Lighting brands Europe, Lighting brands Au/Nz, Lighting brands Asia/Mena	
<b>Lighting Segment Matrix functions</b>	Research & development incl. product development, human resources, marketing	Quality management/ Lean Six Sigma, operations excellence, business process management, pricing systems, supply chain management/ logistics	Global finance functions, controlling, internal audit, investor relations, corporate IT, procurement

The Components Segment is directed by executives who report to the Management Board. Alfred Felder was appointed managing director of this segment in November 2012, where he followed Harald Sommerer who held this position on an interim basis following the resignation of the Tridonic executives.

The members of the Management Board are independently responsible for the conduct of business in their respective areas. They also have specific responsibilities for operations in the Lighting Segment. The Management Board meets every two weeks to coordinate the control and management of the Group and the Lighting Segment, whereby minutes are recorded of the related discussions and results.

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

### 3.4.3 The Management Board | remuneration scheme and remuneration

The remuneration system for the Management Board and key management of Zumtobel 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.

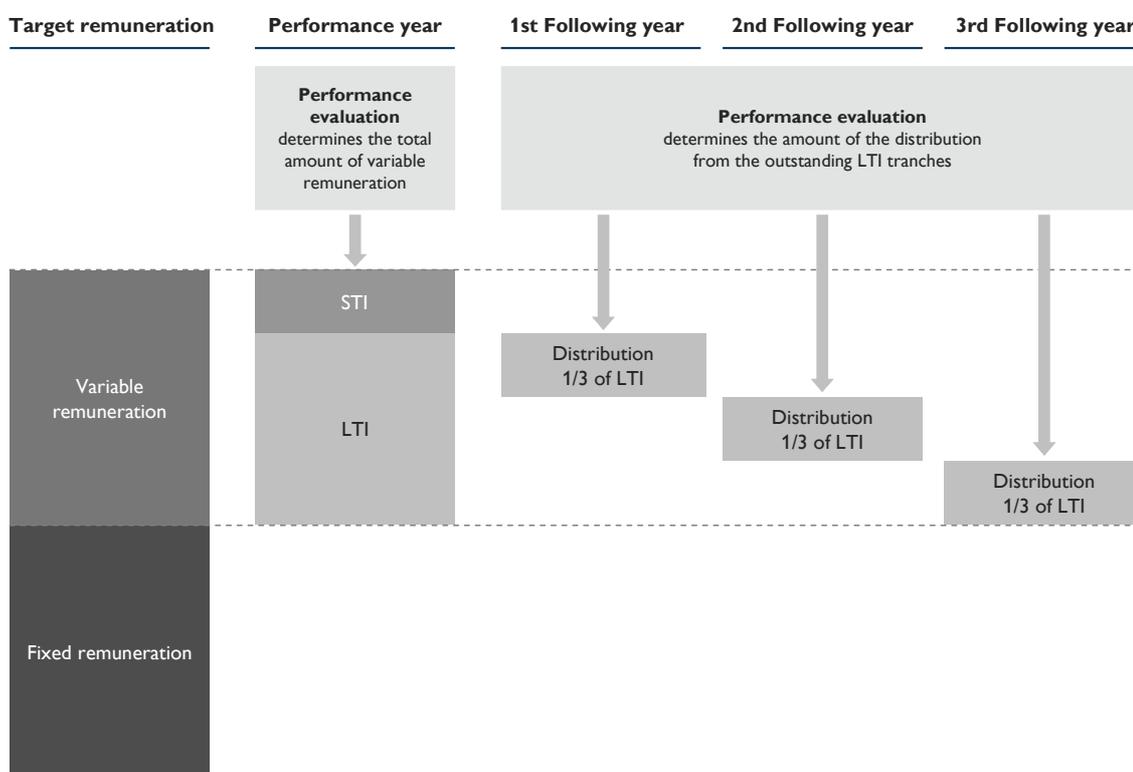
The remuneration of the Management Board comprises a fixed and a variable component. The fixed component is based on the responsibilities of the individual board member and, in accordance with customary procedures in Austria, is paid in 14 instalments at the end of the month.

The basis for the variable component is defined separately for each board member before the beginning of the respective financial year. This remuneration is paid out if the performance evaluation confirms the achievement of the defined targets. The amount of the variable remuneration for the performance year is

increased or decreased in line with the over- or under-achievement of the targets. The maximum variable remuneration equals 200% of the base amount.

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 three following years, whereby the amount of the individual payments is based on the performance evaluation at the time of distribution. Through the long-term development of the LTI, financial and non-financial performance criteria are incorporated in the variable remuneration.

Structure of the remuneration system:



The performance evaluation assesses the achievements of the Management Board based on a relative indicator. This indicator measures the operating results of the Zumtobel Group against the results of selected, comparable companies (peer group). This peer group has a broad distribution, both from a geographical and industrial perspective.

Composition of the Zumtobel Group's peer group:

Geographic distribution	Share	Distribution by industrial sector	Share
America	8%	Lighting	12%
Asia	6%	Construction	19%
Australia	2%	Building Components	33%
D/A/CH	25%	Building Materials	18%
Northern Europe	13%	Electrics	9%
Eastern Europe	1%	Electronics	9%
Southern Europe	19%		
Western Europe	25%		

The composition of the peer group as well as the targets and results of the performance indicators are reviewed every six months by the compensation committee. This committee is responsible for decisions on the remuneration system. It includes representatives from the Management Board, Supervisory Board and human resources department. The compensation committee is supported by an independent consulting firm<sup>1</sup>. The performance evaluation resulted in the following remuneration for the Management Board in 2012/13:

Remuneration recognised for the Management Board<sup>2</sup>

Disclosures in accordance with Rules 29, 30 and 31:

In TEUR	Target remuneration	Remuneration	fixed		variable		LTI payments from prior periods <sup>3</sup>	Settlement MSP <sup>5</sup>
			Basic salary <sup>3</sup>	STI <sup>3</sup>	LTI <sup>4</sup>			
<b>Total Management Board remuneration</b>								
2012/13	2.749	<b>2.558</b>	1.478	271	810	-	-	
2011/12	n/a	<b>1.989</b>	1.468	421	n/a	n/a	100	
<b>Harald Sommerer</b>								
2012/13	1.304	<b>1.210</b>	675	107	428	-	-	
2011/12	n/a	<b>882</b>	625	206	n/a	n/a	51	
<b>Mathias Dähn</b>								
2012/13	722	<b>674</b>	401	82	191	-	-	
2011/12	n/a	<b>570</b>	441	117	n/a	n/a	12	
<b>Martin Brandt</b>								
2012/13	723	<b>675</b>	402	82	191	-	-	
2011/12	n/a	<b>537</b>	402	98	n/a	n/a	37	

<sup>1</sup> Fehr Advice & Partners AG

<sup>2</sup> Note: in order to improve transparency and clarity, the above table shows the remuneration earned in 2012/13 irrespective of the payment date

<sup>3</sup> To be paid in 2012/13

<sup>4</sup> To be paid in subsequent periods

<sup>5</sup> All claims from the MSP were settled at the end of the 2011/12 financial year

If a member of the Management Board leaves the company, the outstanding LTI segments remain in effect and will be paid out over the agreed three-year period.

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

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

The changeover from share-based remuneration through the MSP (Matching Stock Programme) to a cash-based long-term incentive programme (LTI) with the 2012/13 financial year, resulted in the settlement of all claims by the members of the Management Board from the MSP at the end of 2011/12.

The Zumtobel Group website ([www.zumtobelgroup.com](http://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.

### 3.4.4 The Supervisory Board

The members of the Supervisory Board of Zumtobel AG are elected by the Annual General Meeting. The Austrian Stock Corporation Act allows employee representatives to delegate one member to the Supervisory Board for every two members elected by the Annual General Meeting. This applies to both the Supervisory Board as well as its committees, with the exception of the Committee for Management Board Matters.

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2015	10 years
Hero Brahms	First Vice Chairman	2008	2015	5 years
Johannes Burtscher	Second Vice Chairman	2010	2015	3 years
Fritz Zumtobel	Member	1996	2015	17 years
Stephan Hutter	Member	2010	2015	3 years
Hans-Peter Metzler	Member	2010	2015	3 years
Ludwig Auer	Delegated by the Employees' Council (up to 28 June 2012)	2004		8 years
Herbert Kaufmann	Delegated by the Employees' Council (up to 8 November 2012)	2004		8 years
Mario Wintschnig	Delegated by the Employees' Council	2007		6 years
Richard Apnar	Delegated by the Employees' Council (since 28 June 2012)	2012		1 year
Erich Zucalli	Delegated by the Employees' Council (since 8 November 2012)	2012		1 year

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 at a meeting on 29 September 2006. On 26 June 2009 the Supervisory Board approved an amended version of these criteria, which more closely reflects the guidelines of the Austrian Corporate Governance Code. 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 its Management Board members. Such relations include, among others, material customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the website of the Zumtobel Group ([www.zumtobelgroup.com](http://www.zumtobelgroup.com)).

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Four members of the Supervisory Board – Hero Brahms, Stephan Hutter, Hans-Peter Metzler and Johannes Burtscher – are independent and neither shareholders nor representatives of shareholders. Accordingly, Rule 54 is also met in full.

There are no contracts between the members of the Supervisory Board and the Zumtobel Group that require approval or must be disclosed under Rules 48 or 49.

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

#### **3.4.5 The Supervisory Board | activity report**

The Supervisory Board met seven times during the 2012/13 financial year: four times at scheduled meetings, twice at extraordinary meetings and once in a closed conference. One, respectively two members were absent at two meetings.

The Supervisory Board meeting on 26 June 2012 focused, above all, on the 2011/12 annual financial statements and consolidated financial statements of Zumtobel AG. After an in-depth discussion of operating developments in the Group and the segments during the fourth quarter and the full 2011/12 financial year, the Supervisory Board agreed with the Audit Committee's recommendation to approve the consolidated financial statements, including the notes and group management report, and the proposal for the use of retained earnings. In this connection, the recommendation by the Management Board to distribute a dividend of EUR 0.20 per share was approved. At this meeting the Supervisory Board also approved the report by the compliance officer in accordance with the Austrian Issuer Compliance Guideline as well as a proposal to the annual general meeting for the election of an auditor. Based on a recommendation by the Audit Committee, a proposal was made to the annual general meeting in July 2012 calling for the election of KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor for the 2012/13 financial year. The Supervisory Board discussed and endorsed its report on the 2011/12 financial year for release to the annual general meeting. The Supervisory Board then evaluated the efficiency of its activities as required by Rule 36 of the Corporate Governance Code. Based on the results of a self-evaluation questionnaire, opportunities for improving the organisation and work processes of the Supervisory Board were considered.

In the meeting on 25 September 2012, the Supervisory Board dealt with the management report and key financial data on the first quarter of 2012/13. Various points on the executive agenda were then discussed on the basis of several detailed reports, including the development of costs in the Group and the lighting brands' Asia strategy. Transactions that required and received the approval of the Supervisory Board included the appointment of Alfred Felder as managing director of Tridonic GmbH as of 1 November 2012.

A compliance incident was dealt with on 1 October 2012 and 5 November 2012 at two extraordinary Supervisory Board meetings. Necessary actions were discussed and approved during the meetings.

The Supervisory Board met in a closed conference on 18 December 2012 for a detailed discussion of strategic issues. Strategic options for the individual brands of the Zumtobel Group were presented by the Management Board, and the resulting management decisions were discussed with the Supervisory Board. Among others, strategic options for the Thorn brand and various scenarios for the Tridonic were evaluated. The Supervisory Board also approved the possible sale of Ledon Lamp.

The main topics of the Supervisory Board meeting on 31 January 2013 included the management report on the first six months of 2012/13 and the outlook for the full financial year. The current challenges facing the development of the Thorn brand were discussed in detail. In addition, the restructuring of the controls & systems business was approved. Another point on the agenda was the Asia strategy of the lighting brands. Transactions that required and received the approval of the Supervisory Board included the appointment of an external company to evaluate the compliance management system.

The Supervisory Board meeting on 26 April 2013 dealt, in particular, with the management report on the third quarter of 2012/13, the budget for 2013/14 and the related detailed medium-term planning for the following financial years. The budget and medium-term planning were approved by the Supervisory Board. Transactions that required and received the approval of the Supervisory Board included the shutdown of the Zumtobel luminaire plant in Fairlawn, USA. Possible strategic options for the Thorn brand were discussed in detail, with the result that the previously implemented restructuring of this business will be continued with great intensity.

### **3.4.6 The Supervisory Board | committees**

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

#### **Audit Committee**

Members: Johannes Burtscher (Chairman and Finance Expert), Hero Brahms (Vice-Chairman and Finance Expert), Jürg Zumtobel and Mario Wintschnig

Duties: The Audit Committee is responsible for the audit and preparations for the approval of the annual financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2012/13 financial year. At each meeting the responsible managers report to the committee on the current status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the head of corporate internal audit.

The Audit Committee met twice during 2012/13 and also held one preparatory conference call. One member was excused from the conference call.

The meeting on 26 June 2012 concentrated on the annual financial statements for 2011/12. Due to the scope of this topic, a preparatory conference call was held with the committee members on 21 June 2012. In the meeting on 26 June and during the earlier conference call, the auditor and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and individual financial

statements of Zumtobel AG as well as accounting processes and major accounting principles. A report was also provided on measures to improve the system of internal controls, which were implemented in reaction to accounting regularities in a Group company that were discovered in April 2011. The commentaries were accepted by the Audit Committee and the corrective measures were viewed as completed. The recommendation by the Management Board for the distribution of profit was accepted. Additionally, the reports on the risk management system, the internal control system and the activities of corporate internal audit were discussed and accepted. The committee also received the corporate governance report and the report by the insider compliance officer. A resolution for the appointment of the auditor was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 31 January 2013 dealt with the six-month financial statements as of 31 October 2012, whereby the related reports by the auditor and corporate staff were accepted. The accounting process and related steps were discussed in detail. In preparation for the 2012/13 financial statements, the approach and focal points of the audit as well as details on tax reporting and impairment testing procedures were discussed. Reports were also provided on the status of the finance organization and a compliance system review. Status reports were provided on the internal control system, the risk management system and the activities of corporate internal audit, and the most important results of the individual audits were discussed. The Audit Committee was informed of the amendments to the Corporate Governance Code that took effect in July 2012 as well as the timing for their application.

#### **Committee for Management Board Matters**

Members: Stephan Hutter (Chairman), Jürg Zumtobel (Vice-Chairman), Hero Brahms.

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.

A new system to calculate variable remuneration for the Management Board and key management was discussed and implemented in 2012/13. This TOTAL REWARD SYSTEM compares the operating results of the individual segments of the Zumtobel Group with the relevant competitors and other similar companies. It was developed together with Fehr Advice, a consulting firm located in Zurich.

The Committee for Management Board Matters and the above consulting firm define the goals of the system as the basis for the calculation of bonuses. A special compensation committee was also created (members: Committee for Management Board Matters, Fehr Advice, Management Board and human resources department of Zumtobel AG) to deal with these goals and to pursue further development. Fehr Advice and the members of the Committee for Management Board Matters held five conference calls to prepare and establish the compensation committee. A closing conference was held in Zurich on 17 December 2012 with the members of the Committee for Management Board Matters and Fehr Advice.

The compensation committee held its first meeting on 18 December 2012. A decision was taken to consider changes in the peer group and the redefinition of incentives at regular intervals because of the rapidly changing economic environment and the technology shift.

The Committee for Management Board Matters and Fehr Advice held two conference calls in preparation for the compensation committee meeting on 19 March 2013.

In addition, the Management Board contract with Martin Brandt was negotiated and approved. This contract, which covers the period from 1 May 2013 to 30 April 2015, was dealt with by the Committee for Management Board Matters in four conference calls.

### 3.4.7 The Supervisory Board | shareholder representatives

#### Jürg Zumtobel

Jürg Zumtobel has been Chairman of the Supervisory Board of Zumtobel AG since 1 September 2003. His term of office extends until the annual general meeting for the 2014/15 financial year. Born in 1936 in Frauenfeld, Switzerland, Jürg Zumtobel joined the Zumtobel Group in 1963 and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel AG.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Vorarlberger Kulturhäuser-Betriebs GmbH, Bregenz/Austria.

#### Hero Brahms

Mr. Brahms has been a member of the Supervisory Board of Zumtobel AG since 29 July 2008 and has served as first vice-chairman since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Brahms was born in 1941 in Münster/Westphalia, Germany. His career includes positions such as member of the Management Board of Hoesch AG in Dortmund/Germany (1982 to 1991), Vice-President of Treuhandanstalt Berlin/Germany (1991 to 1994), member of the Management Board and CFO of Kaufhof AG in Cologne/ Germany (1994 to 1996) and member of the Management Board and CFO of Linde AG in Wiesbaden/ Germany (1996 to 2004).

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Deutsche Post AG, Bonn/Germany, vice-chairman of the supervisory board of Georgsmarienhütte Holding GmbH, Georgsmarienhütte/Germany, member of the supervisory board of Deutsche Kraus-Maffei Wegmann GmbH & Co. KG, Munich/Germany, chairman of the supervisory board of Live Holding AG, Berlin/Germany, vice-chairman of the supervisory board of Telefunken SE, Frankfurt/ Germany.

#### Hans-Peter Metzler

Hans-Peter Metzler has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Metzler was born in Bregenz, Austria, in 1959. After completing university studies in mathematics and theoretical physics, he joined the group research department of Siemens AG, Munich, in 1984. In 1992 he became managing director and head of research & development for Siemens Components, Asia Pacific and in 1996 general manager of the microcontroller business of Siemens AG in Munich. Mr. Metzler founded NewLogic Technologies in 1997, Photeon Technologies in 2000 and Interclick in 2008.

Additional functions or inter-company relations outside the Zumtobel Group: president of the administrative board of CCS Group Holding AG, Lyss/Switzerland, member of the administrative board of Dacuda AG, Zurich/ Switzerland, chairman of the advisory board of Heliatek GmbH, Dresden/Germany, member of the supervisory board of Aquin & Cie GmbH, Germany, president of the Bregenzer Festspiele, Bregenz/Austria, member of the management board of Eugen Russ Privatstiftung, Bregenz/Austria.

### **Johannes Burtscher**

Johannes Burtscher joined the Supervisory Board of Zumtobel AG as a member and Vice-Chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 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. From 2007 to 2011 Mr. Burtscher served as CFO of the Munich based Rodenstock Group and since July 2012 he is the CFO of Novem, an automobile industry subcontractor.

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

### **Stephan Hutter**

Stephan Hutter has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Hutter was born in Dornbirn, Austria, in 1961. Since 2012 he has been a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in Frankfurt am Main. Mr. Hutter serves as an advisor, above all, on international capital markets law as well as international acquisitions and bank financing. Stephan Hutter began his legal career with Shearman & Sterling in New York in 1986 where he became a partner in 1995; he was admitted to the New York bar in 1987. From 2008 to 2012 he served as the managing partner for the European and Asian capital markets legal practice of Shearman & Sterling.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Zürcher Kantonalbank (Österreich) AG, Salzburg/Austria, member of the management board of Städelschen Museumsvereins, Frankfurt/Germany.

### **Fritz Zumtobel**

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel AG since 1996. He served as Chairman up to 1 September 2003, as Vice-Chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2014/15 financial year. Fritz Zumtobel was born in 1939 in Frauenfeld, Switzerland. He joined the Zumtobel Group in 1965 and held various positions during his career, mainly in the technical field. He was a member of the Management Board of Zumtobel AG from 1974 to 1996.

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

### 3.4.8 The Supervisory Board | employee representatives

#### Mario Wintschnig

Mr. Wintschnig was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Salaried Employees in January 2007. He was born in 1961 in Dornbirn, Austria, and joined the Zumtobel Group in 1981. At present he is a pricing manager with Zumtobel Lighting GmbH. Since January 2007 he has served as Chairman of the Employees' Council for Salaried Employees at Zumtobel Lighting GmbH, Zumtobel AG and Zumtobel Licht GmbH.

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

#### Richard Apnar

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

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

#### Erich Zucalli

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

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

#### Ludwig Auer

From 2004 to June 2012 Mr. Auer was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees. He was born in 1955 in Treibach, Austria, and joined the Zumtobel Group in 1980 as an employee in model production. In 2004, Mr. Auer became Chairman of the Employees' Council for Wage Employees at Zumtobel Lighting GmbH.

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

#### Herbert Kaufmann

Mr. Kaufmann was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees from August 2004 to November 2012. Born in 1957 in Dornbirn, Austria, Mr. Kaufmann joined the Zumtobel Group in 1985 as an employee in electronics assembly. Since 2004 he has been Chairman of the Employees' Council for Wage Employees at Tridonic GmbH & Co KG.

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

### 3.4.9 The Supervisory Board | remuneration scheme

According to the rules of procedure for the Supervisory Board (last amended on 7 April 2006), each elected member of this body receives annual remuneration in addition to reimbursement of his or her expenses and an attendance fee for each meeting. The amount of the attendance fee and remuneration are approved by the Annual General Meeting and were last amended on 15 July 2005. The attendance fee equals EUR 3,000, and is only paid once even if two or more meetings are held on the same day. The chairman and vice-chairman of the Supervisory Board receive annual remuneration of EUR 40,000, while the other members receive EUR 20,000. The employee representatives do not receive an annual remuneration but only the attendance fee. The attendance fee and reimbursement for expenses are paid immediately after the meeting, and the remuneration is paid by the end of the month in which the annual general meeting for the previous financial year is held.

Total Supervisory Board remuneration:<sup>6</sup>

In TEUR	2012/13	2011/12
<b>Total remuneration of the Supervisory Board</b>	<b>337</b>	<b>351</b>
thereof remuneration	180	180
thereof attendance fees	153	168
thereof reimbursement of expenses	4	3

Remuneration of the individual Supervisory Board members

*Disclosure in accordance with Rule 51:*

In TEUR	2012/13	2011/12
Jürg Zumtobel	58	67
Hero Brahms	58	64
Johannes Burtscher	58	52
Fritz Zumtobel	35	35
Stephan Hutter	35	33
Hans-Peter Metzler	35	30

Dornbirn, 11 June 2013

The Management Board

Harald Sommerer  
 Chief Executive Officer

Mathias Dähn  
 Chief Financial Officer

Martin Brandt  
 Chief Operating Officer

<sup>6</sup> Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held in 2010/11, irrespective of the date of payment.





## 4. Service

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## 4. Service

### Financial Terms

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

## Abbreviations and Technical Terms

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

Lighting solution	At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.
Luminaire	Luminaires are fittings in which the lamp is mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire". The luminaire protects the lamp, distributes and directs the light emitted by the lamp and prevents glare. Luminaires can be classified by the type of lamps used (incandescent lamps, fluorescent lamps, discharge lamps), the number of lamps (single-lamp, two-lamp, etc.), planned location (indoor; outdoor), protection class (for dry, damp or dusty environments), design (open, closed, reflector, mirror, louvre, diffuser, spotlights), mounting (wall, ceiling, pendant or hand-held) or intended use (technical, decor or effect).
Luminous efficacy	Luminous efficacy is a measure of the efficiency of a lamp. It indicates how many lumens (lm) a lamp produces per Watt (W) consumed. The greater the ratio of lumens to Watts, the more efficiently the lamp converts the consumed power into light.
OLED	Organic light-emitting diode. A component comprising a system of thin organic layers located between two electrode layers (anode and cathode). When voltage is applied, light is generated and emerges through at least one of the electrode layers. OLEDs give off wide-area light.
OLED module	One or more OLED panels assembled with a housing, outcoupling and electrical contact system.
OLED panel	Organic light-emitting diode with airtight encapsulation that is mounted on a glass plate or foil.
OLED stack	Layer system based on several thin organic layers that are arranged to generate light in a specified spectrum.
SMD	Surface Mounted Device LED. An alternative process for loading a circuit board. The LEDs are first bonded on an SMD component, then mounted on the circuit board and contacted in the soldering bath.

## Service

Zumtobel AG

1 May 2012 to 30 April 2013

## Financial Calendar

37th Annual General Meeting	26 July 2013
Ex-Dividend Day	30 July 2013
Dividend Payout Day	02 August 2013
1 <sup>st</sup> Quarterly Report 2013/14 (1 May 2013 – 31 July 2013)	03 September 2013
Interim Financial Report 2013/14 (1 May 2013 – 31 October 2013)	10 December 2013
3 <sup>rd</sup> Quarterly Report 2013/14 (1 May 2013 – 31 January 2014)	04 March 2014

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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 2012/13 will be available at our 37th Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1510.

## More Information

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

[www.zumtobelgroup.com](http://www.zumtobelgroup.com)

[www.zumtobel.com](http://www.zumtobel.com)

[www.thornlighting.com](http://www.thornlighting.com)

[www.tridonic.com](http://www.tridonic.com)

## Imprint

Publisher: Zumtobel AG, Investor Relations, Harald Albrecht

Coordination financials: Stefan Tschol

Cover design: John Morgan and Mathias Clottu, John Morgan Studio, London

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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. These 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. Moreover, they are 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. Other risks may 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