



The cover image of this Financial Report shows the interior of a traditional house illuminated by the sun filtering through a skylight in Pouni, Burkina Faso. The image is part of the 30th edition of the Zumtobel Group's Artistic Annual Report for which photographer Iwan Baan and architect Francis Kéré set out to capture how the natural cycle of light provided by the sun shapes West African vernacular architecture.

In the sub-Saharan region of the African continent, the light provided by the sun has a particularly strong quality. Without relying on artificial light, traditional architecture has to both make use of the sun as a source of light to illuminate interior spaces, yet also protect those living in the houses from the intensity of its heat. This results in buildings with very few or small openings that render the inside of them near pitch black and in stark contrast to the outside where the direct sunshine glistens with a particular severity during the day. One is either blinded by light or can hardly see in the dark. An adjustment of the eyes is always needed when stepping from one into the other.

These light conditions make it incredibly tricky to truly capture life within these buildings without relying on a flash when taking a picture. Technical advancements however, including the recently released, extremely light-sensitive camera Iwan Baan works with, offer a chance to now photograph in the near dark. This has allowed him to take pictures of the age-old architectural traditions that to this day inform the designs of Francis Kéré and led to their collaboration for the Zumtobel Group's Artistic Annual Report.

Annual Financial Report 2020/21 Zumtobel Group AG

1 May 2020 to 30 April 2021

Five-Year Overview

in EUR million	2020/21	2019/20	2018/19	2017/18	2016/17
Revenues	1,044.5	1,131.3	1,162.0	1,196.5	1,303.9
Adjusted EBIT	45.5	53.9	27.6	19.7	72.4
<i>as a % of revenues</i>	4.4	4.8	2.4	1.6	5.6
Net profit for the year	45.6	14.5	(15.2)	(46.7)	25.2
<i>as a % of revenues</i>	4.4	1.3	(1.3)	(3.9)	1.9
Total assets	977.7	1,011.7	920.9	986.1	1,019.6
Equity	308.4	280.7	262.8	268.3	334.0
<i>Equity ratio in %</i>	31.5	27.7	28.5	27.2	32.8
Net debt	97.3	165.7	148.7	146.3	91.0
Cash flow from operating results	115.7	101.3	56.8	53.5	114.1
Investments	38.1	57.9	66.2	69.0	45.2
<i>as a % of revenues</i>	3.7	5.1	5.7	5.8	3.5
R&D total	64.8	62.7	66.2	73.4	82.4
<i>as a % of revenues</i>	6.2	5.5	5.7	6.1	6.3
Headcount incl. contract worker (full-time equivalent)	5,813	6,039	5,878	6,224	6,562

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

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Chief Executive's Review

Dear Shareholders,



Alfred Felder

The past financial year was dramatically influenced by the corona pandemic. It not only triggered the sharpest drop in global GDP in recent decades, but also led to widespread health, social and other economic consequences throughout the world. The pandemic-related restrictions created substantial challenges for the entire industry and, in turn, also for the Zumtobel Group.

Then again, 2020/21 was a successful year for the Zumtobel Group. We celebrated the 70th anniversary of our founding and also demonstrated the Group's robust position and capability to react quickly and consequently in exceptional situations. This success in very challenging times was also a result of the significant contribution made by our more than 5,800 employees. Revenues declined, but we closed the 2020/21 financial year with a strong improvement in net profit and free cash flow. The development of revenues and earnings reflects our expectations as well as the recently increased guidance.

The economic consequences of the pandemic were responsible for a 7.7% decline in revenues to EUR 1,044.5 million in 2020/21. The sizeable decline during the first quarter was followed by a steady improvement in business and quarter-on-quarter revenue growth of roughly 9.6% in the last three months of the financial year. We generated positive adjusted EBIT of EUR 45.5 million, and the return on sales equalled 4.4%. Lower restructuring costs and a positive income tax effect led to net profit of EUR 45.6 million, for a clear increase over the previous year. Our effective cost management was also reflected in the positive development of free cash flow, which rose from EUR 53.3 million to EUR 100.0 million due to efficient working capital controls and a reduction in investments.

Strategy update: "Be FOCUSED"

Our activities in 2020/21 included constant work on the further implementation of our "Focus" strategy. One key element is formed by the stronger brand strategy, which includes the letter "U" for "Unique Brands under One Roof". It involves the systematic positioning of the Zumtobel and Thorn brands through a streamlining of the product portfolio and the more efficient positioning of the brand organisations with well-organised interfaces to the key sales and research & development functions.

Fundamental, long-term challenges can never be neglected, even in a demanding environment like the corona pandemic. We have, as a result, expanded our "Focus" strategy in recent months to include two new aspects: "E" (Environment and Engaged Employees) and "D" (Digitalisation) – our goal is to be "FOCUSED".

E = ENVIRONMENT AND ENGAGED EMPLOYEES

Our goal is not only to create customer-oriented solutions, but to also anchor sustainability even stronger in our actions. We therefore shifted our current sustainability initiatives more into the spotlight during the past financial year. One of our major goals is to become climate-neutral by 2025. Working systematically in the sense of the circular economy is another priority. Here, we mean the responsible use of material resources as well as the efficient minimisation of waste, emissions and energy consumption. This will represent an integral part of our efforts in the earliest phase of product development and, subsequently, in construction and the operating supply chain. With these initiatives, the Zumtobel Group can and will take on a pioneering role in the lighting industry. We will also continue to offer an environment in which employees can grow personally and professionally and, in this way, make an important contribution to the company's success.

D = DIGITALISATION

For the Zumtobel Group, digitalisation means innovative products with expanded functions as well as services that create new customer experiences. This will strengthen customer ties and support the development of new earnings models for the Group. We are also implementing digitalised process workflows throughout our company step by step and “end to end” from customer acquisition to the receipt of orders, product delivery and after-sales.

You can find further details on our corporate strategy in section 1.1.6 of the Group Management Report.

Outlook

The corona crisis is not yet over, which means the uncertainties over the development of the global economy will remain to a certain degree over the coming months. Producing companies like the Zumtobel Group will be confronted with additional challenges due to the situation on the raw materials market: The limited availability and rising prices of raw materials have a direct impact not only on our company, but also on many other market participants.

Nevertheless, we are optimistic concerning the further development of the Zumtobel Group. The extensive cost reduction measures implemented in recent years combined with investments in innovative products and lighting solutions will be clearly reflected in our fundamentals in the future. Beginning with the current 2021/22 financial year, our guidance will not longer be based on EBIT adjusted for restructuring costs, but on EBIT – meaning the Group's operating results.

We are convinced the Zumtobel Group is well positioned for sustainable and profitable growth. For the 2021/22 financial year, we expect an increase of 4% to 7% in revenues and an EBIT margin of 4% to 5%.

I am please to have your support in reaching these goals and thank you for your confidence.

Alfred Felder
Chief Executive Officer (CEO)

1. Group Management Report

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1. Group Management Report

1.1 The Zumtobel Group – An Overview

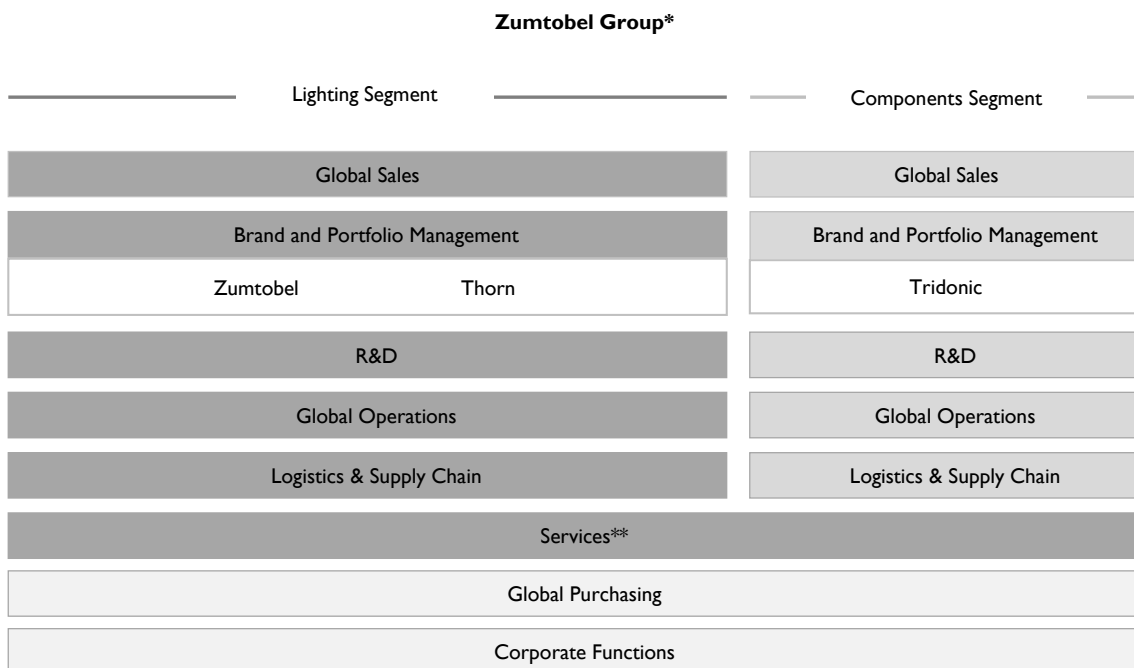
1.1.1 The Company

Leading company in the lighting industry

The Zumtobel Group is an international lighting corporation and a leading supplier of innovative lighting solutions, lighting components and related services. This listed company operates 10 production plants on three continents and has sales offices and partners in nearly 90 countries. The Group employed a workforce of 5,813 as of 30 April 2021 and generated revenues of EUR 1,044.5 million in the 2020/21 financial year. The founding Zumtobel family has served as a stable core shareholder since the IPO in 2006 and holds roughly 37% of share capital. The company was founded in 1950 in Dornbirn, Vorarlberg (Austria), and celebrated its 70th anniversary in 2020/21.

Wide-ranging product and service portfolio

With its core brands – Thorn, Tridonic and Zumtobel – the Group offers its customers a wide-ranging portfolio of products and services. The Zumtobel Group consists of two operating segments which form the basis for corporate management: the Lighting Segment with its luminaires and lighting solutions and the Components Segment. Each segment has its own global product portfolio, sales and production organisation.



* Simplified illustration as of 30 April 2021

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

In the Lighting Segment, the company is one of the European market leaders with its Thorn and Zumtobel brands. Tridonic, the components brand, forms the basis for the Group's leading role in the production of hardware and software for lighting systems (LED light sources, LED drivers, sensors and lighting systems management). The Zumtobel Group's service offering is one of the most extensive in the entire lighting industry: examples include consulting on intelligent lighting management and emergency lighting, light contracting, design, project management for turnkey lighting solutions and new data-based services with a focus on the integration of buildings and cities by way of the lighting infrastructure (indoor navigation for guidance or for counting the number of people in a room by means of presence sensors in the lighting).

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

Focus on specific applications

The sales organisation is clearly separated between the two segments and reflects country-specific business models. In the Lighting Segment, this includes sales for construction projects and the related target groups (e.g. architects, lighting and electrical planners, contractors and developers), sales through retail channels, and direct sales to large customers and public contracting entities. Sales in the Components Segment involve OEM sales (Original Equipment Manufacturer) to luminaire producers as well as advance sales of intelligent solutions to electrical and system planners.

Sales structure based on target groups and types of business

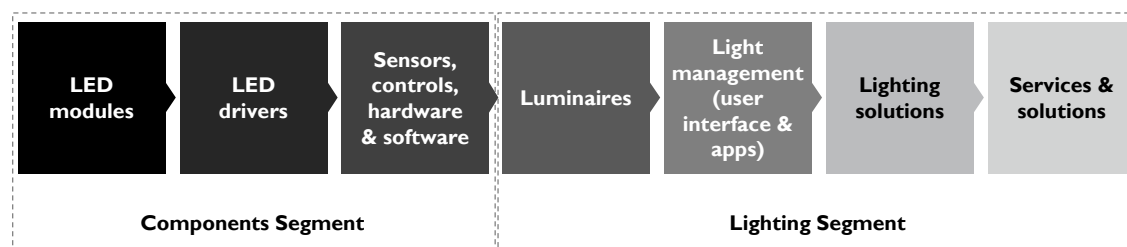
Zumtobel Group AG serves as the parent company of the Group and provides numerous corporate management and service functions for the brands. These central functions include finance, human resources, legal, audit & compliance, insurance, IT and process management, strategy and transformation, central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

Management and service functions for the entire Group

1.1.2 Products and production locations

The Zumtobel Group's business model covers nearly the entire value chain in professional lighting – from components, luminaires and light management systems to complete lighting solutions and services.

Nearly full coverage of the value chain

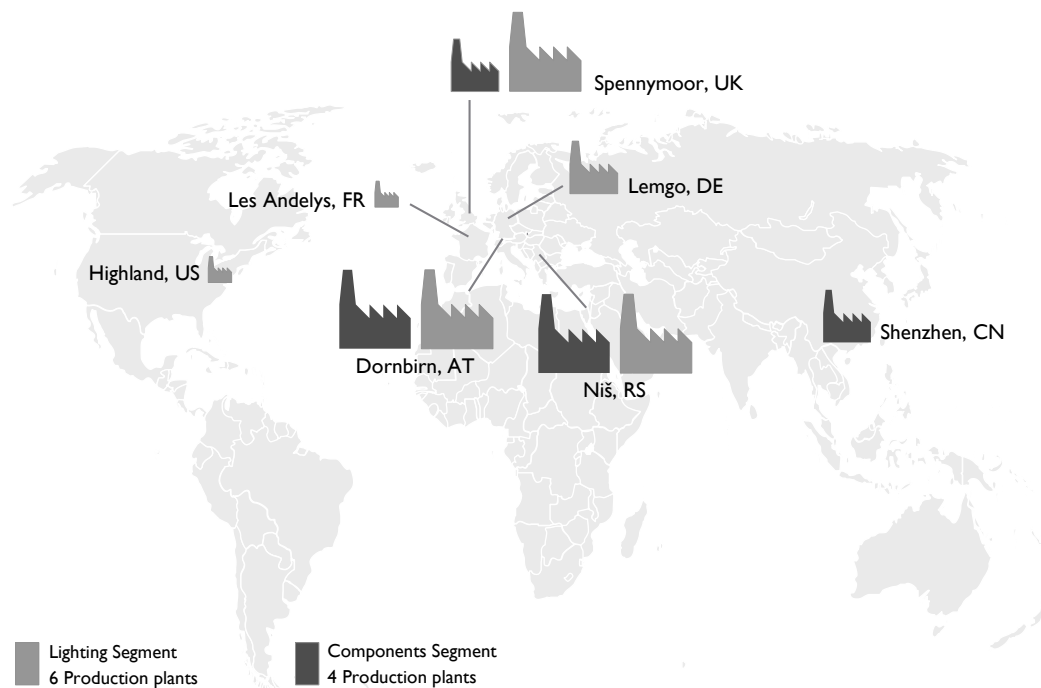


The Zumtobel Group's lighting and components plants are organised in a global production network. The individual plants are linked in a way that best utilises their regional and technological strengths for the benefit of the entire Group. Close geographical proximity to the target markets allows for fast and highly flexible deliveries to customers ("local for local"). Key elements of the FOCUSED strategy that was expanded in 2020/21 include the consistent application of the lean management approach and a competitive cost structure to support the continuous optimisation of production costs.

Global production network

Lighting and components are produced in individual areas at Dornbirn, Niš and Spennymoor under separate organisation and management. The Zumtobel Group had 10 plants on three continents as of 30 April 2021.

Production network of Zumtobel Group as of 30 April 2021



1.1.3 Market and brand positioning

Leading position in a highly fragmented lighting market

The Zumtobel Group is active worldwide, but Europe remains the most important market with approximately 80% of total revenues. The professional lighting industry in Europe is still highly fragmented but is currently going through an accelerated concentration process. The Zumtobel Group holds a strong position with a market share of approximately 7% in Europe. The worldwide conventional components industry, in contrast, is characterised by greater consolidation. With Tridonic, the Zumtobel Group also holds a strong position in lighting management and control gears.

Zumtobel – the premium brand for architectural lighting

The Zumtobel brand, as an innovation leader, develops sustainable solutions for interior lighting that are tailored to the needs of people in the respective application areas. With a comprehensive portfolio of high-end luminaires and intelligent lighting management and emergency lighting systems, Zumtobel offers the right lighting for every activity and time of the day, for working and living spaces, and for every interior area. Lighting solutions optimised to meet people's needs (Human Centric Lighting) play a central role in these applications. The most important applications are industry, education, healthcare, retail, gastronomy, and art and culture. Valuable impulses for the further development of the portfolio are created not only through Zumtobel's own internal research and development, but also by long-standing cooperation with leading international architects, lighting planners, designers and artists in the project business.

Thorn – the performance brand for the international volume business

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

Tridonic is the Zumtobel Group's technology company and a supplier of intelligent hardware and software. As a global innovation driver for light-based network technology, e.g. based on Bluetooth, it develops future-safe and scalable solutions that support lighting producers, building managers and system integrators, among others, in developing new business models. Tridonic is not only active in the production of components and system solutions for the Group's lighting brands, it also serves as an OEM supplier (Original Equipment Manufacturer) for luminaire producers throughout the world and generates over 80% of its revenues outside the Zumtobel Group. More than 2,500 patents document the brand's innovative strength. Tridonic continued its concentration on digitalisation and connectivity in 2020/21 with the development of technologies for smart and integrated lighting systems, new services and business models. The group-wide software competence centre in Porto (Portugal) that was established in 2019 was further expanded and has now become the hub for software development in the Zumtobel Group.

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

1.1.4 Key success factors for the Zumtobel Group

The Zumtobel Group's strong competitive position is based, above all, on the three established core brands with broadly diversified market access, extensive know-how in lighting applications and a clear technological advantage in individual areas. The sales function – which had more than 1,700 employees in 2020/21 – plays a key role in the Zumtobel Group's business model. The systematic alignment of sales with the three strong core brands allows the Zumtobel Group to optimally meet the diverse needs of its customers.

Multi-brand strategy for customer-specific target groups

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

Know-how in lighting applications

In 2020/21, the Zumtobel Group spent EUR 64.8 million on research and development (R&D) to further strengthen its leading technology position. The further development of lighting quality based on LED technology, increasing digitalisation and the complexity of intelligent lighting systems represent a continuous challenge for R&D. The digital light source LED has made luminaires and their components an integral part of the Internet of Things (IoT) and, consequently, part of the new applications and business models which go beyond lighting. The Zumtobel Group is one of the largest suppliers in Europe and therefore has numerous advantages in competition with the many small and mid-sized luminaire producers. An extensive patent portfolio and close collaboration with international light design partners and architects underscores the company's innovative power and supports sustainable growth by securing access to strategic cooperation with other industrial companies.

Strong technology position

1.1.5 Structural revenue drivers for professional lighting

The most important structural revenue driver for the professional lighting industry in recent years has been the issue of energy efficiency, also due to the increasing market penetration of LED as a new light source. The technological maturity of LEDs has brought about a continuous improvement in lighting quality and the design of product solutions to optimally meet the individual needs of users. The opportunities provided by digitalisation – i.e. integrated intelligent lighting solutions – have become another focal point, and the use of the lighting infrastructure to support applications outside the scope of actual lighting is growing. This development has been reflected in a range of new applications and business models like digital services.

Energy efficiency remains a central growth driver

The subject of energy efficiency is, nevertheless, still relevant due to the global efforts to reduce CO₂ emissions: Intelligently managed lighting solutions can reduce electricity consumption by up to 80% compared with conventional lighting solutions. Other sustainability aspects, for example the circular economy, have also become a focal point of public attention. Marketing activities for energy-efficient products are concentrating increasingly on the comparison of energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership). In addition to a significant cost savings potential, the growing demand for energy-efficient lighting is supported by legal regulations that include the EU directives on the energy efficiency of buildings and ecodesign.

Increased demand for innovative business models and services

The lighting industry has largely completed the transformation from conventional lighting sources to LED and adjusted its portfolio. However, the market is still dominated by conventional equipment which must be replaced over the coming years, and this will create a substantial sales potential. The relevant trends for the lighting industry currently include “connectivity”, meaning intelligent and Internet-linked lighting, as well as the growing demand for comprehensive, integrated service offers. Light is predestined to become a cornerstone for the infrastructure of the Internet of Things (IoT) – lighting is everywhere, connected and digital. The Internet of Things will create new and better experiences and services for the retail trade, buildings and cities and unlock a wide range of opportunities for the development of innovative business models. Today, the Zumtobel Group’s customers can rely on one of the most comprehensive integrated service offerings in the entire lighting industry.

Growing importance of light as a marketing instrument

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

1.1.6 Corporate strategy

The Zumtobel Group has, in recent years, consistently implemented the corporate strategy that was introduced in 2018/19 with its stronger focus on customer orientation and reduction in process complexity and costs. The Covid-19 pandemic and the resulting economic reality led to a decision by management to further develop the "FOCUS" strategy as a means of utilising new opportunities for growth and strengthening the company's position over the long-term. The result is the new "Be focused" strategy, which has been expanded to include increasingly important aspects like environmental issues (the letter "E") and digitalisation (the letter "D").

FOCUSED strategy



- **FOCUS ON KEY MARKETS AND APPLICATIONS:** The Zumtobel Group concentrates on its target markets and on sustainable, profitable growth in core application areas and precisely defined future fields. In the indoor area, activities are based primarily on industry, office and education, retail and art and culture. In the outdoor area, the focus is on lighting for urban areas and streets as well as architecture and sport facilities. The Lighting Segment concentrates on key markets and applications mainly in Europe, while the Components-Segment addresses the global market.
- **OPERATIONAL EXCELLENCE:** The Zumtobel Group works to continually improve the quality of its products and processes and optimise cost structures along the entire value chain. With its own production facilities and a competitive global supplier network, the Zumtobel Group stands for reliably deliveries and customer-oriented service.
- **COMPETENCE IN EVERY DETAIL:** The Zumtobel Group is, and will remain, an innovation leader for components and sensors and is systematically expanding its high expertise in miniaturisation and product integration. It believes in the seamless interaction between components and lighting as the driver for digitalisation and wants to use its extensive technical expertise to offer an increasing range of Internet-of-Things (IoT) solutions for the world of light.
- **UNIQUE BRANDS UNDER ONE ROOF:** The Zumtobel Group's strong brands cover nearly the entire value chain in the area of light – from components to integrated solutions. The Lighting Segment consequently follows a two-brand strategy (Thorn & Zumtobel) with a balanced product portfolio and a mix of projects, key accounts and the retail sector. The Components Segment relies entirely on the Tridonic brand, which will also stand out with a particular customer orientation in the future.

- **SMART SOLUTIONS AND SERVICES:** The Zumtobel Group relies on innovation and turnkey solutions that cover products, systems and services (including digital offers). They represent an integral part of its distinguishing features and the driver for future growth. Services will be further expanded in the future as an important part of the offering, above all in the Lighting Segment.
- **ENVIRONMENT AND ENGAGED EMPLOYEES:** The Zumtobel Group has set a goal to become climate-neutral by 2025 and to implement the circular economy principle. That would also make the Zumtobel Group a pioneer in this area of the lighting industry. Developing solutions to help customers meet their sustainability targets is also part of this goal. The Zumtobel Group will continue to offer an environment in which employees can grow personally and professionally and, in this way, make an important contribution to the company's success.
- **DIGITAL SOLUTIONS:** The Zumtobel Group is systematically implementing digitalised process workflows "end to end", i.e. from the receipt of orders to after-sales. In addition, the company will increasingly offer digital products with expanded functions as well as digital services that create new customer experiences, strengthen customer ties and support the development of new earnings models for the Group.

1.2 General Economic Environment

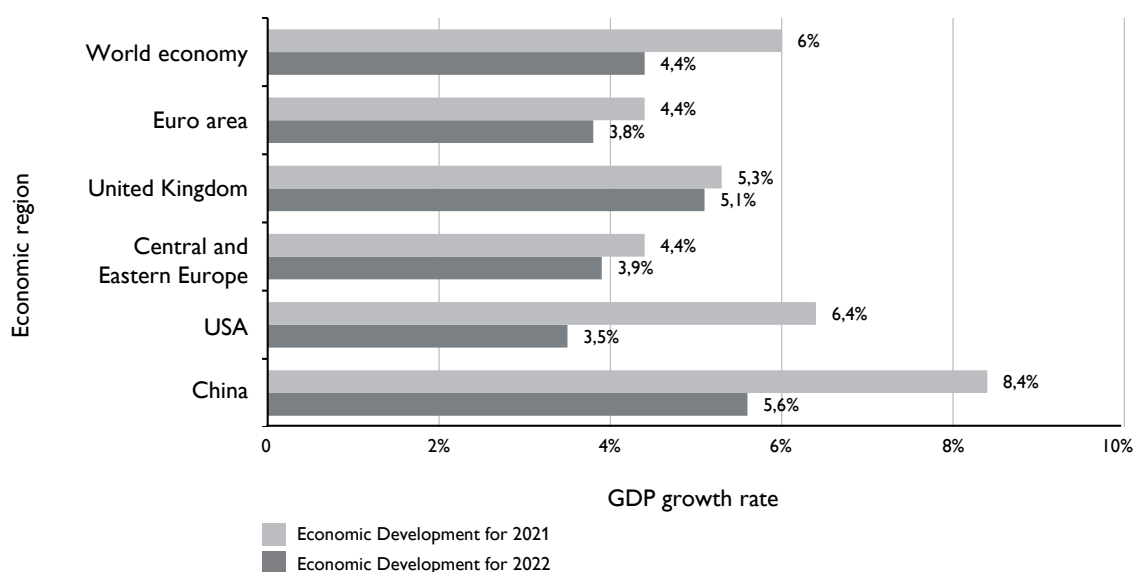
The dangers of the coronavirus have still not been averted one year after the beginning of the pandemic, even when the increasing rate of vaccinations provides grounds for optimism. The global economic outlook is still connected with substantial uncertainty, above all in connection with the further course of the Covid-19 crisis. The International Monetary Fund (IMF) estimated the decline in worldwide growth at 3.3% in 2020 (2019: plus 2.8%). Europe, in particular, was confronted with an increasing loss of momentum, whereby the eurozone GDP fell by 6.6% in 2020 (2019: plus 1.3%). The economy in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, also weakened. The German economy contracted by 4.9% (2019 plus 0,6%), with similar results in Austria (minus 6.6%) and Switzerland (minus 3.0%). Great Britain recorded a sharp drop of 9.9% (2019: plus 1.4%). The growth rates in two other major European economies were also negative: France at minus 8.2% and Italy at minus 8.9%. The USA followed this downward trend with a GDP decline of 3.5% (2019: plus 2.2%). In contrast, China generated growth of 2.3% in 2020 (2019: 5.8%).

Covid-19 shocks the world economy

Due to the wide-range of political actions and measures, the Covid-19 recession will most likely leave smaller scars than the global financial crisis in 2008. The future development of the economy will, however, be dependent on many different factors: on the possible effectiveness or ineffectiveness of the vaccines against the new Covid-19 variants and a possible extension of the pandemic; on the effectiveness of political measures to limit sustained damage to the economy; on the development of financial framework conditions and raw material prices, in part connected with shortages of key components; and on the adaptability of the economy. In its April 2021 forecast, the International Monetary Fund issued a substantial upward correction to its January estimate for the global economy and now expects an increase of 6.0% in 2021 (January update: increase of 0.5%). Strong GDP growth is projected for China (8.4%) and the USA (6.4%), with an improvement also expected in Great Britain (5.3%) and the eurozone (4.4%). The IMF's base scenario for 2022 points to an increase of 4.4% in the global economy, assuming the normalisation of economic activity and support from monetary and fiscal policies.

Moderate growth expected in 2021

Economic Development Outlook for 2021 and 2022



1.3 The Zumtobel Group Share

Strong recovery on the global stock markets

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

The 12 months of the 2020/21 financial year (1 May 2020 to 30 April 2021) were a generally positive period for Zumtobel Group AG on the capital markets. The year brought a strong recovery after the unprecedented downside on global markets which was triggered by the outbreak of Covid-19. Panic selling in February and March 2020 led to the highest losses since the financial crisis of 2008. The capital markets recovered quickly after this massive collapse, supported by unparalleled monetary and fiscal measures, and offset the losses comparatively quickly. The mood on the global stock markets improved steadily during the year and, in the end, led to all-time highs on numerous exchanges.

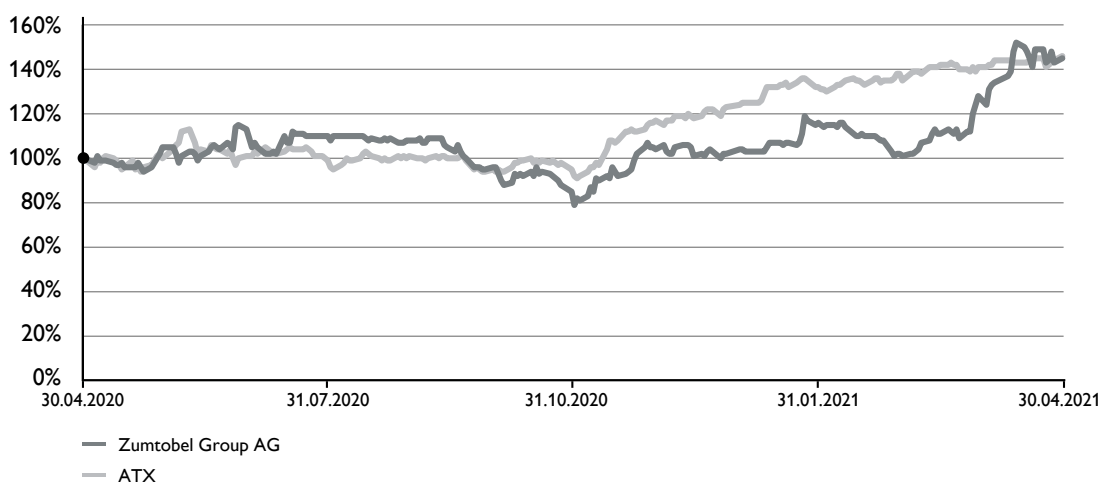
The Austrian ATX (Austrian Traded Index) rose by 44.9% from 2,227 to 3,227 points during the 2020/21 financial year. Other indexes also reported sound gains during this period, for example the DAX (plus 39.4%) in Germany and the European Euro Stoxx 50 (plus 35.8%). The US Dow Jones Index closed with a year-on-year increase of 39.1% on 30 April 2021.

Zumtobel Group share with mixed performance

Positive development for the Zumtobel Group share

The Zumtobel Group share was unable to benefit from the generally positive mood on the global markets for a longer period in 2020/21 and fell to a low of EUR 4.64 in October 2020. Slight stabilisation followed, but the share price remained nearly unchanged up to March 2021. On 23 March 2021, the Zumtobel Group raised its earnings outlook for the 2020/21 financial year in an ad-hoc press release. The resulting positive reaction led to an increase of 42.6% in the share price from 1 May 2020 to 30 April 2021. The main reasons for this upturn were the positive operating development – in view of the Covid-19 crisis – along with the improvement in financial indicators. The price of the Zumtobel Group share ultimately reflected the Austrian ATX and other indexes with comparable developments during the reporting year. The Zumtobel Group share closed the 2020/21 financial year on 30 April 2021 at EUR 8.43.

Development of the Zumtobel Group Share



The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2020/21. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 367 million on 30 April 2021 (2019/20: EUR 257 million). The average daily turnover on the Vienna Stock Exchange equalled 88,574 in 2020/21, compared with 103,917 shares in the previous year (double-count, as published by the Vienna Stock Exchange). The Zumtobel Group share is listed in the ATX Prime.

**Market capitalisation of
 EUR 367 million**

Key Data on the Zumtobel Group Share FY 2020/21

Closing price at 30.04.2020	EUR 5.910	Currency	EUR
Closing price at 30.04.2021	EUR 8.430	ISIN	AT0000837307
Performance FY 2020/21	42.6%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.2021	EUR 367 Mio	Market segment	ATX Prime
Share price - high at 09.04.2021	EUR 8.970	Reuters symbol	ZUMV.VI
Share price - low at 28.10.2020	EUR 4.640	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	88,574	Number of issued shares	43,500,000

Shareholder structure

The shareholder structure of Zumtobel Group AG has not changed significantly since the previous year. The Zumtobel family, with approximately 37.0% of the voting rights, has remained the stable core shareholder of Zumtobel Group AG since the initial public offering. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. The company held an unchanged number of 353,343 treasury shares at the end of the 2020/21 financial year.

**Zumtobel family holds
 37.0%**

Dividend policy

Zumtobel Group AG follows a continuous dividend policy, which calls for a distribution of approximately 30% to 50% of consolidated net profit after the deduction of any special effects. Net profit totalled EUR 45.6 million in 2020/21. In view of this solid operating development, the Management Board plans to make a recommendation to the Supervisory Board and, subsequently, to the general meeting of Zumtobel Group AG, which is scheduled for 30 July 2021, to distribute a dividend of 20 euro cents per share for the 2020/21 financial year (previous year: 10 euro cents). That would represent roughly 30% of net profit, in consideration of the positive special effect from deferred taxes. The dividend yield would equal 2.4% based on the closing price for the 2020/21 financial year.

**Dividend
 recommendation for
 2020/21: 20 euro
 cents per share**

Investor relations activities focused on transparency and dialogue

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. The Management Board and investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows, conferences and one-on-one meetings. In 2020/21 four well-known Austrian and international analysts issued regular reports on the Zumtobel Group share together with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Berenberg (London), Erste Bank (Vienna), Kepler Cheuvreux (London) and Raiffeisen Centrobank (Vienna). In connection with quarterly reporting and the publication of the annual financial report, the Zumtobel Group holds regular conference calls to provide details on the latest results. The financial community is also supplied with a wide range of interesting information on the investor relations website under <https://z.lighting/en/group/investor-relations>: corporate publications, contact data, the financial calendar and additional information on the Zumtobel Group.

**Intensive contacts
 with investors and
 analysts**

1.4 Significant events since 30 April 2020

Elections to the Supervisory Board

Georg Pachta-Reyhofen and Thorsten Staake were elected to the Supervisory Board at the Extraordinary General Meeting on 18 May 2020. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board.

Dividend of EUR 0.10 per share

The 44th General Meeting on 24 July 2020 approved the distribution of a dividend of EUR 0.10 per share for the 2019/20 financial year. In addition, Christian Beer was appointed to the Supervisory Board and the term of office for Volkhard Hofmann was extended.

News Light Forum opens

The Zumtobel Group celebrated the digital opening of its new 4,000 sqm Light Forum in Dornbirn, Austria, on 19 November 2020. The Light Forum presents the Zumtobel Group's complete brand spectrum, both on site and digitally.

Bernard Motzko confirmed as COO

In connection with the presentation of earnings for the first half of 2020/21, the Zumtobel Group announced the extension of COO Bernard Motzko's appointment to the Management Board for a further three years up to 30 April 2024.

Next step to become climate-neutral by 2025

On 12 March 2021, the Zumtobel Group announced another milestone in its drive to become climate-neutral by 2025. All of the Group's Austrian locations were converted to 100% hydroelectric power as of 1 March 2021.

No other significant events occurred during the reporting year.

1.5 Review of Business Performance

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

Seasonality of the business

1.5.1 Revenues

- >> Group revenues decline by 7.7% (FX-adjusted: minus 6.6%)
- >> Lighting Segment revenues 6.1% below previous year (FX-adjusted: minus 5.4%)
- >> Components Segment 11.3% below previous year (FX-adjusted: minus 9.5%)

Revenues recorded by the Zumtobel Group fell by 7.7% to EUR 1,044.5 million in 2020/21 (2019/20: EUR 1,131.3 million) as a result of the ongoing corona pandemic. The first quarter saw the highest decline, while the remainder of the year brought a steady improvement. The fourth quarter, which reflected the crisis-related, weaker development of revenues in 2019/20, was clearly stronger in 2020/21. Revenue development was influenced by negative foreign exchange effects of EUR 11.7 million, primarily from the devaluation of the Turkish lira, British pound, UAE dirham and US dollar. After an adjustment for these foreign exchange effects, the decline in revenues equalled 6.6%.

Group revenues (FX-adjusted) decline of 6.6%

Revenues in EUR million	2020/21	2019/20	Change in %	FX adjusted in %
Lighting Segment	794.1	845.5	(6.1)	(5.4)
Components Segment	302.8	341.4	(11.3)	(9.5)
Reconciliation	(52.5)	(55.6)	(5.7)	
Zumtobel Group	1,044.5	1,131.3	(7.7)	(6.6)

The Lighting Segment also registered a trend reversal in revenues since the beginning of the Covid-19 crisis. The gap to the previous year narrowed to minus 6.1% in 2020/21. Germany, Great Britain and Sweden reported the highest revenue declines. Segment revenues totalled EUR 794.1 million (2019/20: EUR 845.5 million). After an adjustment for negative foreign exchange effects, which were only offset in part by a very positive Swiss franc, revenues fell by 5.4% year-on-year.

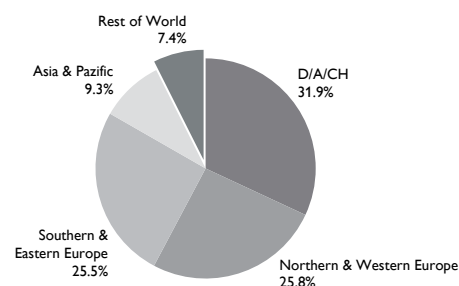
Lighting Segment-FX-adjusted revenues 5.4% below previous year

In the Components Segment, revenues fell by 11.3% in 2020/21 (FX-adjusted: minus 9.5%). The downturn was particularly strong in Great Britain, France, Austria and Sweden. Revenue growth in this segment was also negatively influenced by negative foreign exchange effects, especially from the Turkish lira.

Revenues in Components Segment below previous year

Distribution of regional revenues

Revenues in EUR million	2020/21	Change in %
D/A/CH	347.6	(3.8)
Northern and Western Europe	256.8	(12.1)
Southern and Eastern Europe	266.7	(7.6)
Asia & Pacific	108.3	2.7
Rest of the World	65.1	(22.4)
Total	1,044.5	(7.7)



In spite of the crisis, the Asia & Pacific region recorded revenue growth and the core D/A/CH a comparatively low decline in 2020/21.

Substantial declines in Great Britain, Germany and Sweden

The D/A/CH region, the largest market in the Zumtobel Group, reported a 3.8% drop in revenues (FX-adjusted: minus 4.1%) to EUR 347.6 million in 2020/21. The decline was moderate in Switzerland despite the Covid-19 crisis, but notably stronger in Germany. Austria actually managed to generate an increase for the financial year. Revenues in the Northern and Western Europe region fell by 12.1% to EUR 256.8 million, whereby the declines were particularly strong in Great Britain, Sweden and Norway. Revenues in the Southern and Eastern Europe region fell by 7.6% to EUR 266.7 million, with Italy, the Czech Republic and Greece reporting the largest declines. The Asia & Pacific region generated growth of 2.7% (FX-adjusted: plus 3.7%) in revenues to EUR 108.3 million. This was the only region with a year-on-year increase in revenues for 2020/21. Revenues in the countries assigned to the "Rest of the World" dropped by 22.4% (FX-adjusted: minus 18.4%) to EUR 65.1 million, above all based on declines in the United Arab Emirates, Saudi Arabia and the USA.

1.5.2 Earnings

- >> Adjusted Group EBIT of EUR 45.5 million despite the Covid-19 crisis
- >> Cost savings and government measures to lessen the impact of the Covid-19 crisis were unable to completely offset the revenue declines, but led to satisfactory earnings
- >> SG&A expenses reduced by EUR 25.4 million
- >> Positive influence on net income from income tax effects

Adjusted Group EBIT falls to EUR 45.5 million

Group EBIT adjusted for special effects fell to EUR 45.5 million in 2020/21 (2019/20: EUR 53.9 million), and the return on sales declined from 4.8% to 4.4%. The reduction of fixed costs made an important contribution to earnings: Of particularly importance here were the government support measures to lessen the impact of the Covid-19 crisis – for example, the short-time work models approved by various governments – which created noticeable relief for personnel expenses. As a result, SG&A expenses were EUR 25.4 million lower than the previous year. The material cost ratio also declined in 2020/21, above all due to the favourable exchange rate for the US dollar, a major procurement currency. Towards the end of the 2020/21 financial year, the Zumtobel Group was increasingly confronted with rising raw material prices and substantially higher freight costs. Adjusted EBIT fell from EUR 48.3 million to EUR 37.5 million in the Lighting Segment and from EUR 23.0 million to EUR 22.7 million in the Components Segment.

Income statement in EUR million	2020/21	2019/20	Change in %
Revenues	1,044.5	1,131.3	(7.7)
Cost of goods sold	(707.1)	(760.1)	(7.0)
Gross profit	337.4	371.2	(9.1)
as a % of revenues	32.3	32.8	
SG&A expenses	(291.9)	(317.3)	(8.0)
Adjusted EBIT	45.5	53.9	(15.7)
as a % of revenues	4.4	4.8	
Special effects	(2.1)	(18.8)	88.7
EBIT	43.4	35.1	23.4
as a % of revenues	4.2	3.1	
Financial results	(9.3)	(12.4)	25.1
Profit before tax	34.0	22.7	49.9
Income taxes	11.6	(8.3)	>100
Net profit for the year	45.6	14.5	>100
Earnings per share (in EUR)	1.06	0.33	>100

1) Excluding special effects. The correction of a system setting in the internal calculation logic led to the adjustment, without recognition through profit or loss, of the presentation of the various expense categories for the comparative period in accordance with IAS 8. Additional information is provided in section "2.6.5.2 Expenses" in the notes to the consolidated income statement.

Note: EBITDA (EBIT plus depreciation and amortisation) totalled EUR 114.9 million in 2020/21 (2019/20: EUR 106.6 million).

The gross profit margin excluding special effects (after development costs) for the Zumtobel Group declined to 32.3% in 2020/21 (2019/20: 32.8%). Development costs included in the cost of goods sold rose by EUR 2.5 million to EUR 61.8 million (2019/20: EUR 59.2 million).

Increase in development costs

Selling expenses (incl. research) fell by 7.9% to EUR 262.6 million in 2020/21 (2019/20: EUR 285.2 million) following a reduction in personnel, marketing, travel and transport costs. Administrative expenses were 5.1% lower at EUR 38.9 million (2019/20: EUR 41.0 million), primary due to a decline in consulting fees. Other operating income, excluding special effects, amounted to EUR 9.6 million (2019/20: 8.9 million) and consisted chiefly of license income and public sector subsidies.

Substantial reduction in selling and administrative expenses

Negative special effects of EUR 2.1 million were recorded in 2020/21 (2019/20: minus EUR 18.8 million). They are related, above all, to expenses for the termination of production at the acdc facility in Barrowford, Great Britain, and its subsequent relocation to the plant in Spennymoor; to the write-off of production equipment, the restructuring of back office activities and reorganisation measures in the sales organisation and at various plant locations. These costs were contrasted by the release of provisions related to the return of rented space before the end of a contract term as well as the Europhane restructuring and an agreement in a legal dispute.

Special effects below previous year

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

Adjusted EBIT in EUR million	2020/21	2019/20	Change in %
Reported EBIT	43.4	35.1	23.4
thereof special effects	(2.1)	(18.8)	88.7
Adjusted EBIT	45.5	53.9	(15.7)
<i>as a % of revenues</i>	4.4	4.8	

Financial results below prior year

Financial results improved by EUR 3.1 million to minus EUR 9.3 million (2019/20: minus EUR 12.4 million). Interest expense, which is attributable primarily to the current credit agreements and to finance leases, totalled minus EUR 5.5 million (2019/20: minus EUR 7.0 million). Other financial income and expenses amounted to minus EUR 3.8 million (2019/20: minus EUR 5.6 million). The fluctuations in the fair value of financial instruments resulted from the high volatility on the foreign currency market, especially in connection with the Turkish lira, British pound, UAE dirham and US dollar.

Financial result in EUR million	2020/21	2019/20	Change in %
Interest expense	(5.8)	(7.3)	(20.6)
Interest income	0.3	0.3	(2.8)
Net financing costs	(5.5)	(7.0)	21.3
Other financial income and expenses	(3.8)	(5.6)	(31.2)
Result from associated companies	0.1	0.2	(66.4)
Financial results	(9.3)	(12.4)	25.1

Net profit totals EUR 45.6 million

Profit before tax totalled EUR 34.0 million in 2020/21 (2019/20: EUR 22.7 million). Tax income equalled EUR 11.6 million (2019/20: tax expense of EUR 8.3 million) and comprises current tax expense of minus EUR 4.6 million and deferred tax income of EUR 16.2 million. Additional information is provided in note 2.6.4.6 to the consolidated financial statements. Net profit for the 2020/21 financial year therefore totalled EUR 45.6 million (2019/20: EUR 14.5 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 1.06 (2019/20: EUR 0.33).

1.5.3 Cash flow, financial and asset position

- >> Continued positive development of working capital
- >> Capital expenditure amounts to EUR 38.1 million (2019/20: EUR 57.9 million)
- >> Free cash flow nearly doubles to EUR 100.0 million (2019/20: EUR 53.3 million)
- >> Continued secure liquidity position and solid balance sheet structure

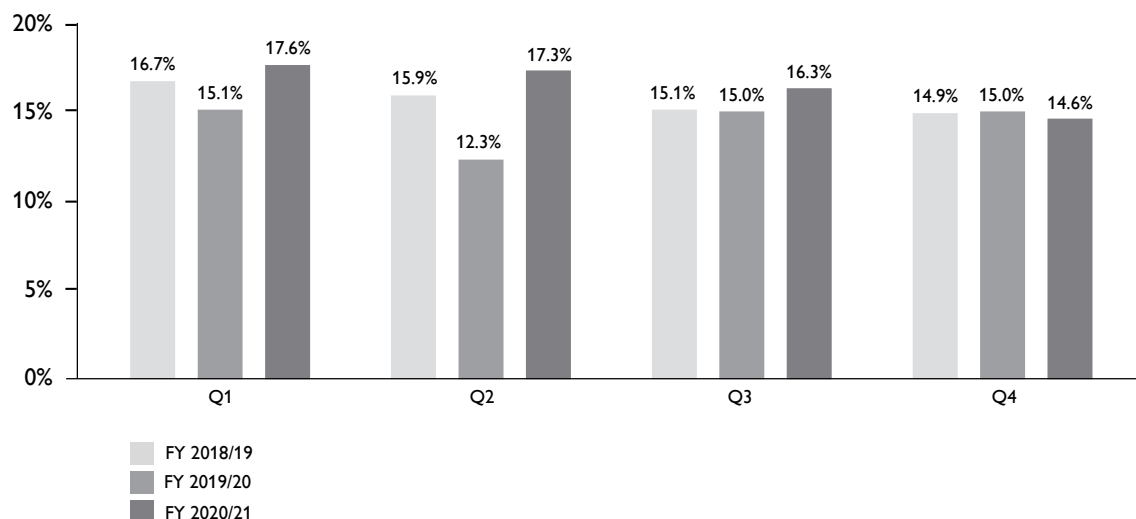
Cash flow from operating results increased from EUR 101.3 million in the previous year to EUR 115.7 million, primarily due to the improvement in profitability.

Positive development of working capital

Further progress was made in working capital management during the reporting year. The improvement in absolute numbers resulted from the continued optimisation of inventory controls. Trade receivables were reduced slightly, despite the decline in revenues, based on consistent receivables management during the Covid-19 crisis. The receivables sold through factoring agreements totalled EUR 69.7 million at the end of the 2020/21 financial year (2019/20: EUR 62.5 million). Working capital amounted to EUR 152.5 million as of 30 April 2021, which represents a reduction of EUR 16.8 million compared with the balance on 30 April 2020. As a per cent of rolling 12-month revenues, working capital declined from 15.0% in the previous year to 14.6%. The change in other operating positions amounted to EUR 17.7 million (2019/20: EUR 6.6 million). The cash inflows reported under this position resulted chiefly from additions to provisions and guarantees

and from a decline in receivables from public sector subsidies for research and Covid-19 programmes. Cash flow from operating activities increased from EUR 108.2 million to EUR 140.7 million in 2020/21.

Working Capital as % of rolling 12-month revenues



The uncertainties caused by the Covid-19 pandemic were reflected in a substantial year-on-year decline in investments in non-current assets to EUR 38.1 million (2019/20: EUR 57.9 million). These expenditures consisted mainly of tools and equipment for new products, expansion and maintenance investments as well as capitalised research and development costs of EUR 12.5 million (2019/20: EUR 16.5 million). Included here are investments of EUR 22.2 million (2019/20: EUR 34.1 million) in Dornbirn and EUR 5.0 million (2019/20: EUR 10.0 million) in the lighting and components plant in Serbia (including capitalised development costs). The cash flow effects reported under “changes in non-current and current financial assets” resulted chiefly from gains and losses realised on interest rate hedges and from an increase in financial claims for insurance reimbursement. The increase in cash flow from operating activities and the reduction in investments were reflected in an improvement in free cash flow to EUR 100.0 million (2019/20: EUR 53.3 million).

Decline in capital expenditure

Cash flow from financing activities was adjusted to exclude the non-cash additions from lease liabilities. This position includes cash outflows of EUR 14.8 million (2019/20: EUR 15.3 million) for the payment of lease liabilities and EUR 5.7 million (2019/20: EUR 7.2 million) for interest payments. Loans totalling EUR 75.0 million were repaid during the reporting year, and dividends totalling EUR 4.3 million were distributed to Zumtobel Group shareholders (2019/20: EUR 0 million).

In order to protect the ability to meet its payment obligations at any time, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Zumtobel Group can also access extensive working capital credit lines to offset liquidity fluctuations arising from business activities. In addition to the consortium credit agreement with a current maximum line of EUR 200 million and two other long-term credit agreements of EUR 40 million each, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 69.7 million (2019/20: EUR 63.3 million) at its disposal as of 30 April 2021. The interest rates are dependent on local market conditions and reflect the prevailing situation in the respective countries.

Secure liquidity

The consortium credit agreement concluded on 1 December 2015 represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of 30 April 2021, no funds were drawn under this credit agreement (30 April 2020: EUR 75 million). In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025; both credit lines were fully drawn as of 30 April 2021. These major financing agreements include a change of control clause that would take effect if there were a change in the absolute majority of voting rights and require compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). The financial covenants were met in full as of 30 April 2021 with a debt coverage ratio of 0.85 (2019/20: 1.55) and an equity ratio of 31.5% (2019/20: 27.7%). The consortium credit agreement also includes a clause for an increase of up to EUR 200 million which can be drawn under certain circumstances.

Balance sheet data in EUR million	30 April 2021	30 April 2020
Total assets	977.7	1,011.7
Net debt	97.3	165.7
<i>Debt coverage ratio</i>	<i>0.85</i>	<i>1.55</i>
Equity	308.4	280.7
<i>Equity ratio in %</i>	<i>31.5</i>	<i>27.7</i>
<i>Gearing in %</i>	<i>31.6</i>	<i>59.0</i>
Investments	38.1	57.9
Working capital	152.5	169.2
<i>As a % of rolling 12 month revenues</i>	<i>14.6</i>	<i>15.0</i>

Improvement in balance sheet structure

The balance sheet total declined to EUR 977.7 million as of 30 April 2021 (2019/20: EUR 1,011.7 million). The reduction is primarily attributable to the cutback in capital expenditure and the resulting decrease in property, plant and equipment as well as a lower balance of inventories and receivables from public sector subsidies for research and Covid-19 programmes. As a result, the equity ratio increased from 27.7% on 30 April 2020 to 31.5% on 30 April 2021. The EUR 68.3 million decline in net liabilities from EUR 165.7 million in the previous year to EUR 97.3 million as of 30 April 2021 resulted chiefly from a reduction in borrowings. Gearing – the ratio of net debt to equity – fell from 59.0% to 31.6%.

1.6 Non-financial Statement for the Group

The Zumtobel Group is an international lighting corporation and a leading supplier of innovative lighting solutions, lighting components and related services. A detailed description of the business model is provided in this management report under "The Zumtobel Group – an Overview". Sustainable and responsible actions are firmly anchored throughout the Zumtobel Group. The Group accepts its responsibility to society and is committed to the principle of sustainable corporate development. This includes a contribution to providing future generations with a stable economic, social and ecological environment. In reaching its economic goals, the Zumtobel Group therefore also takes ecological, social and ethical factors into consideration.

Framework for the non-financial statement

This year's group management report also includes the consolidated non-financial statement required by § 267a of the Austrian Commercial Code. The Zumtobel Group meets its reporting requirements under the Austrian Sustainability and Diversity Improvement Act ("Nachhaltigkeits- und Diversitätsverbesserungsgesetz", NaDiVeG) on environmental, social and employee issues, on the respect for human rights and the fight against corruption and bribery. All information included in the report refers equally to the Zumtobel Group and its subsidiaries, unless indicated otherwise. This non-financial statement applies to the 2020/21 financial year and was not prepared in accordance with a valid framework. The standards issued by the Global Reporting Initiative (GRI) were only used for orientation purposes. Reporting was expanded to place a greater focus on the issues most important to the Zumtobel Group and its stakeholders. In addition to this non-financial statement, selected content is included in the current group management report, risk management, the corporate governance report and the consolidated financial statements.

The consolidated non-financial statement was presented to the Supervisory Board and reviewed and released by PwC Österreich GmbH Wirtschaftsprüfungsgesellschaft for its correctness, regularity and appropriateness.

Sustainability management

The responsibilities for sustainability in the Zumtobel Group are clearly regulated and anchored. The sustainability steering committee (SSC) takes decisions on the strategic focus of sustainability in the Group. It includes the Management Board of the Zumtobel Group as well as representatives of the brands, specialist areas like human resources management, procurement, brand & portfolio management and the Group sustainability team. Together, these men and women develop the sustainability strategy and define binding goals, schedules and measures.

The sustainability management staff department coordinates sustainability management. It is headed by the Group sustainability director who reports to the chairman of the Management Board of the Zumtobel Group. Sustainability officers are responsible for implementing the sustainability goals in the business units and, for this purpose, are in regular contact with the Group sustainability team.

Influence of the Covid-19 pandemic

The Covid-19 pandemic has had an impact on all aspects of corporate responsibility – economic, ecological and social – and, consequently, has an influence on sustainable management. Key factors in the environmental area have improved significantly, for example the decline in CO₂ emissions due to the wide-ranging restrictions and reduction in travel, while economic factors like revenues were negatively affected by the pandemic. In the area of social responsibility, the pandemic had a particular effect on employees through home office, short-time work and extensive limitations on the accessibility of contact partners. Sustainable

management that gives balanced priority to all aspects, combined with a lean administration, efficient production network and far-sighted supplier management, made an important contribution to the sound results recorded by the Zumtobel Group in a financial year that was significantly influenced by the corona pandemic.

Zumtobel Group supports the UN Global Compact

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

First progress report based on the UN Global Compact

We renewed our commitment to responsible management in 2020/21 with our first annual progress report (COP-Communication on Progress) based on the UN Global Compact and want to inform all relevant stakeholders of our activities and progress in implementing these principles. This progress report is available for download on the Zumtobel Group's sustainability website.

Successful application as associated klimaaktiv Pakt partner

“Klimaaktiv Pakt 2030“ for Austria

A successful application to become an associated klimaaktiv Pakt partner qualifies the Zumtobel Group, together with ten other major Austrian companies, to participate in the klimaaktiv Pakt 2030. With this klimaaktiv Pakt, the Austrian Federal Ministry for Climate Action, Environment and Energy offers Austrian companies a voluntary, credible and transparent alliance for climate protection. The pact partners develop individual climate protection concepts with professional support from the klimaaktiv experts and implement these concepts at the operating level. A structured process for evaluating target attainment and continuously optimising measures creates maximum credibility and transparency, both internally and externally. Through their participation in the klimaaktiv Pakt, sustainable companies set an ambitious goal to achieve a reduction of at least 50% in their greenhouse gas emissions (basis: 2005) by 2030. This goes along with a clear commitment by the pact partners not only to support, but to exceed national climate protection goals and, in this way, to become a key supporter of the national energy and climate turnaround. The klimaaktiv pact relies on a comprehensive approach to meet this ambitious goal because greenhouse gas emissions can only be reduced with a broad bundle of measures. Support by the klimaaktiv experts and energy consultants in the Austrian provinces ensures the highest quality and innovative strength. The target attainment is measured by the Austrian Energy Agency and the Austrian Federal Ministry for Climate Action, Environment and Energy. The Zumtobel Group has also set an individual goal to become climate neutral by 2025.

Preparation of a climate protection concept

The Zumtobel Group's successful application in September 2020 included a general description of corporate goals as well as the related measures. This will form the basis for the preparation of a detailed climate protection concept with the professional support of the klimaaktiv experts, which will be individually adapted for the Group and is scheduled for gradual implementation at the operating level by 2030. Cooperation with the klimaaktiv experts will continue during the 2021/22 financial year.

After this climate protection concept is reviewed and approved by the klimaaktiv Pakt office, the Zumtobel Group will conclude a binding target agreement – which is scheduled for autumn 2021 – and will then become a full klimaaktiv Pakt partner. The attainment of the agreed goals will be evaluated annually in the future by the Austrian Energy Agency and the Austrian Federal Ministry for Climate Action, Environment and Energy.

The Zumtobel Group has also set a goal to gradually increase the share of renewable energy over the coming years. Based on this goal, all locations in Austria were converted to 100% hydropower generated electricity as of March 2021. The Lemgo plant in Germany was converted to green electricity as of 1 May. Plans include the conversion of other locations to green electricity to increase in the share of renewable energy to at least 50% in the 2021/22 financial year.

**All locations in
Austria use electricity
from 100%
hydropower**

Material risks and effects

The Zumtobel Group has installed a Group-wide internal risk management and control system. This consolidated, non-financial statement in accordance with § 267a of the Austrian Commercial Code is based on a net view of risks, which means the evaluation of risks includes risk-minimising measures. In connection with non-financial aspects, the Zumtobel Group cannot identify any material risks connected with its own business activities or business relations, products or services which could have serious negative effects. The Zumtobel Group has listed environmental risks separately since the 2020/21 financial year in preparation for the upcoming climate reporting.

The sustainable corporate culture of integrity and responsibility is fundamentally based on the trust placed by customers, shareholders and business partners in the Zumtobel Group. Responsible management also means supporting the guiding principle of sustainable development and integrating this principle in decision processes and daily business activities. The Zumtobel Group's area of business creates a wide variety of economic, ecological and social opportunities and challenges. Accordingly, the Zumtobel Group has set a goal to ensure that its business partners and suppliers meet the same high ethical principles and standards.

Corporate governance in the Zumtobel Group stands for responsible and transparent management and control that is oriented on long-term success. As an executive body, the Management Board is responsible for the leadership and direction of the company. It is responsible for the conduct of business and always acts in the company's interests. The sustainability programmes as well as the related goals and measures are approved and monitored by the Management Board, while the specialist departments are in charge of the development, operationalisation and supervision of sustainability activities.

Zumtobel Group's participation in associations

The Zumtobel Group is active in industry associations, standardisation committees, lighting organisations and individual consortia to develop the best framework conditions for optimal energy efficiency and lighting quality for the lighting industry, its customers and users. In connection with the certification of energy-efficient buildings, the company is also a member of various initiatives for sustainable construction.

The most important memberships at the present time are as follows: ZVEI ("Zentralverband Elektrotechnik- und Elektroindustrie e. V.", Germany), Lighting Industry Association (LIA, Great Britain), Association for the Electrical and Electronics Industries (FEEL, Austria), European Committee for Standardisation (CEN), International Standards Organisation (ISO), International Electrotechnical Committee (IEC), International Commission on Illumination (CIE), Lux Europe, various national lighting societies, German Sustainable Building Council (DGfNB), Green Building Council and the Consortium for international specifications of LED light sources interfaces (ZHAGA).

**Materiality analysis
updated**

1.6.1 Materiality update in 2020/21

Our approach

The Zumtobel Group maintains an open channel of communication with its interest groups. It uses this dialogue to exchange information and opinions, and along these lines, understand the expectations and demands of the various stakeholders and integrate the results in its corporate activities. This dialogue also helps to identify risks and opportunities at an early time, creates trust and supports the sustainable management of long-term added value.

As announced in the sustainability statement for 2019/20, the materiality analysis was updated and further developed in 2020/21. New findings were from the stakeholder survey and internal department workshops were also integrated.

Our materiality analysis was based on the principles of the GRI standards for the definition of reporting content.

Materiality process

The process for the determination of the material, reportable sustainability issues covered four steps:

- a) Identification of stakeholder groups
 - Interest in the company
 - Influence on the company
- b) Identification of relevant issues
 - Global standards
 - Benchmark
 - Individual interviews
 - Issue clusters
- c) Prioritisation
 - Stakeholder survey (online/questionnaire)
 - Management survey (workshop)
- d) Materiality matrix
 - Consolidation
 - Validation
 - Preparation of matrix

a) Identification of stakeholder groups

The first process step involved the identification of the relevant stakeholder groups for an analysis of the material issues. The criteria included, in particular, interest in the company, the influence on the company plus a weighting based on the number of survey participants in stakeholder group and the attitude towards the company.

The following stakeholder groups were identified for the Zumtobel Group and included in the following process: analysts, architects, associations, customers, designers, employees, investors, media, neighbouring residents, NGOs, research and science, suppliers and business partners.

b) Identification of relevant issues

In the second process step, the economic, ecological and social issues were listed for further prioritisation. Different information sources were used to identify possible sustainability issues:

- >> GRI standards
- >> Sustainable development goals
- >> Austrian Sustainability and Diversity Improvement Act and its explanations
- >> Sustainability rating by EcoVadis and ISS-oekom
- >> Peer group analysis
- >> Best in class companies
- >> Internal expert interviews

The list also includes the issues classified as material by the Zumtobel Group in earlier procedures. Media and trend and benchmark analyses were also carried out to identify potential materiality issues. The summarised overview with over 150 potential sustainability issues was condensed into 50 issues based on internal expert interviews.

The Zumtobel Group's issue clusters are mapped in the following diagram. It includes the issue categories queried in the online questionnaire, based on the five core issues defined by the Austrian Sustainability and Diversity Improvement Act.

Clustering of issues based on the Austrian Sustainability and Diversity Improvement Act						
	FIGHT AGAINST CORRUPTION	RESPECT FOR HUMAN RIGHTS	EMPLOYEE CONCERNS	SOCIAL CONCERNS	ENVIRONMENTAL CONCERNS	CORPORATE CONCERNS
Questionnaire	SUSTAINABLE SUPPLY CHAIN 6 issues	EMPLOYEE CONCERNS 10 issues		SUSTAINABLE SUPPLY CHAIN 6 issues	ENVIRONMENT & ENERGY 15 issues	SUSTAINABLE MANAGEMENT 12 issues CUSTOMER CONCERNS 7 issues
Issues-Cluster Zumtobel Group		1.6.5 RESPONSIBLE EMPLOYER 9 material issues			1.6.4 PRODUCT RESPONSIBILITY 3 material issues	1.6.2 SUSTAINABLE MANAGEMENT 5 material issues
	1.6.3 CORPORATE GOVERNANCE & COMPLIANCE 2 material issues			1.6.6 SUSTAINABLE PROCUREMENT 1 material issue		1.6.4 PRODUCT RESPONSIBILITY 1 material issue
	1.6.6 SUSTAINABLE PROCUREMENT 1 material issue				1.6.7 OPERATIONAL ENV. PROTECTION 6 material issues	

Diagram: Assignment of issue categories in the Zumtobel Group's issue clusters

The issue category “sustainable supply chain“ includes economic, ecological and social topics. The stakeholders were able to select these topics individually in the survey, which ensured complete coverage of the value chain.

As illustrated by the above diagram, the issue categories were subsequently assigned to the issue clusters used for the Zumtobel Group's current non-financial statement. This procedure ensures retroactive continuity and completes the reporting history.

c) Prioritisation

In the third process step, the influence on the evaluations and decisions of stakeholders regarding the materiality of the 50 finalised issues was examined. The priority of the identified aspects for the Y-axis was established by asking external and internal stakeholders to estimate the relevance of the individual issues for the Zumtobel Group in an online questionnaire.

The importance of the economic, ecological and social effects of the organisation was determined for the X-axis by evaluating the opportunities and risks in an up-front survey and a virtual workshop with management and selected departments.

Online survey

The internal and external stakeholder survey was conducted worldwide, with participants given the option of using a German or an English version. In selecting the stakeholders, the focus was placed on a balance of interests. The stakeholder groups were prioritised by a core team and defined according to the number of stakeholders to be contacted.

A total of 350 stakeholders were contacted to take part in the identification of the Zumtobel Group's materiality issues. The return rate equalled 46% based on 161 responses. However, it should be noted that the stakeholder group “customers“ was underrepresented with only 11% compared to other stakeholder groups like employees with 79%, suppliers and business partners with 91%, research and science with 100% responses, presumably due to the Covid-19 situation. The survey of the customer stakeholder group will be repeated at a later date and the materiality analysis will be updated accordingly.

Internal expert group and workshop

After the outside-in perspective was established by the stakeholder survey, the next step involved an examination of the inside-out perspective. A group discussion was organised in the form of an internal materiality workshop with internal experts and management, where the impact of the Zumtobel Group's business activities on the environment, society and the economy were evaluated. Participants were asked to prepare for the workshop by selecting a specific number of issues relevant for the company from each category from the 50 identified issues that formed the basis for the online stakeholder survey.

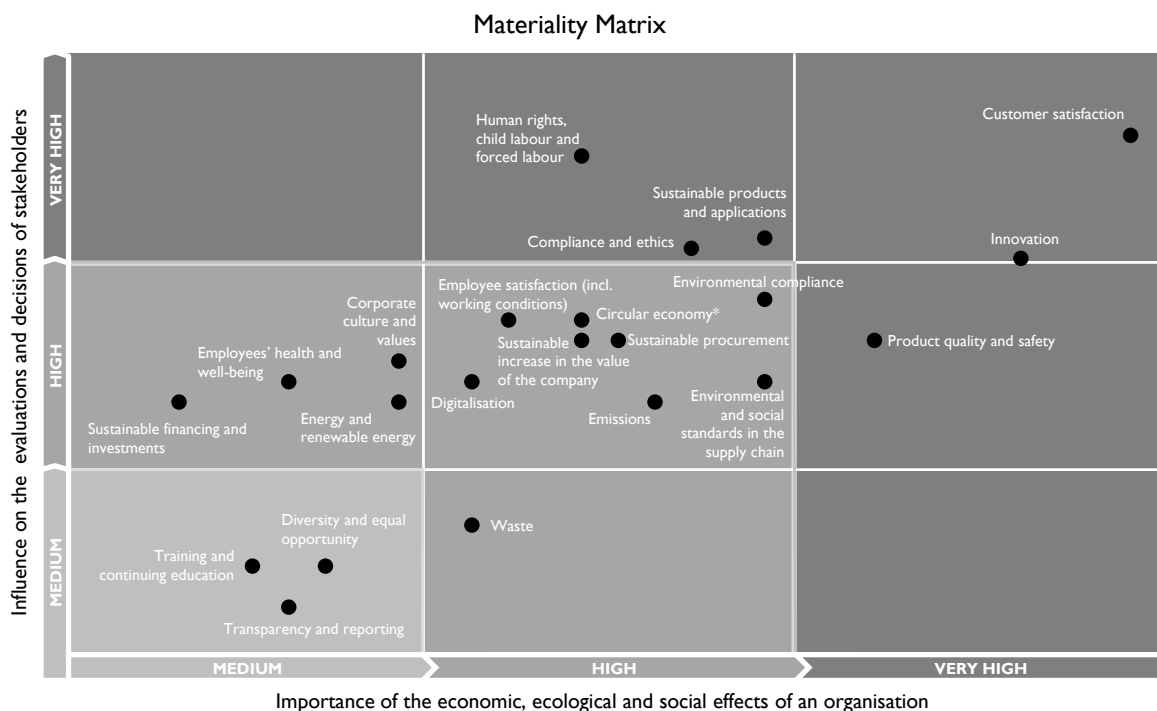
The up-front survey identified 24 issues in preparation for the workshop. The material issues were then described, supplemented by any related effects on the company (positive or negative) and completed with an evaluation of the potential opportunities and risks for the Zumtobel Group.

The workshop also gave participants an opportunity to evaluate the issues based on the importance of the positive or negative effects of the respective issue on business activities.

In this third process phase, it was important to separate the material effects of the company on the environment from the terms of the stakeholder survey to ensure that the prioritisation was not influenced by the interest groups' expectations.

d) Materiality matrix

The stakeholder survey led to the identification of 22 material issues. These issues are presented on the materiality matrix based on their importance and influence.














* incl. recycling, resource consumption & packaging

Diagram: Materiality matrix 2020/21

UN Sustainable Development Goals (SDGs)

The Zumtobel Group proactively supports the UN Sustainable Development Goals as a global framework for sustainable development. Based on the findings from the updating of the materiality matrix and an analysis of possible anchor points for the SDGs from the viewpoint of the Zumtobel Group, the SDGs were assigned to the material issues and prioritised. The SDGs identified as relevant for the Zumtobel Group were then assigned to the material issues and refer to the content of the respective SDG in the consolidated non-financial statement. The structure is based on the numbering of the SDGs and not on the actual priority.

Issue cluster	SDG	Material issue	Our contribution
Responsible employer		<ul style="list-style-type: none"> Occupational safety, health and well-being Corporate culture and values 	Page 51 - 52 Page 49
		<ul style="list-style-type: none"> Training and continuing education 	Page 49 - 51
		<ul style="list-style-type: none"> Diversity and equal opportunity 	Page 53
Operational environmental protection		<ul style="list-style-type: none"> Water and wastewater 	Page 64
		<ul style="list-style-type: none"> Energy and renewable energy 	Page 61 - 63
Responsible employer		<ul style="list-style-type: none"> Employee satisfaction (incl. working conditions) 	Page 49
Product responsibility		<ul style="list-style-type: none"> Sustainable products and applications 	Page 45 - 47
Sustainable management		<ul style="list-style-type: none"> Sustainable increase in the value of the company Sustainable financing and investments 	Page 40 - 41 Page 41
Product responsibility		<ul style="list-style-type: none"> Innovation 	Page 44 - 45
Sustainable procurement		<ul style="list-style-type: none"> Sustainable procurement and supplier management (audits, certifications) 	Page 56 - 59
		<ul style="list-style-type: none"> Environmental and social standards in the supply chain 	Page 57 - 58
Sustainable management		<ul style="list-style-type: none"> Digitalisation 	Page 40
Operational environmental protection		<ul style="list-style-type: none"> Biodiversity 	Page 64
Sustainable management		<ul style="list-style-type: none"> Customer satisfaction Product quality and safety 	Page 40 Page 47 - 48
		<ul style="list-style-type: none"> Transparency and reporting 	Page 40
Product responsibility		<ul style="list-style-type: none"> Circular economy (recycling, resource consumption, materials) 	Page 47
Operational environmental protection		<ul style="list-style-type: none"> Waste 	Page 65
Operational environmental protection		<ul style="list-style-type: none"> Emissions 	Page 63 - 64
Corporate governance and compliance		<ul style="list-style-type: none"> Compliance and ethics (fight against corruption, anticompetitive behaviour, antitrust laws) 	Page 42 - 43
Operational environmental protection		<ul style="list-style-type: none"> Environmental compliance 	Page 65 - 66
Responsible employer		<ul style="list-style-type: none"> Human rights, child labour and forced labour 	Page 55

The new material issues which concern the Zumtobel Group from a strategic standpoint include, above all, the definition of qualitative and quantitative goals as well as the development and implementation of concrete measures. These goals and measures are shown on the following concept table.

Goals and measures for material issues

Material issue	Goals	Status	Measures	Status of measures
1. Sustainable management				
Revision of materiality matrix	Prepare materiality matrix based on GRI standards	●	<ul style="list-style-type: none"> ● Revise and update material issues ● Map material issues based on GRI standards in materiality matrix 	<ul style="list-style-type: none"> ● Materiality matrix revised and prepared
	Prioritise and assign SDGs to material issues	●	<ul style="list-style-type: none"> ● Evaluate and prioritise SDGs by subject with impact descriptions ● Prepare SDG matrix 	<ul style="list-style-type: none"> ● SDG matrix prepared ● Allocation table for material issues
Customer satisfaction	Improve NPS (net promoter score) and consider 2purchase percentage rate	⚡	<ul style="list-style-type: none"> ● Conduct customer survey (BEM Brand Equity Monitoring) with evaluation and definition ● Develop improvement measures 	<ul style="list-style-type: none"> ● Customer survey postponed to 2021/22 due to Covid-19 pandemic ● Measures partly implemented
Digitalisation	Digitalise all customer-related processes end2end – from initial contact to after sales	●	<ul style="list-style-type: none"> ● Prepare digitalisation project and prioritise process steps ● Complete partial projects and work packages 	<ul style="list-style-type: none"> ● Project prepared, anchored in budget and started
Transparency and reporting	Prepare sustainability communication concept	●	<ul style="list-style-type: none"> ● Prepare communication concept with corporate communications 	<ul style="list-style-type: none"> ● Concept prepared ● Available for download on ZG website
Sustainable increase in the value of the company	Sustainable increase in the value of the company based on economic, ecological and social aspects	●	<ul style="list-style-type: none"> ● Implement FOCUS corporate strategy ● Integrate sustainability in strategy ● Concentrate on profitable core markets and applications 	<ul style="list-style-type: none"> ● FOCUS strategy was expanded to FOCUSED to reflect sustainability and digitalisation
Sustainable financing and investments	Incorporate requirements of EU Taxonomy Regulation	⚡	<ul style="list-style-type: none"> ● Determine relevant criteria from Taxonomy Regulation for non-financial statement 	<ul style="list-style-type: none"> ● Taxonomy Regulation postponed; implementation in 2021/22
2. Corporate governance and compliance				
Compliance and ethics (fight against corruption, anticompetitive behaviour, antitrust law)	Binding code of conduct for all employees	●	<ul style="list-style-type: none"> ● Revise, expand and communicate code of conduct 	<ul style="list-style-type: none"> ● Code of conduct revised and implemented
		●	<ul style="list-style-type: none"> ● Revise target group-oriented content for compliance training; continue e-learning-based compliance training and on-site training 	<ul style="list-style-type: none"> ● 95% of all salaried employees have successfully completed compliance training
	Further development of compliance management-system	⚡	<ul style="list-style-type: none"> ● Prepare and communicate specific compliance guidelines on anticorruption, competition and antitrust law as well as money laundering 	<ul style="list-style-type: none"> ● Guideline and compliance charter in preparation
		●	<ul style="list-style-type: none"> ● Map responsibilities for compliance issues 	<ul style="list-style-type: none"> ● Rules currently integrated in code of conduct and linked to relevant policies through internal mapping

Material issue	Goals	Status	Measures	Status of measures
2. Corporate governance and compliance				
	Comprehensive introduction of whistle-blower system	●	<ul style="list-style-type: none"> ● Whistle-blower system also implemented in Austria and Germany ● Prepare works agreement for whistle-blower system in Austria and Germany 	<ul style="list-style-type: none"> ● Whistle-blower system implemented in all companies ● No severe violations reported or identified
Data protection and information security	Global coordination of data protection issues	●	<ul style="list-style-type: none"> ● Revise data protection guideline 	<ul style="list-style-type: none"> ● Current version reflects policy
		●	<ul style="list-style-type: none"> ● Roll-out e-learning programme for salaried employees 	<ul style="list-style-type: none"> ● 100% of all new hires trained
3. Product responsibility				
Innovation	Expand competitive product portfolio	●	<ul style="list-style-type: none"> ● Continuous product development 	<ul style="list-style-type: none"> ● Numerous product introductions and product extensions
		●	<ul style="list-style-type: none"> ● Expand technology partnerships 	<ul style="list-style-type: none"> ● Joint development with NICHIA Japan ● Pre-development project with Elektroterminal (A) and S-Tec (CH)
	Increase brand reputation through research projects	●	<ul style="list-style-type: none"> ● Participate in national and international research projects 	<ul style="list-style-type: none"> ● Participation in H2020 project PHABULOUS
		●	<ul style="list-style-type: none"> ● Continue long-term research and pre-development project 	<ul style="list-style-type: none"> ● Cooperation with Vorarlberg Technical College – communication process to realise swarm intelligence in floor luminaires
Sustainable products and applications	Incorporate sustainability aspects throughout the entire product lifecycle	●	<ul style="list-style-type: none"> ● Use of energy-efficient, intelligent lighting controls 	<ul style="list-style-type: none"> ● Energy savings through the use of energy-efficient products
		●	<ul style="list-style-type: none"> ● Reduce product-based resource consumption 	<ul style="list-style-type: none"> ● Reduction in material usage for new products, e.g. CRAFT 2
		●	<ul style="list-style-type: none"> ● Continuous increase in product efficiency 	<ul style="list-style-type: none"> ● Continuous upgrades of LED building blocks in module platforms
	Expand innovative product and service offering	●	<ul style="list-style-type: none"> ● Increase share of revenue generated by LED products 	<ul style="list-style-type: none"> ● Phase-out products with conventional lamp technology
		●	<ul style="list-style-type: none"> ● Substantial increase in revenues with services & solutions 	<ul style="list-style-type: none"> ● Service revenues increase despite Covid-19
		●	<ul style="list-style-type: none"> ● Develop innovative business models 	<ul style="list-style-type: none"> ● Contracting programme with CO₂ emissions expanded; first projects with digital service IoT

Material issue	Goals	Status	Measures	Status of measures
3. Product responsibility				
Circular economy	Optimise product development process (PCP) with regard to circular economy	●	<ul style="list-style-type: none"> ● Prepare for circular product design with external cooperation partners 	<ul style="list-style-type: none"> ● Develop circular design rules (CDR) ● Integrate CDR in PCP
Product quality and safety	Comply with high safety standards through the use of regulatory and voluntary test marks	●	<ul style="list-style-type: none"> ● Carry out internal measurements and tests ● Cooperate with external testing institutes and implement external audits 	<ul style="list-style-type: none"> ● Continuous implementation and auditing of relevant areas at all locations
4. Responsible employer				
Employee satisfaction	Employee survey	●	<ul style="list-style-type: none"> ● Carry out employee survey, especially with regard to Covid-19 aspects 	<ul style="list-style-type: none"> ● Develop home office measures
Corporate culture	Managers and employees live the corporate culture	●	<ul style="list-style-type: none"> ● Start employer branding project 	<ul style="list-style-type: none"> ● Employer branding strategy in preparation
Training and continuing education	Support individualised and function-specific training	▨	<ul style="list-style-type: none"> ● Expand training to include additional e-learning offers 	<ul style="list-style-type: none"> ● Decline in number of training hours for salaried employees
	Expand individual development discussions	●	<ul style="list-style-type: none"> ● Organise annual employee assessments and talent review meetings 	<ul style="list-style-type: none"> ● Further development for numerous employees
Work-life balance	Support work-life balance	●	<ul style="list-style-type: none"> ● Expand offering of flexible working time models to reflect expectations of different generations 	<ul style="list-style-type: none"> ● Individual offers for employees, e.g. part-time work, time-off options
		●	<ul style="list-style-type: none"> ● Prepare home office rules 	<ul style="list-style-type: none"> ● Implement home office rules
Occupational safety, health and well-being	Continuous improvement of health programme	●	<ul style="list-style-type: none"> ● Integrate company health promotion programmes in standard processes ● Prepare Covid-19 prevention concept to protect employees 	<ul style="list-style-type: none"> ● Extensive prevention concept implemented to protect employees and prevent internal Covid-19 clusters
	Record work accidents according to GRI in the future – convert from LTI to TRI over the medium-term	●	<ul style="list-style-type: none"> ● Base indicator to record accidents and their severity on GRI standards ● Organise precautionary training to prevent work accidents 	<ul style="list-style-type: none"> ● Accident recording tool based on GRI standards ● Severity of accidents
Employee rights and remuneration	Protection for employees' rights and fair remuneration	●	<ul style="list-style-type: none"> ● Standardised remuneration system ● Comply with collective agreement standards ● Respect employees' legal co-determination rights 	<ul style="list-style-type: none"> ● 52% of employees covered by a collective agreement
Diversity and equal opportunity	Zumtobel Group is an Equal Opportunity Employer	▨	<ul style="list-style-type: none"> ● Zero tolerance strategy ● Support for women in management positions 	<ul style="list-style-type: none"> ● 151 women in management positions 2019/20: 163)
Human rights, child labour and forced labour	Comply with legal rules and social standards	●	<ul style="list-style-type: none"> ● Annual commitment to comply with human rights, prevention of child labour and forced labour 	<ul style="list-style-type: none"> ● First progress report (COP) based on the UN Global Compact

Material issue	Goals	Status	Measures	Status of measures
5. Sustainable procurement				
Sustainable procurement and supplier management	Bundle suppliers to utilise synergies	☐	<ul style="list-style-type: none"> ● Bundle procurement volumes from all producing plants 	<ul style="list-style-type: none"> ● No bundling of suppliers to retain flexibility in the event of shortages due to Covid-19 pandemic
	Multi-sourcing strategy	●	<ul style="list-style-type: none"> ● Approve at least two suppliers for each merchandise group 	<ul style="list-style-type: none"> ● Improvement in sustainability on the part of suppliers
	Introduce and implement a Zumtobel Group procurement initiative	●	<ul style="list-style-type: none"> ● Develop sustainable procurement criteria for existing and new suppliers 	<ul style="list-style-type: none"> ● Procurement initiative introduced and implemented
	Evaluate sustainability of suppliers from risk countries	●	<ul style="list-style-type: none"> ● Prepare and release list of risk procurement countries 	<ul style="list-style-type: none"> ● Process description for sustainable procurement initiative implemented
		☐	<ul style="list-style-type: none"> ● Evaluate suppliers from risk countries 	<ul style="list-style-type: none"> ● Sustainability evaluation of at least 80% of suppliers from risk countries
Environmental and social standards in the supply chain	Further develop code of conduct for suppliers	●	<ul style="list-style-type: none"> ● Compliance in writing required by all new suppliers with respective code of conduct 	<ul style="list-style-type: none"> ● Signed by 100% of all new suppliers and 95% of existing suppliers
	Organise annual sustainability audits for new and existing suppliers	●	<ul style="list-style-type: none"> ● Require all suppliers to install an environmental management-system 	<ul style="list-style-type: none"> ● Introduction of supplier sustainability self-assessment questionnaire
Conflict minerals	Require suppliers to comply with RoHS, REACH and conflict mineral regulations	●	<ul style="list-style-type: none"> ● Preparation and updating of CMRT reports outsourced to external service provider 	<ul style="list-style-type: none"> ● CMRT report available for Lighting-Segment and Components-Segment
6. Operational environmental protection				
Environmental management	Key locations certified under ISO 14001	●	<ul style="list-style-type: none"> ● Receive certification under the expanded requirements of ISO 14001:2015 at the major locations 	<ul style="list-style-type: none"> ● Constant number of certified locations
		○	<ul style="list-style-type: none"> ● Expand environmental certification for services & solutions 	<ul style="list-style-type: none"> ● Certification postponed to autumn 2021 due to Covid-19 pandemic
	Expand environmental reporting & monitoring tool	●	<ul style="list-style-type: none"> ● Expand environmental data collection to include non-producing locations 	<ul style="list-style-type: none"> ● Environmental reporting covers non-producing locations
Energy and renewable energy	Key locations are certified under ISO 50001	●	<ul style="list-style-type: none"> ● Organise follow-up energy audits at 6 certified locations 	<ul style="list-style-type: none"> ● All 6 audits successfully completed
	Careful and efficient use of resources	●	<ul style="list-style-type: none"> ● Implement local energy efficiency measures 	<ul style="list-style-type: none"> ● Savings within target corridor
	Close open points from last ISO audit	●	<ul style="list-style-type: none"> ● Appoint energy officer for Dornbirn 	<ul style="list-style-type: none"> ● Officer / successor appointed

Material issue	Goals	Status	Measures	Status of measures
6. Operational environmental protection				
Emissions	Reduce CO ₂ emissions	●	<ul style="list-style-type: none"> Photovoltaic equipment in Dornbirn produces only for own consumption 	<ul style="list-style-type: none"> Photovoltaic equipment supplies 100% of electricity for own use since December
	Convert locations to procurement of renewable energies	●	<ul style="list-style-type: none"> Evaluate major locations with regard to use of green electricity 	<ul style="list-style-type: none"> All Austrian locations converted to 100% electricity from hydropower
Water and wastewater	Discharge clean process water	●	<ul style="list-style-type: none"> Regular testing of discharged process water 	<ul style="list-style-type: none"> Municipal audit; criteria fulfilled
Waste	Handle and use raw materials economically	●	<ul style="list-style-type: none"> Minimisation of scarp and waste 	<ul style="list-style-type: none"> 5% less waste (excl. the three new locations included in the report)
			<ul style="list-style-type: none"> Creation of single-origin valuables 	<ul style="list-style-type: none"> Recycling quota equals 86%
Environmental compliance	Comply with internal and external environmental protection guidelines	●	<ul style="list-style-type: none"> Organise environmental compliance audits within the framework of ISO 14001 	<ul style="list-style-type: none"> Environmental compliance confirmed at all locations

● Planned

⊘ In progress; not yet completed

○ Not implemented

1.6.2 Sustainable management

Customer satisfaction

The Zumtobel Group conducts regular standardised surveys on customer satisfaction (BEM Brand Equity Monitoring) which ultimately lead to indicators like NPS (net promoter score). These analyses are carried out separately for the Tridonic, Thorn and Zumtobel brands. The responsible brand managers have goals that are connected with specific measures. A general customer survey was not carried out during the past financial year due to the Covid-19 pandemic, but we still regularly collect data on our customers' satisfaction and on corrective actions in the event of a complaint.

Digitalisation

The Zumtobel Group sees digitalisation as an important factor for future, sustainable business activities. Digitalisation is, on the one hand, a driver for reducing process and transaction costs and, on the other hand, a source of services based on digital infrastructure. The customer to customer process will be digitalised end2end. In this way, digitalisation leads to new customer experiences but requires a seamless process chain and new offerings from suppliers.

Transparency and reporting

Transparent communications and reporting by a company in connection with sustainability content and efforts (with equal attention to environmental issues under ISO 14001, energy issues under ISO 50001 and social issues) are important points in the management system. Different standards make it necessary for an organisation to develop, realise and maintain the required processes for internal and external communications as part of its systems. A lack of internal and external communication can lead to significant information deficits which slow or prevent the efficient and coordinated implementation of common sustainability goals.

In addition to the "normal" communication processes for specific management issues, every corporate area/legal entity has additional communication processes that arise, in part, from the organisation, specific projects or legal regulations. An internal discussion and/or communication matrix has proven effective in clearly establishing the various communication processes and the respective participants. All key framework parameters for the communication processes are defined simply and clearly in a matrix. This communication concept is available for download on the sustainability website.

Sustainable increase in the value of the company

The Management Board extended and transformed the FOCUS strategy into FOCUSED during the 2020/21 financial year. In addition to fine-tuning the previous statements, the issues of sustainability and digitalisation were added, clearly described, anchored in the organisation and projects with appropriate content were launched. Details can be found in the management report.

Financial flows to stakeholders

The Zumtobel Group generated economic value of EUR 1,061.9 million in the 2020/21 financial year. After the deduction of expenses and payments to providers of equity and debt and to governments, the residual economic value equals EUR 87.1 million. This presentation reflects the GRI definition and is based on financial flows derived from the income statement and cash flow statement.

Financial flows to stakeholders in EUR million	2020/21	2019/20
Corporate revenues ¹	1,061.9	1,144.4
Operating expenses ²	(594.3)	(666.8)
Personnel expenses	(357.4)	(375.3)
Payments to shareholders	(4.3)	0.0
Payments to providers of borrowed capital	(5.7)	(7.2)
Payments to public bodies ³	(13.1)	(14.7)
Residual economic value	87.1	80.4

¹Revenues and other operating income, interest income and cash inflows from the sale of assets.

²Cost of goods sold, selling expenses, administrative expenses and other operating expenses (excluding personnel expenses and depreciation/amortisation).

³Excluding deferred taxes.

Sustainable financing and investments

The greening of the economy creates significant opportunities for the stakeholder group of investors. The EU Taxonomy Regulation which took effect in July 2020 is an ambitious regulatory initiative that addresses the challenge of recording sustainable financing and investments. This regulation is intended to provide an incentive for making corporate capital flows more sustainable. Greater transparency and standardisation will eventually eliminate the doubts of interested stakeholder groups over greenwashing and increase the trust in sustainability performance. The Zumtobel Group will implement the requirements of this regulation during the coming financial year and report on the results.

1.6.3 Corporate governance and compliance

The Zumtobel Group has installed an extensive and responsible compliance management system which is administered by the audit & compliance organisation. For the Zumtobel Group, responsibility includes ethical actions, the disclosure of necessary information, the transparent co-design of framework conditions, and the acceptance of responsibility for our actions.

Together with the responsible corporate governance and compliance department, the Zumtobel Group organises the comprehensive management and monitoring of all business activities. The framework for the design of the corporate governance system is the Austrian Corporate Governance Code in its latest version. This code has been implemented in the Zumtobel Group through the corporate values, the recently revised code of conduct, various corporate guidelines and the whistle-blower system which has now been rolled out throughout the Group.

As a listed international company, the Zumtobel Group is committed to transparent and conscientious management and contributes to the continuous improvement of systematic corporate controls. An ongoing dialogue with the chairman of the Audit Committee, a subcommittee of the Supervisory Board, ensures the necessary independence of this area where necessary.

**Management
 approach**

Influence of the Covid-19 pandemic

The Covid-19 pandemic had almost no effect on structural work in the area of corporate governance and compliance. Global travel restrictions limited personal contacts with the subsidiaries and associated companies of the Zumtobel Group. Compliance training took place online due to the corona measures and was based on a well-founded training concept. On-site training was not possible in 2020/21.

Compliance and ethics

Binding code of conduct for all employees

Compliance with legal regulations is the foundation of our entrepreneurial activities and an integral part of the code of conduct for all employees and management. New employees confirm their compliance with the code as part of their internal training.

The updated version of the code of conduct was approved by the Management Board of the Zumtobel Group on 18 November 2020. It was implemented through comprehensive training beginning with the third quarter of the 2020/21 financial year and completed during the fourth quarter. Participation was successfully completed by 95% of salaried employees.

Continuous evolution of the compliance management system

The code of conduct deals with and provides training on the subjects of anticorruption, competition and antitrust law and money laundering. The compliance charter has reached the draft stage and will be approved at the coming meeting of the Audit Committee in June 2021.

A list of the responsible persons from the individual legal areas is included as an appendix to the charter. This provides the foundation for the preparation of further specific guidelines by the persons in charge, among others on anticorruption, competition and antitrust law and money laundering.

Whistle-blower system

Whistle-blower system now also introduced in Austria and Germany

The external whistle-blower system installed by the Zumtobel Group is an anonymous data collection and reporting tool which has been very well received. It was adapted during the past financial year to meet the requirements of the EU Whistle-blower Directive which will take effect in December 2021. The company agreement concluded with the Works Council for whistle-blowers in Germany and Austria marked the final step of the roll-out in the Zumtobel Group.

This whistle-blowing system allows employees and third parties to anonymously report possible compliance violations through a link to the company's website. The protection of the whistle-blower's identity is guaranteed in accordance with the EU Whistle-blower Protection Directive, which took effect on 16 December 2019.

The whistle-blower system covers the following points:

- >> Health, safety and environmental regulations
- >> Fraud / breach of trust / embezzlement
- >> Corruption
- >> Capital market compliance / insider trading
- >> Data protection violations
- >> Anticompetitive behaviour
- >> Discrimination / harassment / mobbing
- >> Other violations

Continuous evaluation of risks

No serious violations of legal requirements were reported or identified during the 2020/21 financial year. This also applies to incidents or proceedings related to violations of human rights, discrimination, competitive or antitrust behaviour, corruption or environmental regulations.

Protection of human rights

As an international company, the Zumtobel Group is fully committed to the protection of human rights and compliance with high social standards and the legal regulations applicable in Austria and other countries. The "slavery and human traffic statement" for the UK is renewed annually.

We renewed our commitment to responsible management in 2020/21 with our first annual progress report (COP-Communication on Progress) based on the UN Global Compact and want to inform all relevant stakeholders of our activities and progress in implementing these 10 principles.

**First progress report
based on the UN
Global Compact**

Implementation of data protection measures

The implementation of the defined data protection measures has been completed, and the goal to achieve data conformity in business processes has generally been met. Of particular note are the following measures:

**Data protection is a
priority issue**

- >> Updating of order processing contracts at the corporate level
- >> Inclusion of changes in the data protection toolbox
- >> Integration of new legal judgments
- >> Advising on technical issues

A compliance training tool was purchased as further support for training activities and successfully used in implementing the code of conduct.

1.6.4 Product responsibility

Research and development (R&D) play a very important role in the success and economic sustainability of the Zumtobel Group. This role is defined through continuous research in new technologies which, when they reach the right stage of maturity, support the development of new products and systems.

**Management
approach**

The Zumtobel Group's outstanding technology position and innovation capability must be continuously strengthened to protect and expand the competitive product portfolio over the long-term. This is achieved with research and development expenses that reflect industry levels, a wide-ranging patent portfolio, consequent product and system development and extensive cooperation with external research partners.

Research and development in the Zumtobel Group are in no way an “ivory tower“ activity: competitors' products are regularly analysed; concepts are discussed with selected customers at an early stage; special projects (CPD – custom product development) are realised with leading architects and planners and their later suitability as a standard product are assessed; and when complaints are registered on installations, the source of the errors are identified and eliminated through a feedback loop. Regular “gates“ in the development process ensure the attainment of project goals, and the economic feasibility of the development project is recalculated at each gate. Well-equipped internal and external laboratories test the development results and their compliance with standards and application requirements.

Innovation

Strong patent portfolio and technology partnerships

R&D plays an important role in the company's innovative strength. For the Zumtobel Group, a wide-ranging patent portfolio – also in the area of new technologies – is essential for maintaining a competitive advantage and ensuring access to strategic cooperation with other companies and the opportunity to conclude cross-licensing agreements with key market players.

In 2020/21, the Lighting Segment registered 49 patents (2019/20: 75) and the Components Segment 72 patents (2019/20: 70) which underscore the growing importance of intelligent components. The number of active commercial property rights – currently 9,027, including 4,820 patents – speak for the company's exceptional innovative strength

Synergy effects through platforms

Additional synergy effects were also realised during the past financial year through the increased use of product configuration and variant management, the continued development of component platforms covering multiple product families and the increased capitalisation of development costs. R&D expenses totalled EUR 64.8 million in 2020/21.

The Zumtobel Group protects its competitive product portfolio by increasingly relying on technology partnerships. Its brand reputation and innovative strength is regularly demonstrated through participation in national and international research projects. For example: The international research project “Double Dynamic Lighting“ was concluded and the first results were published in 2020/21.

Demands on luminaires – much more than just lighting

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

Luminaires are becoming part of the Internet of Things (IoT)

Participation in international and European committees

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

Developments in the Zumtobel Group are increasingly focused on functions and applications that extend far beyond lighting and use the lighting infrastructure for new offerings outside the conventional lighting function. Cooperation with partners is essential, above all when many different fields are involved. The Zumtobel Group can rely on long-standing cooperation with research institutes like V-Research GmbH, FH Joanneum Forschungsgesellschaft mbH and Graz University of Technology (all in Austria) as well as cooperation with industrial partners like Nichia, Digital Elektronik (Salzburg, Austria), Bartenbach GmbH, zactrack Lighting Technologies GmbH (Vienna), and many more.

Cooperation with industrial companies and universities

The interconnectedness of luminaires and the expansion of functionality beyond light are creating interfaces with other areas which must be coordinated and standardised. This frequently leads to the optimisation of materials and energy in the construction sector. The Zumtobel Group also actively supports the efforts in this area through its participation.

Additional demands on our R&D staff are created by the growing intelligence of systems and the need to increase interface performance. Moreover, the importance of software as a differentiation element is growing. Luminaires and, consequently, their components are becoming part of the Internet of Things (IoT), but the required interfaces have not yet been defined or are still incomplete and competing interfaces have already entered the market. The Zumtobel Group contributes to this development through its membership in committees that are working to develop industry standards and is an active member of the DALI, Zhaga, ZigBee, Thread, and Bluetooth alliances, which are all working on IoT solutions.

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

Participation in EU-wide research projects

Selected R&D projects were also supported by various national and international research funding institutions in 2020/21. For example: An international consortium that includes Zumtobel Lighting GmbH is working on the H2020 project PHABULOUS together with industrial partners and the Fraunhofer Institute for Applied Research to develop production processes for microstructures on freeform surfaces. Other national research promotion projects (FFG) resulted from cooperation with partners like V-Research and Virtual Reality und Visualisierung Forschungs-GmbH (VRVis).

Sustainable products and applications

The Zumtobel Group's commitment to sustainability is closely related to the core business because of the important role played by energy-efficient, intelligently managed lighting technology in reducing worldwide resource consumption. This trend is supported by the continuous increase in the efficiency (lumes/watt) of LED luminaires and a parallel decline in the cost of LED chips. However, the steady increase in efficiency will slow when the physical limits are reached in the coming years.

Sustainability is closely related to the core business

Artificial lighting is currently responsible for roughly 13% of worldwide electricity consumption and will continue to decline by 2030 due to the use of state-of-the-art lighting solutions. Commercial buildings and outdoor lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group – are responsible for a good two-thirds of this consumption.

Most of the energy consumption in the lighting lifecycle still occurs during the use of the light, but other issues like resource consumption and the circular economy are also becoming more important because of

the slower increase in efficiency. The Zumtobel Group has been working for many years to steadily improve the energy efficiency of its products while, at the same time, integrating sustainability aspects along the product life cycle.

Calculation of the improvement in energy efficiency

In order to illustrate the Zumtobel Group's contribution to energy efficiency, previous annual financial reports included a hypothetical estimate of the savings potential that would result from the replacement of fictitious equipment based on older technology (fluorescent lamps) with newer equipment, assuming average use. This theoretical calculation became increasingly unrealistic with the growing market popularity of LEDs and the related increase in modern LED equipment in buildings, and the calculation method was therefore adjusted during the past year.

The new calculation method was used for the second time in this report, and the Zumtobel Group will again report on the average year-on-year improvement in energy efficiency. The total lighting output marketed during the reporting period (i.e. the number of luminaires multiplied by the rated luminous flux) was compared with the total connected load (i.e. the number of luminaires multiplied by the rated connected load) to develop a ratio.

High contribution to reducing electricity consumption

In the 2020/21 financial year, the Zumtobel Group marketed luminaires with an average energy efficiency of 124.2 lm/W; in the previous year, this value equalled 121.8 lm/W. That represents an improvement of 2% in energy efficiency compared with the previous period. The year-on-year reduction in the efficiency increase is attributable to two factors: the Covid-19 crisis – which was reflected in the increased sale of simple, low-priced and not very efficient lighting – and the fact that the energy efficiency potential of LEDs is nearly exhausted, and we are asymptotically approaching the physical maximum which is dependent on the lighting quality.

Further development of products and services

The transformation of the lighting industry has increased the importance of the LED business and led to a stronger focus on intelligent and Internet-linked lighting. The result has been a growing demand for innovative LED-based lighting solutions with comprehensive controls and integrated service offers. The development, production and sale of innovative, sustainable products and services therefore represent fundamental building blocks for the sustainable success of the Zumtobel Group over the medium- and long-term.

Clear goals have been defined to safeguard the further development of an innovative product and service portfolio. The portfolio is now based almost entirely on LED technology, and there has been a steady increase in the revenues from project- and software-oriented services. There is also a growing interest in networking with other trades as a means of generating added value and realising energy savings. This will also protect the Zumtobel Group's high contribution to energy savings in the future.

Circular economy

The issue cluster "product responsibility" and the circular economy as a key issue represent the responsible handling of material resources and a sustainable change in the product development process for the Zumtobel Group. Circular economy aspects will therefore represent a focal point of activities in the earliest part of the product development process.

A new tool – Circular Design Rules (CDR) – was introduced to ensure the timely adaptation of production processes and place the Zumtobel Group in a position to develop products for the upcoming circular economy. This also includes the systematic minimisation of waste and optimisation for circular processes. The guideline for the Lighting Segment was prepared in 2020/21 with the circular economy institute EPEA Switzerland and the Austrian design firm EOOS Next and implemented in the product development process.

The specifications for all new products in the Lighting Segment will be defined according to their ecological potential and circular economy criteria starting with the 2021/22 financial year. This will form the basis for product development, whereby the Lighting Segment will use a circular-like scoring concept for the product development process. The CDR include an 11-dimensional scoring model with three building blocks:

Circular Sourcing:

- >> Recycled Material Content
- >> Material Reutilization Score
- >> Material Health

Circular Systems:

- >> Take Back Systems (closing the loop)

Circular Design:

- >> Design for longer Lifetime
- >> Design for Maintenance
- >> Design for Upgrades (Electronics)
- >> Design for Reuse
- >> Design for Removal
- >> Design for Disassembly
- >> Design for Remanufacturing/Refurbishment

Product quality and safety

Comparative measurements and procedural validations are carried out internally and with international testing institutions to maintain and improve the high quality of benchmarks and analysis standards. The Zumtobel Group cooperates with national and international testing institutes that include OVE (Österreichischer Verband für Elektrotechnik), TÜV (Technischer Überwachungsverein), and UL (Underwriters Laboratories). All production facilities in the Zumtobel Group's worldwide network, with the exception of the two plants in the USA and New Zealand, have been certified according to the ISO 9001 international standard for quality management systems. The standardised, centrally defined selling processes are also certified. The primary goal is to continuously improve the quality of production and selling processes and, in this way, increase customer satisfaction and confidence in the Group's products. In this connection, the ISO 9001:2015 annual monitoring audit was successfully completed without deviations in 2020/21. The

Introduction of Circular Design Rules

**Management
approach**

Zumtobel Group guarantees, based on internal audits and measurements, that its entire product portfolio meets all applicable standards and regulations in the respective regions and countries. This applies, in particular, to directives for light quality and energy efficiency as well as labelling requirements and health and safety aspects. Many of the Zumtobel Group's products carry the voluntary European ENEC symbol (European Norms Electrical Certification), which stands for compliance with the relevant safety norms and performance requirements that is confirmed by independent testing institutes.

1.6.5 Responsible employer

The Zumtobel Group has a workforce of over 5,813 employees at numerous locations throughout the world. These men and women are the foundation of our success and a key factor for the successful development of our company. The global human resources department defines its mission as the creation of the necessary fundamentals and framework conditions to protect the safety, health and well-being of our employees. This corporate department works closely with the Management Board to establish the strategic focal points for human resources policies based on the corporate strategy. At the Group level, training and continuing education, the work-life balance, occupational safety and health protection were identified as the most important sustainability issues in this area.

Annual employee reviews and human resources development processes like the talent review meetings and development conferences form the basis for targeted, individual advancement measures for our employees.

**Risks in human
resources
management**

The lack of suitable specialists, above all in R&D, sales and IT, can endanger our company's long-term orientation and limit the realisation of opportunities for growth.

In order to establish and safeguard the necessary expertise, the Group places high priority on training and education – both internally and through external training programmes. The most important issues in the personnel area are performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance.

Influence of the Covid-19 pandemic

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

The 2020/21 financial year was influenced by the corona pandemic and its consequences, both in the private and professional environments. The Zumtobel Group utilised and implemented the short-time work models offered by various governments. In Austria, the decision was taken to implement short-time work from April 2020 to January 2021. This programme involved a reduction in working hours, but all areas remained accessible for external stakeholders (e.g. customers) and internal stakeholders. Short-time work in Austria was terminated prematurely in January instead of March due to the positive development of business.

At the start of the pandemic, hygiene concepts and further organisational measures were implemented at all company locations to protect employees. These measures included, among others, mobile disinfection equipment, disinfectants for meeting rooms, distancing rules for open offices and cafeterias, increased cleaning intervals and access checks via questionnaire for entering Group locations.

The positive experience with home office, virtual meetings and online customer contacts will sustainably transform the way we work and move the "future of work" a large step forward. The working world will also be changed by subjects like long-distance management and virtual teams.

Employee satisfaction

Satisfied employees are motivated and want to move the company forward. They represent the company and are its face to customers and other stakeholders. The Zumtobel Group sees employee satisfaction as an important building block to strengthen employees' ties with the company and increase its attractiveness as an employer.

**Employee satisfaction
– an important
building block**

The Zumtobel Group creates opportunities for its employees to improve their work-life balance, among others through flexible working hours, home office or sabbaticals. Internal and external training programmes and internal career opportunities are also offered.

Corporate culture

Our three core values "Partnership - Passion – Performance" form the basis for our thoughts and actions. Our employees piloted the company with a great deal of passion and strong performance during the past financial year in spite of the Covid-19 pandemic.

A strategic employer branding project with a specific focus on the corporate culture and values was also started. A validation is currently in progress to determine how the company is perceived by its customers and employees and to determine which issues require additional work for the Zumtobel Group to become the "employer of choice". The objective is to create a corporate culture that aligns the company's core DNA with future challenges.

**Employer branding
project started**

The Dr Walter Zumtobel Value Award, which carries the name of the Group's founder, was also presented in 2020/21. It is given to persons who demonstrate the corporate values in their everyday actions and, in this way, keep the founder's values alive. The Zumtobel Group values personal initiative, commitment, entrepreneurship and an interest in making new discoveries. Reliability, team spirit, solidarity, and honesty, as well as a positive approach to change are also key elements of the corporate culture.

Employee awards

Extensive training and continuing education

The limited number of competent specialists also creates major challenges for the international Zumtobel Group to attract qualified applicants and recruit the right people for the right jobs. Employee development and systematic professional advancement therefore represent a key element for sustainable business success.

**Shortage of specialists
as a challenge**

The framework for human resources development (employee reviews and advancement) and the search and selection process is provided by a company-specific "competency model" which is based on the corporate strategy and includes five generic ambition levels for desired conduct and the level of technical expertise.

Together with the functional description established and documented during the employee review, specific qualification requirements can also be derived and defined. These requirements are based on the competency model LIGHT developed by HR – L (Level of knowledge, skills & experience), I (Innovation & transformation), G (Getting things done), H (Habit to develop), T (Together we shine).

Employee reviews

Annual employee review forms the basis for training measures

The annual employee reviews are an important building block in the interaction between employees and their supervisors and form the basis for the identification of targeted, individualised training and continuing education measures as part of human resources development. In this structured discussion, managers and their staff define goals and develop a common understanding for the values, behaviour and importance of the corporate strategy for the specific job responsibilities. Mutual expectations are coordinated, and development opportunities are systematically identified. Training measures are also defined according to the employee's individual needs.

Annual reviews were held with 4,507 employees in 2020/21 (78.4%; 2019/20: 4,416 or 76.1%).

Targeted talent management

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

The participants in the talent review meetings include the respective manager, the human resources department and, ideally, a co-evaluator to ensure the transparency of the discussion. The performance and potential of each employee is evaluated in these meetings and recorded in a performance-potential grid. The exit risk is evaluated and recommendations for development and retention measures are defined and documented. The result is a performance-potential landscape for each department with all employees, which establishes a basis for the implementation of the defined measures. Peer rounds were conducted between the Management Board and the second management level for the first time in 2020/21, where the managers introduced their staff and the evaluation took place on a broader basis.

Extensive training offering

In addition to external training opportunities, the Zumtobel Group offers an extensive range of internal training programmes for specialised and personal development in line with the skills, know-how and needs of the respective persons.

Activities in 2020/21 were influenced by restrictions on in-class events, and the e-learning training and continuing education offering was therefore expanded. The average number of training hours per employee fell to six hours due to the cancellation of on-site programmes (2019/20: 12 hours). Despite these hurdles, employees were able to utilise the online training offering. The "webinar" concept was also introduced as a new approach for the transfer of knowledge on new products.

The training offering is supported by the extensive use of "myCAMPUS", a modern learning management system. It provides all employees in the Zumtobel Group with easy access to on-line training content at any time. The focal points in 2020/21 involved compliance, product know-how, applications and sales skills.

Average trainings hours per employee	2020/21	2019/20
White-collar workers	5	15
Blue-collar workers	9	8
Total employees	6	12

The Zumtobel Group views training for young people as part of its social responsibility. As of 30 April 2021, 69 young men and women were in apprenticeship programmes with the Zumtobel Group. This company-based professional education is an important instrument to actively address the growing shortage of skilled workers that has resulted from demographic shifts. Apprentices are currently training in the following fields: electrical engineering (incl. automation and process control engineering), electronics, plastics engineering, mechatronics (incl. a special robotics module) and IT engineering. Of the apprentices trained in the Zumtobel Group, 56% were integrated in the corporation after completing their education.

Continuation and further development of apprenticeship training

Work-life balance

An effective work-life balance for employees is an important factor for strengthening the Zumtobel Group's position as an attractive employer. The key points in this context are the fundamentally changing demands of new generations on the labour market and measures to support the reconciliation of career and family life for working parents. The Zumtobel Group helps to improve the work-life balance by continually increasing the offering of flexible working time models. Part-time employment, educational leave, sabbaticals, parental leave for fathers, home office options or other models are arranged where needed and permitted by the respective position. The number of part-time employees declined from 8.3% of the total full-time equivalent workforce in the previous year to 7.6% in 2020/21.

Support for work-life balance

Employees in Austria can also take advantage of a free-time option provided by a works agreement. It permits a reduction in working hours for personal reasons in exchange for waiving a salary or wage increase and results in paid time-off (for example, for age-based work, educational programmes or to accumulate longer free-time periods over several years). This free-time option has been selected by 367 employees. At the end of 2020/21, 58 employees in Austria were on parental leave (2019/20: 66). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Popular free-time option

Occupational safety, health and well-being

Accident prevention and health protection for employees have high priority for the member companies of the Zumtobel Group and are the subject of regularly discussions in employer-employee committees. Local officers monitor compliance with specific environmental, health and safety guidelines at all locations. Measures are implemented on a continuous basis to increase workplace safety and include employee training, improvements to protective clothing and the replacement of machinery.

The LTI rate (Lost Time Injury: number of work accidents with lost time >8 hours × 1,000,000 / Total hours worked) is calculated monthly at all plants. In the Zumtobel Group, the LTI-rate declined to 5.9 in 2020/21 (2019/20: 6.3). The LTI rate fell to 1.7 in the components plants (2019/20: 2.3) and to 9.2 in the lighting plants (2019/20: 10.1). The accident severity indicator (number of day lost × 1,000,000 / Total hours worked) rose slightly from 58 in the previous year to 69 in 2020/21. There were no fatal accidents in 2020/21 or in earlier years. The company's goal is to continuously reduce the LTI rate over the coming years and to

Prevention of work accidents

develop a pronounced safety culture, for example through an increase in training on the prevention of work accidents.

Occupational safety	2020/21	2019/20
Total recorded injuries Lighting Plants (LTI rate)	9.2	10.1
Total recorded injuries Components Plants (LTI rate)	1.7	2.3
Number of fatal accidents	0	0
Accident severity (total)	69	58

Company health management programme

The annual evaluation of the age structure and age trends in the Zumtobel Group and a statistical comparison of the generations in different areas of the business confirm the demographic shift in our society. Healthcare and prevention measures, combined with the maintenance and promotion of employees' fitness for work, have high priority and are the responsibility of the human resources department. The following areas of activity represent the key elements of the Zumtobel Group's health management programme: worker protection legislation, presence management, workplace health promotion, leadership and management behaviour; integration management and generation management

Various programmes have been implemented in these areas by the local Group companies to meet the specific needs of their employees. The Zumtobel Group's efforts to protect and promote health, to support age-appropriate workplaces and the maintenance of work fitness were recognised in March 2019 with the two-year "Salvus" quality seal from the province of Vorarlberg (Austria) for the third time in succession. The two-year cycle was extended by one year due to the corona pandemic.

As part of the retention offensive and the goal not to lose any employees through illness, the Zumtobel Group has implemented a reintegration process. It gives employees on long-term sick leave an opportunity to return to their previous job or to an alternative function, subject to health-related constraints (e.g. daily working time, job content, etc.). An internal integration team accompanies this process.

Reintegration of employees after long-term sick leave

Employee rights and remuneration

High labour standards & open dialogue

As an employer with a strong corporate culture that has grown over many decades, the Zumtobel Group is well aware of its social responsibility for the employees in its many companies throughout the world and remains focused on the further development of responsible working conditions. The Zumtobel Group believes in and promotes the open and regular exchange of information between the Management Board, employees and the Employees' Council.

Compliance with the legal participation rights of employees and the principles and standards defined by the International Labour Organisation (ILO) represent an integral part of the code of conduct, which is mandatory for all companies in the Zumtobel Group. Collective agreements cover roughly 52% of the worldwide workforce.

Performance-oriented remuneration systems

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

Job descriptions and functional evaluations guarantee competitive remuneration. This ensures that the salary or wage reflects the employee's qualifications and is also fair and appropriate. A focus on the functional content also eliminates any gender-specific irregularities.

The performance benchmark for all employees eligible for bonuses – who do not participate directly in a sales bonus scheme – is based on a combination of two financial indicators (adjusted EBIT and free cash flow) with different weightings. An individual bonus component will also be introduced beginning in 2021/22.

The variable remuneration for the Management Board and top management consists of a short-term component and a long-term component. The short-term component is paid out directly during the bonus year. The distribution of the long-term component is spread over the following three to five years, whereby the tranche in the respective payment year is weighted by the target achievement of the total shareholder return of Zumtobel Group AG compared with a defined peer group as the performance indicator. This structure is intended to support sustainable decisions by management.

Diversity and equal opportunity

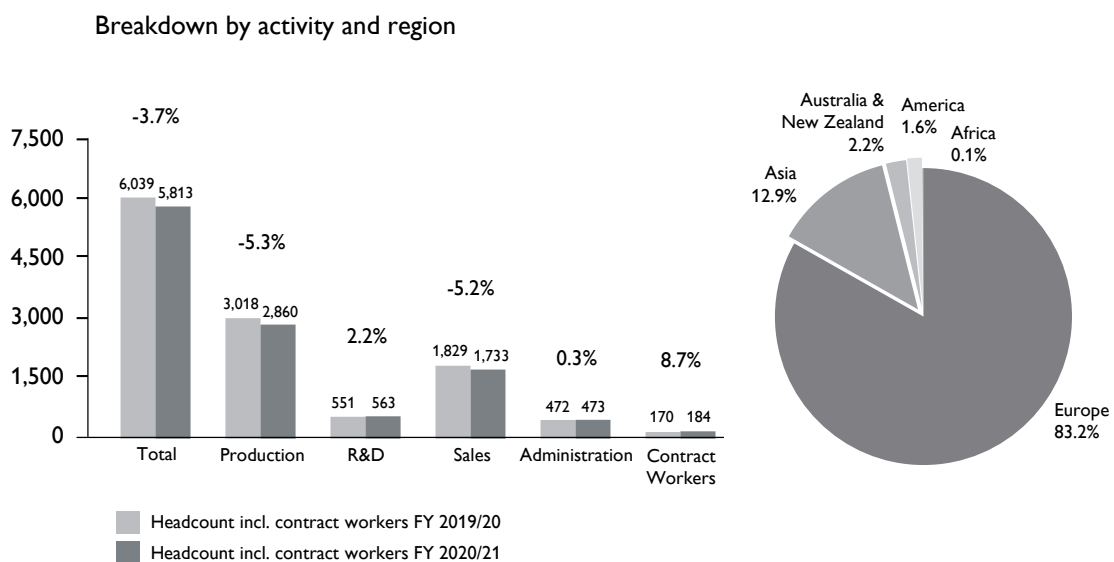
Diversity among the workforce is an important factor for creating an innovative working climate and protecting the Group's competitive ability. The men and women employed by the Zumtobel Group come from 75 different nations, whereby the staff at the corporate headquarters in Dornbirn, Austria, represent roughly 50 nations. The Zumtobel Group believes in equal opportunity and rejects any form of discrimination based on ethnic origin, nationality, gender, cultural background, age, disability, religious conviction or sexual orientation. Every person is unique, valuable and has individual capabilities. This belief is also reflected in the Zumtobel Group's code of conduct, which prohibits all forms of discrimination. Experience, qualifications and performance form the basis for personnel decisions in all corporate areas and at all management levels.

The share of women in the Zumtobel Group's workforce equalled 35.7% in 2020/21 (2019/20: 35.8%). There is no specific target for the appointment of women to management positions, but internal and external recruiting and personnel development measures are increasingly aimed in this direction.

The Zumtobel Group recognises that the continuation of existing initiatives and an open approach to new initiatives requires a greater share of women in higher qualified positions. In order to safeguard its competitive ability and benefit from a wide range of different viewpoints, the Zumtobel Group has set a goal to increase the share of women and, accordingly, their representation in the Group each year. The Zumtobel Group works to increase its attractiveness as an employer and implements measures to support the work-life balance. Part-time employment, educational leave, sabbaticals, parental leave for fathers, home office options or other models are arranged where needed. Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Workforce development

The number of employees declined year-on-year to 5,813 full-time employees as of 30 April 2021 (including contract workers). The following graph shows the distribution and development of the workforce by activity and region:



Labour productivity – calculated as adjusted EBIT in relation to personnel expenses – fell from 14.4% in the previous year to 12.7% in 2020/21 due to the decrease in operating results.

Average revenues per employee (including contract workers) declined year-on-year to EUR 179,674 in 2020/21 (2019/20: EUR 187,342). The average length of service with the Zumtobel Group equalled 10.9 years in 2020/21. The classification of employees by gender, age group, type of employment and employment relationship is shown in the following table (excluding contract workers):

	Percentage in FY 2020/21	Percentage in FY 2019/20
Men	64.3	64.2
Women	35.7	35.8
Total	100.0	100.0
	0	0
< 30 years old	14.5	16.5
30-45 years	45.1	45.9
45-55 years	25.5	24.1
> 55 years old	14.9	13.5
Total	100.0	100.0
	0	0
White-collar workers	62.7	62.6
Blue-collar workers	34.2	34.6
Contract workers	3.1	2.8
Total	100.0	100.0
	0	0
Full-time	92.4	91.7
Part-time	7.6	8.3
Total	100.0	100.0

Human rights, child labour and forced labour

The success of the Zumtobel Group is based on our qualified, dedicated and motivated employees. This belief is reflected in the Group's commitment to compliance with human rights and the fundamental principles of labour law, occupational safety and the protection of health all over the world. Respect for human rights represents an integral part of the corporate culture and management. Compliance with human rights and the prevention of child labour and forced labour is audited annually at all producing locations, together with management and on site, to eliminate the possible risk of the employment of minors.

In its cooperation with business partners (e.g. suppliers), the Zumtobel Group gives high priority to compliance with human rights and the prevention of child labour and forced labour. These principles are regulated in a separate, mandatory code of conduct for business partners.

As an international company, the Zumtobel Group is fully committed to the protection of human rights and compliance with high social standards and the legal regulations applicable in Austria and other countries.

The Zumtobel Group documented its commitment to responsible management, compliance with human rights and the prevention of child labour and forced labour by joining the UN Global Compact. This commitment was renewed with the first annual progress report (COP-Communication on Progress) in 2020/21 which informs stakeholders of our activities and progress in implementing these 10 principles.

As an employer with a corporate culture that has grown over many decades, the Zumtobel Group accepts social responsibility for its employees throughout the world. Compliance with the legal participation rights of employees and the principles and standards defined by the International Labour Organisation (ILO) represent an integral part of the code of conduct.

Annual audit of compliance with human rights and prevention of child and forced labour

First COP progress report based on the UN Global Compact

1.6.6 Sustainable procurement

Sustainable procurement plays an important role for the Zumtobel Group as a producing company. Global procurement, the responsible department, is centrally organised, globally positioned and located in Dornbirn. The procurement volumes for all plants are bundled under designated commodity managers. The Zumtobel Group works with 674 suppliers from roughly 30 countries.

The Zumtobel Group focuses not only on economic aspects, but also on compliance with high environmental and social standards along the entire supply chain. A Group-wide procurement initiative was launched in 2020/21 to ensure compliance by existing and potential business partners. It includes increased protection for employees and the environment and guarantees the responsible handling of resources and materials.

Business relations between the Zumtobel Group and its suppliers have been defined by a long-term orientation, mutual trust and fairness for many years. The foundation is formed by a systematic, internal supplier assessment and release process which starts with a self-evaluation questionnaire and continues with annual evaluations of all existing suppliers and focal point audits of selected suppliers. An obligation for business partners to comply with the Group's code of conduct underscores the long-term, sustainable partnerships with our suppliers.

Influence of the Covid-19 pandemic

Good, long-standing partnerships with suppliers created advantages for the Zumtobel Group in the prioritisation of deliveries and led to few or no serious bottlenecks in the production of products and services. Any unavoidable shortages in procurement were handled through short-term approval processes for alternative suppliers.

One success factor during the pandemic was the policy of positioning the supply chain as local as possible and as global as necessary. Regular coordination with local plants and their suppliers as well as the increased approval and use of local suppliers, e.g. in Serbia through the local purchasing team at the plant in Niš, provided for the smooth continuation of the procurement process in spite of the pandemic. A change in planning at the plant in Dornbirn led to the easy generation of forecasts for suppliers. Proactive and early clarification with our suppliers concerning risks in their upstream supply chain processes shortened reaction times and helped to develop the necessary risk minimisation measures.

The changeover from personal meetings with suppliers to virtual meetings was completed without problems and limitations. On site supplier audits were converted to remote audits in the countries where visits were impossible due to travel restrictions.

Sustainable procurement and supplier management

The Zumtobel Group attempts to purchase most of the raw materials, merchandise and services in the regions where its plants are located. Key raw materials like steel, copper, aluminium and plastic granulate are purchased in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers are located. In 2020/21, the share of the procurement volume from Asia amounted to over 59.8% (2019/20: 63%) in the Components Segment and nearly 8.2% (2019/20: 9%) in the Lighting Segment.

At least two suppliers are always approved and available for high-revenue procurement articles (multi-sourcing strategy) to eliminate any supply risks. This approach protects supply security and strengthens the Group's negotiating position towards suppliers which, in turn, creates greater synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). It also creates the basis for helping preferred suppliers strengthen their focus on sustainability and continuity.

Approval of at least two suppliers

A supplier sustainability self-assessment questionnaire (SSAQ) was implemented in 2020/21 to give suppliers a regular and recurring benchmark to evaluate their sustainability performance. Follow-up programmes and training courses will then be introduced based on the suppliers' estimates. This sustainability assessment was integrated in the standardised supplier evaluations and represents an integral part of the regularly adjusted merchandise group procurement strategy.

Sustainable procurement initiative implemented

Environmental and social standards in the supply chain

All new suppliers undergo a Group-wide qualification process and, among others, must confirm compliance with the Zumtobel Group's code of conduct in writing. A release audit is also carried out to review and document the availability of a verifiable quality management system, compliance with environmental and energy management standards and the fulfilment of legal requirements that include RoHS (Restriction of Hazardous Substances) and REACH (EU directive on chemicals).

Group-wide supplier approval process

The supplier approval process was expanded in 2015/16 to include explicit questions on the avoidance of conflict minerals. In order to reduce transport costs and the related environmental pollution, an increased number of local suppliers for the new plant in Serbia were audited and approved. This helps to avoid longer supply routes from other EU states and Asia.

Procurement risk countries were also defined in line with the corruption and environmental index. Suppliers from risk countries are analysed and evaluated, above all with regard to sustainability issues. A recently introduced supplier sustainability questionnaire and an additional supplier sustainability audit serve as the basis for this assessment. As a pilot project, 80 strategic suppliers were rated on work, ethics, health, safety and environmental issues in 2020/21.

The current supplier approval process was expanded to include the supplier sustainability questionnaire and is mandatory for inclusion in the Zumtobel Group's supplier network.

An important instrument for the joint development of suppliers is the standardised process for the regular, annual assessment of all existing suppliers. In addition to the recognised success factors of supplier reliability, quality, costs and service, ecological and social responsibility aspects are also evaluated.

Supplier audits

Based on the "partners4excellence" international supplier day in 2018, various initiatives were launched to strengthen the partnerships with regional and global suppliers.

Sustainability audits with various focal points are also scheduled for selected suppliers each year. In 2020/21, 154 audits (2019/20: 136) were carried out – including 48 audits with a special focus on sustainability in the areas of occupational safety and environmental management. The audits were converted to remote procedures, where possible, due to the travel restrictions resulting from the corona pandemic. Any violations of the code of conduct or environmental standards by business partners are documented and immediate optimisation measures are requested. If these measures are not implemented within an appropriate period, the business relationship is terminated. Recommendations are also made which allow the Zumtobel Group to encourage all its suppliers to implement an environmental management system.

Code of conduct for suppliers

Revision and further development of code of conduct for suppliers

The Zumtobel Group also works to implement its high ecological, social and ethical standards in its business relations with suppliers. The most important instrument in this respect is the code of conduct for suppliers, which is regularly revised and expanded, where necessary, to include new relevant topics – for example: the updates in 2020/21 covered issues like IT security. Acceptance of the code is mandatory for all new suppliers.

The code of conduct for suppliers combines major international standards and conventions, like compliance with the core norms of the International Labour Organisation (ILO), and addresses important issues like compliance, the environment, health protection and human rights.

All key suppliers with which the Zumtobel Group operates are required to observe the revised code of conduct. That covers 96.5% of the current suppliers based on procurement volumes.

First COP progress report based on the UN Global Compact

The Zumtobel Group renewed its commitment to a responsible and sustainable procurement process in 2020/21 with its first annual progress report (COP-Communication on Progress) based on the UN Global Compact. This report includes information for stakeholders of the company's activities and progress in implementing the 10 principles.

Conflict minerals

Companies headquartered in the EU have been legally required to carry out a due diligence audit in connection with the procurement of conflict materials since the beginning of 2021. The European Commission has called on all companies covered by this directive to meet the due diligence requirements in their supply chains for tin, tantalum, wolfram and gold.

As part of the conflict minerals programme, the Zumtobel Group has implemented measures in its supply chain to ensure that these products do not directly or indirectly finance transactions with the Democratic Republic of the Congo (DRC).

The Zumtobel Group documents its due diligence based on the report template issued by the Responsible Minerals Initiative (RMI) and discloses its due diligence in the supply chain for smelting works and refineries as required by the Responsible Minerals Assurance Process (RMAP). The OECD guideline "Due Diligence Guidance for Responsible Supply Chains from Conflicted-Affected and High-Risk Areas" is the most important reference benchmark for the current RMAP standards. It requires upstream companies to publish annual reports. Smelters and refineries are considered upstream companies in the sense of the OECD guidelines and must meet the OECD Level 5 reporting requirements for upstream companies in order to conform to RMAP standards.

The reports were prepared and updated externally by ValueStream Europe GmbH, which contributes its expertise in material compliance. The current version of the conflict minerals reporting template (CMRT) is available for download on the Zumtobel Group's website for the Lighting Segment and the Component Segment.

**CMRT reports for
Lighting and
Components
Segments**

1.6.7 Operational environmental protection

Environmental protection is of great importance for the Zumtobel Group, not only with respect to the development of energy-efficient, environmentally friendly products but also in connection with efforts to make procurement, production and logistics more environmentally compatible. This conviction is reflected in the careful and efficient use of raw materials as well as the minimisation of emissions and waste over the entire product lifecycle and the entire value chain of products and services.

Management approach

Environmental protection is an essential element of our integrated management system. Environmental management in the Zumtobel Group is based on three supporting elements: environmental and energy management systems that are certified according to international standards (ISO 14001 and ISO 50001), strict compliance with internal and external environmental protection guidelines and efforts to continuously improve the company's environmental and energy-related performance.

**Environmental
management concept
based on three
supporting elements**

Under ISO 14001 certification, an external organisation confirms the Zumtobel Group's use and continuous improvement of an effective environmental management system. The most important goals of this system are to improve the Group's environmental performance, to meet environmental goals for the reduction and prevention of negative effects on the environment and to ensure compliance with legal, and government and voluntary obligations. The development of environmental goals is monitored with transparent and periodical global reporting. The most important indicators for this global environmental reporting are energy consumption, CO₂ emissions, water consumption, waste and the recycling rate. Absolute values as well as the output-based values are provided because the volume of the produced products has a major influence on the Zumtobel Group's environmental and energy-related performance. The effectiveness and further development of the system is guaranteed by regular internal audits, management reviews and continuous improvement activities.

Clearly defined operations and processes as well as established methods help to ensure that the best available materials and techniques are used where appropriate and economically feasible. Moreover, the development of products and services covers the entire lifecycle from the selection of materials to the required technologies, production, transportation, use and recycling. All major production plants in the Zumtobel Group are currently certified under ISO 14001, and plans call for the expansion of certification to cover the Services & Solutions administrative location at Dornbirn in autumn 2021.

In addition to quality and lean management, important elements of the Zumtobel Group's global production network also include the environmental, energy and occupational safety. The continuous improvement process in the production network (Global Operations) defines clear standards which support the effective and efficient use of available resources by the Zumtobel Group and help to meet customers' high expectations and demands. The environment is becoming an increasingly important issue for customers and part of their product selection process. Continuous improvement covers the optimisation of production and support processes and the responsible use of resources and raw materials, including energy, as well as the protection of employees' health and the prevention of processes' negative influence on the environment.

The Zumtobel Group stands for the continuous improvement of all its business processes, products and services. For this purpose, the company has implemented procedures to identify and evaluate opportunities for improvement which are then combined into action programmes and documented and dealt with in structured form.

	ISO 14001:2015	ISO 50001:2011	ISO 9000:2015
Headquarters in Dornbirn, AT	x	x	x
Service & Solutions Dornbirn, AT			x
Lighting plant in Dornbirn, AT	x	x	x
Lighting plant in Lemgo, DE	x		x
Lighting plant in Spennymoor, UK	x	x	x
Lighting plant in Niš, RS	x		x
Lighting plant in Sydney, AU			x
Lighting plant in Barrowford, UK			x
Lighting plant in Highland, US			
Lighting plant in Auckland, NZ			
Lighting plant in Les Andelys, FR	x		x
Components plant in Dornbirn, AT	x	x	x
Components plant in Niš, RS	x		x
Components plant in Spennymoor, UK	x	x	x
Components plant in Shenzhen, CN	x		x
Development location in Jennersdorf, AT			x
Total	10	5	14

Training

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

Realisation of environmental goals

The goal was reached to receive certification under ISO 14001:2015 at the major locations. The Zumtobel Group successfully passed all external audits without any variances. The certification of the Services & Solutions location was postponed to 2021 due to the Covid-19 pandemic. The current environmental reporting was analysed together with the involved departments, and improvements were prepared for the next financial year. Together with the Management Board, environmental reporting will be reviewed quarterly to evaluate the company's environmental and energy-related performance. The annual environmental workshop with the departments was held online in 2020/21 due to the Covid-19 situation. A global environmental policy was also prepared which reflects the company's strategic focus on sustainability. The plant in Les Andelys, which was sold in 2017 and repurchased in 2020, was successfully integrated in the Zumtobel Group's production network and, accordingly, in the ISO 14001 matrix certification for the lighting brands. The external auditors from QUALITY AUSTRIA confirmed this integration with a successfully completed review in December 2020.

Three additional locations were included in the environmental reporting: the plant in Les Andelys, France, which was re-integrated in the Zumtobel Group and the Services & Solutions and "Schmelzhütterstrasse" locations in Dornbirn, Austria. The absolute values for the 2020/21 indicators include the data from these three locations. The analysis of the year-on-year improvement in individual indicators at the Zumtobel Group level excludes these three locations to permit comparisons with earlier years.

The goal to cut CO₂ emissions by 5% was clearly reached with a reduction of 9.4%, and the volume-based reduction in CO₂ emissions fell by 6.2%. Energy consumption was reduced by 3.1% and exceeded the target of 2.5%. The recycling quota met the 86% goal with an increase to 86.3%. Water consumption was 4% higher and failed to meet the goal for a reduction of 3%. A detailed analysis of the individual indicators is provided under the respective issues.

Energy and renewable energy

Energy management in the Zumtobel Group represents an integral part of the environmental management concept. Production is responsible for the highest energy consumption in the Zumtobel Group. Therefore, energy consumption and the use of renewable energy is a key issue which is consistently pursued at all producing locations. The largest locations in the Zumtobel Group also operate with certified energy management systems. The goal of an energy management systems under ISO 50001 is to continuously improve a company's energetic performance and, in this way, reduce greenhouse gas emissions, energy costs and other relevant effects on the environment.

Energy-related performance is defined as the result of efficient energy use, appropriate energy use and energy consumption. The Zumtobel Group carries out regular energy audits at selected locations to identify opportunities for savings and develop measures for improvement. The continuous implementation of these energy efficiency measures is intended to ensure the efficient use of energy.

Management approach

Energy consumption indicators

The Zumtobel Group is working to minimise energy consumption at all its production locations. Total energy consumption equalled 82,195 MWh in 2020/21 (72,541 MWh excluding the three new locations added to the reporting system). In comparison with the previous year (74,859 MWh), this represents a reduction of 3.1% and means the target for a reduction of 2.5% was reached. Energy consumption based on production output remained unchanged. The lighting brands locations in Dornbirn, Niš and Spennymoor and the components brand location in Niš recorded an increase in production output and, as a result, a sound improvement in energy consumption per unit; the locations with production declines reported a deterioration in the energy consumption per unit. The Covid-19 pandemic and the related effects like short-time work and home office had no significant influence on energy consumption in the Zumtobel Group. In other words, the base load energy consumption by machines, equipment, lighting and heating is relatively high and will represent a focal point of analyses to identify savings opportunities in the coming financial year.

An analysis by process shows the highest energy consumption in the Lighting Segment's plastic injection moulding and lacquering processes and in the Components Segment's soldering and hardening processes. Most of the energy in production is used in Europe (92%). The various energy sources and consumption in production are shown in the following table:

Production Process Energy Consumption in MWh	2020/21	2019/20
Process Energy	0	
Electricity	49,832	48,260
PV installation Dornbirn for own use	319	0
Gas	14,013	10,316
Local Heating/District Heating	1,170	1,015
Oil	0	0
Heating Energy		
Gas	10,490	9,597
Local Heating/District Heating	6,370	5,671
Total	82,194	74,859

Optimisation of energy consumption

The appointment of a new energy officer for the lighting brands production location in Dornbirn marked the successful conversion of the energy management system to the new ISO 50001/2018 standard, set important impulses for substantial improvements in the energy management system, and led to the introduction of measures to reduce energy consumption. The first results of the activities to optimise energy consumption are already visible in the location's indicators. Despite an increase in the production output of luminaires, absolute energy consumption was reduced by 7% and energy consumption based on output by 19%.

The lighting brands production location in Spennymoor successfully completed its annual external audit of the energy management system under ISO 50001/2018 without variances. Targeted improvements in the production areas, which are responsible for most of the energy consumption, reduced the energy consumption per produced luminaire by 7%. The energy consumption of all plastic injection moulding machines was analysed; the machines were flagged with an energy label in the database and their use will be

planned based on energy consumption. In addition, the lighting in the offices was converted to state-of-the-art LED technology with intelligent controls.

The installation of intelligent lighting controls also brought significant energy savings at the location in Niš. At the Tridonic plant in Dornbirn, new energy-efficient machines were installed and an ultrasound measurement system was purchased to record pressurised air leaks.

Renewable energy consumption

The connection to a local district heating network in Dornbirn now substitutes biogenic-generated heat for most of the natural gas required for heating. The photovoltaic equipment (approx. 7,300 m²) has been fully operational since December 2020 and generates the electricity for the plant's requirements. All plants in Dornbirn have converted to 100% hydropower since March 2021. The location in Spennymoor was also converted to green energy in December 2020.

The production location in Lemgo will change over to 100% renewable energy at the start of the new financial year. At the plant in Niš, Serbia, we signed a new contract for electricity supplies which covers the delivery of electricity from 100% hydropower beginning in June 2021.

Beginning with the 2021/22 financial year, our environmental reporting will also provide information on energy consumption with renewable energy. It will show the respective share of total energy consumption and include a comparison with the goal to achieve a 50% component of renewable energy.

Greenhouse gas emissions

The development of greenhouse gas emissions results from both energy consumption and the particular energy sources. CO₂-equivalents for the various energy sources used by the Zumtobel Group are evaluated, verified and documented at regular intervals. The absolute reduction in CO₂ emissions equalled 9.4% and reflected the reduction in total energy consumption as well as the use of more environmentally friendly energy. The relative decline in CO₂ emissions based on output equalled 6.2%, which means the 5% goal was clearly reached. The lighting plant in Dornbirn made an important contribution to reducing CO₂ emissions: Total energy consumption declined despite an increase in production, and the use of biogenic district heating and the conversion to 100% hydropower raised the share of renewable energy. A strong improvement in the CO₂-equivalent was also registered by the lighting brand plant in Spennymoor following the conversion to 100% green electricity beginning in December 2020.

CO ₂ -Emissions in Production in tonnes	2020/21	2019/20
Scope 1		
Oil CO ₂ -Equivalent	0	0
Gas CO ₂ -Equivalent	5,099	4,248
Scope 2		
Electricity CO ₂ -Equivalent	14,181	16,130
Electricity CO ₂ -Equivalent PV installation Dornbirn for public energy supply	(42)	0
District Heating CO ₂ -Equivalent	487	419
Total	19,726	20,797

Water and wastewater

Water is required in only limited volumes and hardly polluted in the production processes used by the Zumtobel Group. However, the responsible and economical use of water is a primary concern. Procedures ensure that wastewater meets municipal requirements before it is discharged into local treatment plants and hold the related indicators clearly below the permissible limits wherever possible. These indicators are monitored and confirmed internally and externally on a regular basis. The Zumtobel Group used approximately 67,083 cubic metres of water at its production locations in 2020/21 (64,805 cubic metres excluding the three new locations added to the reporting system), compared with 61,976 cubic metres in the previous year. This represents an increase of 4.6% in water consumption by the Zumtobel Group and means the goal for a 3% year-on-year reduction was not reached. Several production locations, e.g. Dornbirn and Niš, exceeded the reduction target. However, the overall goal was not reached due to a measurement/measurement software error in the previous year and higher water consumption due to a substantial increase in the production of lacquered OUTDOOR products at the lighting brands production location in Spennymoor.

Biodiversity

For the Zumtobel Group, biodiversity means preserving the diversity of life and supports for three major areas: diversity in ecosystems, diversity of species and genetic diversity – all of which are closely connected.

Proactive contribution to reduce greenhouse gas emissions

The advancing climate change, for example, represents an increasing threat for biodiversity because entire ecosystems are changing at a speed which makes it very difficult for plants and animals to adapt to the new conditions. The Zumtobel Group has set a goal to become climate neutral by 2025, to continuously increase the share of renewable energy and to make a proactive contribution each year to reducing greenhouse gas emissions.

NightTune – a contribution to protecting biodiversity

People moving about in the dark feel safer and prefer bright, well-lit streets and areas. Lighting is therefore good for people but impairs biodiversity. The Zumtobel Group strives to minimise its effects on the animal world, above all on insects, and relies on optimised planning as well as NightTune technology. This technology optimises night lighting and reduces its impact on the illuminated area and its ecosystem – which makes an active contribution to preserving biodiversity while limiting light pollution and making the night sky visible.

Waste

The Zumtobel Group places special emphasis on the economical use of resources and the recycling of materials. Key factors include the efficient and economical use of materials as well as the minimisation of production scrap and unnecessary waste. Valuable materials are recycled to conserve resources. Every production location has a designated waste officer; relevant documented processes and detailed recorded on all generated waste. The indicators for waste are the volume of waste generated per tonne classified by recycling waste, residual waste and hazardous waste. The recycling quota is another important indicator for material recycling.

Management approach

Waste indicators

The Zumtobel Group recorded roughly 6,800 tonnes of waste from its production processes in 2020/21 (6,383 tonnes excluding the three new locations added to the reporting system). Compared with the previous year (6,714 tonnes), this represents a reduction of 5%. A total of 499 tonnes were classified as hazardous. The production processes result, above all, in the following hazardous waste: waste oil, cooling materials and lubricants from metal processing, residual adhesives and waste from the lacquering processes, above all from the lacquering of OUTDOOR products. The OUTDOOR production in Les Andelys and the high volume of OUTDOOR products in Spennymoor led to an increase in the share of hazardous waste to 12%. The reduction of production activities, especially for expiring product types in the outdoor area in Les Andelys, reduced the use of solvent-based lacquers.

Waste Disposal in Production in tonnes	2020/21	2019/20
Recyclable Waste	5,838	5,686
Residual Waste	463	567
Hazardous Waste	499	460
Total	6,800	6,714

Material recycling was slightly optimised in 2020/21. The result was an increase in the recycling quota from 85% to 86.3% and a further contribution to conserving important raw materials. The overall target for a recycling quota of 86% was therefore reached. This goal was clearly exceeded by the lighting brands production location in Dornbirm with 92.9% and Niš with 99% as well as the Tridonic production location in Dornbirm with 87.6%. The focus for 2021/22 calls for an improvement in the recycling quota at the other locations.

Environmental compliance

Environmental compliance is an integral part of the ISO 14001 requirements. The determination, observance and evaluation of all binding obligations, i.e. all legal and voluntary obligations, are based on the processes defined by our integrated management system. All production locations have a legal database that documents, assesses and monitors the relevant obligations. New obligations and any changes in obligations are recorded and analysed and the necessary compliance measures are defined and implemented. External legal consultants assist the production locations in establishing and interpreting the relevant legal obligations and evaluate compliance annually. Internal audits also monitor compliance with these obligations. Environmental compliance is evaluated and confirmed by the local managing directors each year and by the Zumtobel Group's Management Board in its management review.

Evaluation of environmental compliance

Internal and external audits on environmental compliance are carried out at all relevant locations, and no variances were identified. Furthermore, there were no internal or external complaints concerning a violation of legal obligations. All new legal obligations and any changes in legal obligations are documented and analysed; the necessary compliance measures are defined, implemented and have generally been completed. The integration of the plant at Les Andelys in the lighting brands' ISO 14001 matrix certification involved a particular focus on the issue of environmental compliance. Two internal audits were carried out with CNPP, an experienced external partner: A risk assessment covered the identified legal issues; immediate measures were planned and implemented to minimise or eliminate these issues; and longer term activities were planned. This procedure was then confirmed in an external audit by QUALITY AUSTRIA.

Based on these findings and to the best of their knowledge, all production locations and central functions have confirmed their environmental compliance in management reviews.

Environmental goals

The Zumtobel Group has set the following environmental goals for the 2021/22 financial year, based on its strategic orientation to become a climate neutral company:

- >> Reduction of 50% in der CO₂ emissions below the reference value from 2015/16
- >> Increase in the share of renewable energies to 50% compared with 2020/21
- >> Reduction of the total volume of waste by 15% compared with the previous year
- >> Increase in the recycling quota from 86% to 90%
- >> Receipt of certification under ISO 14001 and 50001
- >> Compliance with internal and external guidelines on environmental protection

Further plans by the Zumtobel Group include certification for the Services & Solutions location under ISO 14001, the continued introduction of GRI standards for environmental protection, support for local projects on energy and waste, and a comprehensive approach to integrate ecological aspects along the product lifecycle.

1.7 Research and Development

Research and development (R&D) represent a decisive factor for the success and economic sustainability of the Zumtobel Group through the search for new technologies and their application at an appropriate stage in the creation of new products and systems. In order to protect and expand a competitive product portfolio, it is necessary to further strengthen the Zumtobel Group's outstanding technology position and innovative power with research and development investments that reflect industry levels as well as an extensive portfolio of patents, consistent product and system development and extensive cooperation with external research partners.

Research and Development in EUR million	2020/21	2019/20	Change in %
Development costs	61.8	59.2	4.3
Research costs	3.0	3.5	(14.4)
R&D total	64.8	62.7	3.3
as a % of revenues	6.2	5.5	
Headcount (full-time equivalent) R&D	563	551	2.2

R&D makes an important contribution to the Zumtobel Group's innovative strength. An extensive patent portfolio, also in new technologies, gives the Zumtobel Group a competitive advantage as well as access to strategic cooperation with other companies and the opportunity to conclude cross-licensing agreements with key market players. In 2020/21, the Lighting Segment registered 49 patents (2019/20: 75) and the Components Segment 72 patents (2019/20: 70) which underscore the growing importance of intelligent components. The number of active commercial property rights – currently 9,027, including 4,820 patents – speak for the company's exceptional innovative strength.

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

One of the focal points for R&D in the Zumtobel Group covers new optical concepts for the direction of light, for example new fibre optics concepts and defined light-scattering structures that can be partially attached to surfaces. An international consortium that includes Zumtobel Lighting GmbH is currently working on the H2020 PHABULOUS project together with industrial partners and the Fraunhofer Institute for Applied Research to develop production processes for microstructures on freeform surfaces.

Software is also becoming progressively more important as a differentiating element. In cooperation with universities and institutes, special communication processes to realise swarm intelligence in free-standing luminaires and methods for automatic scene recognition via image processing in real time were developed and tested as part of bachelor and master theses. Development projects in the Zumtobel Group increasingly involve functions and applications "beyond lighting". In this interdisciplinary environment, cooperation with partners is essential. The Zumtobel Group can rely on long-standing cooperation with research institutes like V-Research GmbH, FH Joanneum Forschungsgesellschaft mbH and Graz University of Technology (all in Austria) as well as cooperation with industrial partners like Nichia, Digital Elektronik (Austria), Bartenbach GmbH, zacktrack Lighting Technologies GmbH (Austria), S-Tec, (Switzerland), Electroterminal (Austria) and many others.

Competitive product portfolio through research and development

Strong patent portfolio and technology partnerships

New optical concepts for differentiation in the competitive environment

Cooperation with universities and institutes

Luminaires as part of
the Internet of Things

Numerical fluid mechanics and finite element methods are being used to a greater extent in the modelling and simulation of physical systems. In addition to conventional thermal simulations, the acoustical and vibration behaviour (modal analysis) of luminaires under wind pressure was analysed and the luminaire designs were optimised where necessary. The long-term behaviour of LED modules was evaluated and modelled in a digital twin.

Luminaires and their components are becoming part of the Internet of Things (IoT). However, the required interfaces have not yet been defined or are still incomplete and competing interfaces have already entered the market. Through its active membership in numerous alliances that are working on IoT solutions – i.e. Thread, Fairhair and Bluetooth – the Zumtobel Group is contributing to the development of industry standards for these interfaces. The Group is also a member of the Zhaga Alliance and DiiA (Digital Illumination Interface Alliance), which are addressing the standardisation of lighting components and digital interfaces for lighting equipment.

Participation in committees and associations

The demands for guideline- and standard-compliant luminaires are becoming more diverse. This is reflected in the Zumtobel Group's active participation in international (IEC, CIE) and European committees on the safety of components, luminaires and lighting, where the "quality of light" is one of the main focal points. The practical implementation of many of these requirements is supported by the preparation of guidelines which are issued by national associations (ZVEI, LIA, etc.) and Lighting Europe. Zumtobel Group employees play an active role in all these organisations and, in this way, support the entire industry.

The interconnectivity of luminaires and the expansion of functions beyond lighting is creating overlaps with other areas which must also be standardised. These results frequently support the optimisation of materials and energy in the construction sector. The Zumtobel Group also supports efforts in this area with its active participation.

1.8 Internal Control System

The internal control system in the Zumtobel Group (abbreviated in the following as "ICS") supports the attainment of corporate goals. The ICS is defined as the total of all process-based monitoring and management measures to safeguard Group assets, to ensure the completeness and reliability of information and systems, to support the efficiency and effectiveness of processes and to guarantee compliance with legal, contractual and internal rules and regulations.

ICS structure and focus

The structure and design of the Zumtobel Group's ICS are based on recognised international governance guidelines such as the framework issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) and the IT framework (COBIT) published by the Information Systems Audit and Control Association (ISACA), which are adapted where necessary to reflect the Group's business model. The scope of the design and formalisation of the ICS follows a strict risk orientation (benefits), which is critically compared with the expected added expense (costs).

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

ICS responsibility

Monitoring activities are carried out by the quality assurance units in the specialist departments together with the organisationally separate corporate audit and compliance department which has a dual reporting line to the Management Board and Audit Committee. The monitoring process covers the design of controls as well as their operational effectiveness. A strictly organised follow-up process ensures that any identified weak points are eliminated as quickly as possible. The designated monitoring functions are based on strict professional standards and subject to regular external review.

ICS monitoring

The central elements of the ICS in the Zumtobel Group are:

- >> The code of conduct, which is supplemented by specific rules (e.g. for invitations)
- >> The anonymous whistle-blower system
- >> Corporate policies and procedures
- >> Clearly defined organisational structures, job specifications and the formal delegation of duties and responsibilities according to the individual functional requirements
- >> Regular comparison of the actual situation (e.g. cost centre reports) with expected results (e.g. budget)
- >> Training programmes for employees

ICS elements

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

ICS for financial reporting

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

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

1.9 Risk Management

Risk policy approaches

Systematic approach for the early identification of opportunities and risks

The Zumtobel Group realises that an effective opportunity and risk management system – as well as an internal control system – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of risks to protect the asset, financial and earnings positions of the Group and to support the identification of opportunities and the evaluation of entrepreneurial decisions. The goal of risk management is to identify risks and opportunities at an early point in time through a systematic approach, and thereby permit the implementation of suitable measures to deal with changes in the operating environment. Risk management in the Zumtobel Group is an independent strategic process as well as an integral part of operational management. The basic instruments for the monitoring and management of risks are the risk management software which was installed in all Group companies as well as standardised planning and controlling processes, Group guidelines, regular reporting and the internal control system (see section 1.8).

Risk management based on recognised best practices and standards

The corporate risk management department, a section of the controlling department at corporate headquarters, is responsible for the continuous development of risk management processes as well as the coordination of Group-wide risk management and risk monitoring. The risk management system used by the Zumtobel Group is closely linked with corporate controlling processes and the internal control system. The underlying framework for these two systems is formed by the principles of the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) model. Guidelines and process descriptions for risk management are available to all companies in the Zumtobel Group.

Central role of reporting

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

The opportunities for the Zumtobel Group are described in detail under "The Zumtobel Group – An Overview". The major risks and countermeasures are discussed in the following sections:

Market and competitive risks in the lighting industry

Macroeconomic risks

The uncertain development of the economy remains the major risk factor. A certain catch-up effect can generally be expected after the COVID-19 crisis, which is now expected to last at least into the second half of 2021. Current estimates show that a return to the pre-corona level in certain regions will not be possible before 2024. Other economic variables include shifts in major expenditures, for example in the industrial, office and sales channels, which will result in very different growth rates as well as changes in the product mix. Uncertainty is also fuelled by the rapid rise in the prices for relevant raw materials like steel, copper and aluminium as well as insufficient and more expensive transport capacity primarily from Asia, and physical bottlenecks in semiconductor supplies. The excess capacity on the market creates doubts as to whether these higher costs can be passed on in full through the adjustment of market prices. The long-awaited consolidation in the lighting industry could accelerate.

Restructuring risks

Necessary measures to bring structural costs and capacity in line with a more difficult market environment or the strategic reorientation of the Zumtobel Group can lead to additional restructuring costs and thereby have a negative effect on earnings. The production plant for lighting and components which opened in Niš (Serbia) during 2018 creates new opportunities, but also involves short-term risks. The adjustment of plant capacity and the transfer of products could lead to temporary inefficiencies in production and logistics as well as subsequent delivery problems.

The Covid-19 crisis has led to a significant increase in the pace of digitalisation in many areas. In the lighting sector, this has been reflected in a growing demand for system solutions that integrate lighting with other digital functions. A more extensive offering with clear added value for customers can create opportunities, but also increase system complexity and, consequently, the risk of customer dissatisfaction and complaints.

Business risks

Access to many customer groups during the past financial year was often very limited due to the wide range of national lockdown measures and was only possible with modern communication techniques. Personal contacts and face2face meetings, among others to physically present new products, were nearly impossible. This led to delays in the development of offers and the order pipeline as well as the increased use of "Internet-supported" tender processes up to auctions, which had a negative influence on the selection of the products used and the quality of prices. Consolidation on the customer side will further increase the bargaining power of larger customers.

Differentiation from the competition can strengthen a company's market position and protect appropriate margins. In both the lighting and components businesses, the Zumtobel Group must regularly defend its strong technology position in the industry and adapt new developments to meet the changing requirements of various applications. This challenge is met with a steady focus on innovation and close cooperation between development and sales.

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with over 80% of revenues. Investments in property, plant and equipment are also concentrated in these core regions, where political risks such as the expropriation of assets, restrictions on the transfer of capital and war are considered to be low. However, Great Britain's exit from the European Union (Brexit) could lead to a deterioration of the market environment in one of the most important single selling regions for the Zumtobel Group.

A lack of specialised personnel, for example in R&D and IT, can endanger the successful pursuit of a company's strategy over the long-term and prevent the full realisation of growth opportunities. The Zumtobel Group ensures the availability of the necessary expertise through training and continuing education for employees in internal academies as well as external institutions. Other important elements of human resources work are performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance.

The procurement market underwent major changes with regard to availability and prices during the past year. The markets recovered faster and stronger – entertainment electronics and the automobile branch, in particular, are again operating at a much higher level. Almost all purchased parts and procurement groups are currently affected by shortages and rising prices, among others as a consequence of the corona crisis. Suppliers substantially reduced their production capacity nearly one year ago in anticipation of a worldwide recession, but various branches are recovering faster than expected. Supplies of input materials have been unable to keep pace with the growing demand, and this situation has led to a considerable demand overlap on the procurement market.

Technology risks

Access to global decision-making networks

Market acceptance of new products

Political risks

Risks in human resources management

Procurement risks

Restocking times have increased significantly and an improvement in this situation, above all for semiconductors, is not expected before 2022. The current shortage has also had a direct influence, among others, on prices. Late autumn 2020 brought the first signs of a raw material shortage and related price increases. The prices for various basic materials like aluminium, steel and plastics have increased significantly, and the copper price has risen to a ten-year high. The prices for secondary products that include these raw materials are, as a result, now also higher.

The extensive and regular exchange of information with the involved suppliers supports the fastest possible implementation of measures to protect supply security. The short-range approval of additional suppliers distributed demand over various sources. Never before was the strategic focus of the Group's supplier relationships on sustainability, partnership and stability so decisive as in the current situation.

IT risks

The Group uses state-of-the-art hardware and software and has concluded appropriate maintenance contracts to minimise IT risks. Multistage firewalls and virus protection concepts have also been installed to prevent hacker attacks as best as possible. Our systems and networks are monitored by a professionally managed cyber-defence centre to ensure early detection and targeted reaction to attacks. The Zumtobel Group's IT systems are protected by a modern high-security computing centre as well as a back-up facility. In order to ensure that the Group's information technology always meets the demands of the business, IT management has developed a wide variety of procedures, guidelines and measures. These processes and procedures are evaluated regularly and adjusted whenever necessary. The routine replacement of hardware and software minimises the risk of breakdown and data loss. Databases are scanned continuously by anti-virus software and archived on a regular basis.

Asset risks

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

Inventory valuation risks

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

Product liability risks

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

Legal risks

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

Financial risks

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

In order to protect its ability to meet financial obligations at all times, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group has also concluded extensive financing agreements to cover its long-term financing requirements and offset short-term liquidity fluctuations arising from business activities.

Financing risk

The consortium credit agreement concluded on 1 December 2015 represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of 30 April 2021, no funds were drawn under this credit agreement (30 April 2020: EUR 75 million). In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025; the facilities were fully drawn as of 30 April 2021. These significant financing agreements include a change of control clause that would take effect if there were a change in the absolute majority of voting rights and require compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). The financial covenants were met in full as of 30 April 2021 with a debt coverage ratio of 0.85 (2019/20: 1.55) and an equity ratio of 31.5% (2019/20: 27.7%). The consortium credit agreement also includes a clause for an increase of up to EUR 200 million which can be drawn under certain circumstances.

The Zumtobel Group also has unsecured credit lines of EUR 69.7 million (2019/20: EUR 61.4 million) at its disposal to meet short-term liquidity fluctuations. The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

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

Balance sheet risks

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

Pension obligation risks

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

Other risks

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

Environmental risks

In preparation for the introduction of climate reporting and the related "dual perspective" (the impact of business activities on the climate/the impact of climate change on the company), the Zumtobel Group is exposed to the following risks: on the one hand, new, expanded and stricter guidelines must be met and require the continuous adaptation of products and production processes; on the other hand, customers are increasingly demanding sustainable products which, in turn, drives demand. The opportunities on the marketing side are contrasted by risks, costs and complexity. The Zumtobel Group's business model, which centres on the development of energy-efficient solutions for artificial lighting, is neither threatened nor questioned by climate change. Climate change has only a minimal impact on the Zumtobel Group, but several locations are situated close to bodies of water and protective measures against flooding are required.

Overall risk evaluation of the Zumtobel Group

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

A general analysis of the above risks and opportunities shows a concentration on market risks, which reflects the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. The technological transformation process is connected with risks in the form of rising product and system complexity, but also creates opportunities through the development of new market segments and applications. The substantial energy savings potential of the new innovative lighting solutions, in particular, supports customers' sustainability efforts and makes an important contribution to reducing CO₂ emissions. In this way, the Zumtobel Group with its portfolio of products and services, is operates in future-proof and promising business areas.

The efficiency improvements created by LED and system integration are shortening product innovation cycles and, in this way, increasing the risk of write-offs to inventories and capitalised development costs. In contrast, internal production processes are associated with substantially lower risk.

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

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

1.10 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2021 which would have led to a change in the asset, financial or earnings position of Zumtobel Group AG.

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

1. The share capital of Zumtobel Group AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.50 each in share capital. All 43,500,000 shares are securitised in a collective certificate, which is deposited with Österreichische Kontrollbank (OeKB). All the company's shares are listed under ISIN AT0000837307 and were admitted to trading on the Vienna Stock Exchange as of 30 April 2020. As of 30 April 2021, the company held 353,343 shares as treasury stock.

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

AUGMENTOR private foundation (4,405,752 shares), ASTERIX private foundation (4,700,752 shares), GENVALOR private foundation (633,750 shares), Hektor private foundation (2,267,340 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (64,088 shares), Caroline Reder (100,000 shares), Christine Reder (100,000 shares), Fritz Zumtobel (166,210 shares), Nicholas Zumtobel (5,760 shares), Caroline Zumtobel (5,450 shares), Isabel Zumtobel (6,048 shares), Karin Zumtobel-Chammah (13,398 shares) and Jürg Zumtobel (144,248 shares) (together: the "syndicate") are parties to a syndicate contract. GENVALOR private foundation holds 400,000 shares outside the syndicate.

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

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

3. The syndicate held 36.1% of the company's share capital as of 30 April 2021. Together with the shares held by GENVALOR private foundation outside the syndicate (400,000), the investment in share capital equals 37.0%.

4. There are no shares with special control rights.

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

6. A cash-based long-term incentive programme (LTI) was introduced for the Management Board and upper management of the Zumtobel Group during 2012/13. The distribution from the LTI is spread over the following three to five years. In the event of a (successful) public takeover bid, the buyer must assume responsibility for any outstanding LTI payments to the members of the Management Board and/or employees.

7. If a member of the Supervisory Board resigns before the end of his/her term of office, a replacement will be elected at the next general meeting. However, vacant seats must be filled without delay by an extraordinary general meeting if the number of members on the Supervisory Board falls below three. New

members are elected for the remaining term of office of the member who has resigned. The maximum age for members of the Management Board on the date of initial appointment or reappointment is 65 years. There is no age limit for the initial appointment or reappointment of members to the Supervisory Board. The premature dismissal of Supervisory Board members is possible with a simple majority of the votes cast.

8. The general meeting passes its resolutions with a majority of votes cast, unless legal or other requirements call for a greater majority. There are no other extra-legal regulations governing the appointment or dismissal of members of the Management Board and Supervisory Board or amendments to the company's articles of association.

9. The consortium credit agreement concluded on 1 December 2015 represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of 30 April 2021, no funds were drawn under this credit agreement (30 April 2020: EUR 75 million). In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025; the facilities were fully drawn as of 30 April 2021. These significant financing agreements include a change of control clause that would take effect if there were a change in the absolute majority of voting rights and require compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). The financial covenants were met in full as of 30 April 2021 with a debt coverage ratio of 0.85 (2019/20: 1.55) and an equity ratio of 31.5% (2019/20: 27.7%). The consortium credit agreement also includes a clause for an increase of up to EUR 200 million which can be drawn under certain circumstances.

10. The Management Board contracts with Alfred Felder and Bernard Motzko include a change-of-control clause which would be triggered in the event of an accepted public takeover offer.

Alfred Felder is entitled to terminate his contract unilaterally in accordance with a three-month notice period. He would be entitled to receive a capitalised payment for his remuneration up to the end of his originally agreed contract term, but for a maximum period of 24 months.

Bernard Motzko is entitled to terminate his contract in accordance with a six-month notice period. No compensation was agreed.

The members of the Management Board have no other special claims or entitlements at the end of their function.

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

1.12 Outlook and Goals

The corona crisis is not yet over, which means the uncertainties over the development of the global economy will remain to a certain degree over the coming months. Producing companies like the Zumtobel Group will be confronted with additional challenges due to the situation on the raw materials market: The limited availability and rising prices of raw materials have a direct impact not only on our company, but also on many other market participants. Nonetheless, the general economic trend has turned increasingly positive in recent months. A wide range of political measures to stimulate the economy and the hoped-for positive momentum from the EU Green Deal support this optimistic outlook. In its April 2021 forecast, the International Monetary Fund issued a substantial upward correction to its January estimate for the global economy and now expects an increase of 6.0% in 2021 (January update: increase of 0.5%). Strong GDP growth is projected for China (8.4%) and the USA (6.4%), with an improvement also expected in Great Britain (5.3%) and the eurozone (4.4%). The IMF's base scenario for 2022 points to an increase of 4.4% in the global economy, assuming the normalisation of economic activity and support from monetary and fiscal policies.

**Outlook for 2021/22:
4-7% increase in
revenues and EBIT
margin of 4-5%**

The Management Board therefore views the further development of the Zumtobel Group with optimism. The extensive cost reduction measures implemented in recent years have produced the desired results, even though there are opportunities for further optimisation: The Zumtobel Group is leaving the restructuring modus, and our fundamentals should also clearly reflect this in the future. Beginning with the current 2021/22 financial year, the outlook will not longer be based on EBIT adjusted for special effects, but on EBIT – meaning the Group's operating results. The Management Board sees the Zumtobel Group well positioned for profitable growth and expects an increase of 4% to 7% in revenues and an EBIT margin of 4% to 5% for the 2021/22 financial year.

Dornbirn, 17 June 2021

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

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2. Consolidated Financial Statements

2.1 Consolidated Income Statement

in TEUR	Notes	2020/21	2019/20	Change in %
Revenues	2.6.5.1	1,044,452	1,131,299	(7.7)
Cost of goods sold	2.6.5.2	(707,082)	(768,044)	(7.9)
<i>thereof special effects</i>		0	(7,984)	(100.0)
Gross profit¹		337,370	363,255	(7.1)
<i>as a % of revenues¹</i>		32.3	32.1	
Selling expenses ¹	2.6.5.2	(262,582)	(285,214)	(7.9)
Administrative expenses	2.6.5.2	(38,922)	(41,006)	(5.1)
Other operating income	2.6.5.3	16,660	11,332	47.0
<i>thereof special effects</i>		7,009	2,451	>100
Other operating expenses	2.6.5.3	(9,175)	(13,223)	(30.6)
<i>thereof special effects</i>		(9,120)	(13,223)	(31.0)
Operating profit		43,351	35,144	23.4
<i>as a % of revenues</i>		4.2	3.1	
Interest expense	2.6.5.4	(5,795)	(7,300)	(20.6)
Interest income	2.6.5.4	271	278	(2.5)
Other financial income and expenses	2.6.5.5	(3,836)	(5,574)	(31.2)
Result from associated companies	2.6.7.4	56	168	(66.7)
Financial results		(9,304)	(12,428)	25.1
<i>as a % of revenues</i>		(0.9)	(1.1)	
Profit before tax		34,047	22,716	49.9
Income taxes	2.6.5.6	11,597	(8,264)	>100
Net profit for the year		45,644	14,452	>100
<i>as a % of revenues</i>		4.4	1.3	
<i>thereof due to non-controlling interests</i>	2.6.7.5	740	1,035	(28.5)
<i>thereof due to shareholders of the parent company</i>		44,904	13,417	>100
Average number of shares outstanding – basic (in 1.000 pcs.)		43,147	43,147	
Average number of shares outstanding – diluted (in 1.000 pcs.)		43,147	43,147	
Earnings per share (in EUR)	2.6.5.7			
Earnings per share (diluted and basic)		1.06	0.33	

¹ The correction of a system setting in the internal calculation logic led to the adjustment, without recognition through profit or loss, of the presentation of the various expense categories for the comparative period in accordance with IAS 8. Additional information is provided under "expenses" in the notes to the consolidated income statement.

2.2 Consolidated Statement of Comprehensive Income

in TEUR	Notes	2020/21	2019/20	Change in %
Net profit for the year		45,644	14,452	>100
Actuarial gain/loss	2.6.6.3	(8,046)	3,222	<-100
Deferred taxes due to actuarial gain/loss	2.6.6.5	(1,071)	(581)	(84.3)
Total of items that will not be reclassified ("recycled") subsequently to the income statement		(9,117)	2,641	<-100
Currency differences	2.6.6.1	(3,066)	1,243	<-100
Currency differences arising from loans	2.6.6.2	203	(1,220)	>100
Deferred taxes due to loans	2.6.6.5	92	288	(68.0)
Hedge accounting	2.6.6.4	63	139	(54.7)
Deferred taxes due to hedge accounting	2.6.6.5	(303)	361	<-100
Total of items that will be reclassified ("recycled") subsequently to the income statement		(3,011)	811	<-100
Subtotal other comprehensive income		(12,128)	3,452	<-100
<i>thereof due to non-controlling interests</i>	2.6.7.5	(273)	61	<-100
<i>thereof due to shareholders of the parent company</i>		(11,855)	3,391	<-100
Total comprehensive income		33,516	17,904	87.2
<i>thereof due to non-controlling interests</i>		467	1,096	(57.4)
<i>thereof due to shareholders of the parent company</i>		33,049	16,808	96.6

2.3 Consolidated Balance Sheet

in TEUR	Notes	30 April 2021	in %	30 April 2020	in %
Goodwill	2.6.7.1	190,191	19.5	191,510	18.9
Other intangible assets	2.6.7.2	41,379	4.2	46,694	4.6
Property, plant and equipment	2.6.7.3	271,328	27.8	284,561	28.1
Shares in associated companies	2.6.7.4	3,935	0.4	4,029	0.4
Financial assets	2.6.7.6	4,559	0.5	1,410	0.1
Other assets	2.6.7.7	3,322	0.3	3,915	0.4
Deferred taxes	2.6.7.8	37,360	3.8	23,461	2.3
Non-current assets		552,074	56.5	555,580	54.8
Inventories	2.6.7.9	158,321	16.2	170,931	16.9
Trade receivables ²	2.6.7.10	162,595	16.6	162,750	16.2
Financial assets	2.6.7.6	2,222	0.2	1,307	0.1
Other assets	2.6.7.7	37,270	3.8	49,258	4.9
Liquid funds	2.6.7.11	65,205	6.7	71,838	7.1
Current assets		425,613	43.5	456,084	45.2
ASSETS		977,687	100.0	1,011,664	100.0
Share capital	2.6.9.1	108,750	11.1	108,750	10.7
Additional paid-in capital	2.6.9.2	335,316	34.3	335,316	33.1
Reserves	2.6.9.3	(182,641)	(18.7)	(179,563)	(17.7)
Net profit for the year		44,904	4.6	13,417	1.3
Capital attributed to shareholders of the parent company		306,329	31.3	277,920	27.4
Capital attributed to non-controlling interests	2.6.7.5	2,087	0.2	2,762	0.3
Equity	2.6.9	308,416	31.5	280,682	27.7
Provisions for pensions	2.6.7.12	82,477	8.4	78,299	7.7
Provisions for termination benefits	2.6.7.12	49,093	5.0	49,189	4.9
Provisions for other employee benefits	2.6.7.12	10,702	1.1	10,524	1.0
Other provisions	2.6.7.15	27,245	2.8	12,484	1.2
Borrowings	2.6.7.16	137,114	14.1	208,597	20.6
Other liabilities	2.6.7.19	2,363	0.3	1,447	0.2
Deferred taxes	2.6.7.8	459	0.0	1,766	0.2
Non-current liabilities		309,453	31.7	362,306	35.8
Provisions for taxes		21,120	2.2	22,165	2.2
Other provisions	2.6.7.15	35,923	3.7	50,765	5.1
Borrowings	2.6.7.16	27,401	2.8	28,907	2.9
Trade payables		117,772	12.0	115,612	11.4
Other liabilities ²	2.6.7.19	157,602	16.1	151,227	14.9
Current liabilities		359,818	36.8	368,676	36.5
EQUITY AND LIABILITIES		977,687	100.0	1,011,664	100.0

² Customer bonuses and discounts were reclassified to contract liabilities. Additional information is provided in note 2.6.3 Adjustment of prior year data in accordance with IAS 8.

2.4 Consolidated Cash Flow Statement

in TEUR	Notes	2020/21	2019/20
Profit before tax	2.1	34,047	22,716
Depreciation and amortisation	2.6.5.2	64,822	66,379
Impairment of property, plant and equipment and intangible assets	2.6.5.2	6,761	5,077
Gain/loss on the disposal of property, plant and equipment and intangible assets		990	283
Other non-cash financial results	2.6.5.5	3,836	5,574
Interest income/ Interest expense	2.6.5.4	5,524	7,022
Share of profit or loss in associated companies	2.6.7.4	(56)	(168)
Changes in the scope of consolidation		(225)	(5,579)
Cash flow from operating results		115,699	101,304
Inventories		11,721	8,989
Trade receivables		(19,905)	8,297
Trade payables		2,915	(26,481)
Prepayments received		20,154	19,300
Change in working capital		14,885	10,105
Non-current provisions		8,394	(1,747)
Current provisions		(14,736)	8,958
Other assets		12,811	(7,691)
Other liabilities		11,197	7,119
Change in other operating items		17,666	6,639
Income taxes paid		(7,571)	(9,881)
Cash flow from operating activities		140,679	108,167
Cash inflows from the disposal of property, plant and equipment and other intangible assets		485	1,507
Cash outflows for the purchase of property, plant and equipment and other intangible assets		(38,135)	(57,909)
Change in non-current and current financial assets		(3,304)	453
Change in liquid funds from changes in the consolidation range		0	785
Interest received		274	281
Cash flow from investing activities		(40,680)	(54,883)
FREE CASH FLOW		99,999	53,284
Cash proceeds from non-current and current borrowings	2.6.8.2	1,781	51,362
Cash repayments of non-current and current borrowings	2.6.8.2	(94,018)	(56,482)
Dividend paid to shareholders of the parent	2.6.9.4	(4,315)	0
Dividend paid to non-controlling interests	2.6.7.5	(1,135)	0
Interest paid		(5,673)	(7,209)
Cash flow from financing activities		(103,360)	(12,329)
CHANGE IN CASH AND CASH EQUIVALENTS		(3,361)	40,955
Cash and cash equivalents at the beginning of the period	2.6.8.1	59,739	19,605
Cash and cash equivalents at the end of the period	2.6.8.1	54,818	59,739
Effects of exchange rate changes on cash and cash equivalents		(1,560)	(821)
Change absolute		(3,361)	40,955

2.5 Consolidated Statement of Changes in Equity

2020/21 Financial Year

Attributed to shareholders of the parent company										
Notes	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity	
in TEUR										
30 April 2020		108,750	335,316	(10,909)	(37,770)	240	(117,707)	277,920	2,762	280,682
+/- Net profit for the year	2.1	0	0	44,904	0	0	0	44,904	740	45,644
+/- Other comprehensive income	2.2	0	0	0	(2,498)	(240)	(9,117)	(11,855)	(273)	(12,128)
+/- Total comprehensive income		0	0	44,904	(2,498)	(240)	(9,117)	33,049	467	33,516
+/- Changes in the scope of consolidation		0	0	(325)	0	0	0	(325)	0	(325)
+/- Dividends	2.6.9.4	0	0	(4,315)	0	0	0	(4,315)	(1,142)	(5,457)
30 April 2021		108,750	335,316	29,355	(40,268)	0	(126,824)	306,329	2,087	308,416

2019/20 Financial Year

Attributed to shareholders of the parent company										
Notes	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity	
in TEUR										
30 April 2019		108,750	335,316	(24,141)	(38,020)	(260)	(120,533)	261,112	1,666	262,778
+/- Net profit for the year	2.1	0	0	13,417	0	0	0	13,417	1,035	14,452
+/- Other comprehensive income	2.2	0	0	0	250	500	2,641	3,391	61	3,452
+/- Total comprehensive income		0	0	13,417	250	500	2,641	16,808	1,096	17,904
+/- Changes in the scope of consolidation		0	0	(185)	0	0	185	0	0	0
30 April 2020		108,750	335,316	(10,909)	(37,770)	240	(117,707)	277,920	2,762	280,682

2.6 Notes

2.6.1 General Information

The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code and the provisions of IFRS/IAS that were issued by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee that were valid as of the balance sheet date, to the extent that these regulations have also been adopted by the European Union through its endorsement proceedings. Therefore, the consolidated financial statements of Zumtobel Group AG comply with all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2020/21 financial year.

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 17 June 2021. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether it approves the consolidated financial statements. The relevant Supervisory Board meeting is scheduled for 24 June 2021 in Dornbirn.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel Group AG, are located at Höchster Strasse 8, A-6850 Dornbirn, Austria, and the company is registered with the Provincial and Commercial Court in Feldkirch, Austria, under FN 62309g. The balance sheet date is 30 April, and the reporting year covers the period from 1 May 2020 bis 30 April 2021. The reporting currency is the euro. The business activities of the Group are carried out through the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic lighting components and LED lighting components).

The annual financial statements of the companies included in the consolidated financial statements were prepared on the basis of uniform accounting and valuation principles. The income statement was prepared in accordance with the cost of sales method. In order to improve the transparency and explanatory power of these consolidated financial statements, certain items were combined on the balance sheet and income statement and are presented separately in the notes. The amounts in the tables are presented in thousand euros (TEUR), unless stated otherwise. The use of automatic data processing equipment can lead to rounding differences.

The consolidated financial statements were prepared on the basis of historical acquisition cost, with the exception of the following positions:

- >> Derivative financial instruments carried at fair value through other comprehensive income (FVTOCI)
- >> Financial instruments carried at fair value through profit or loss (FVTPL)

2.6.2 Scope of Consolidation and Consolidation Methods

2.6.2.1 Scope of consolidation

The consolidated financial statements for 2020/21 include 91 (2019/20 90) fully consolidated companies which are controlled by Zumtobel Group AG. In accordance with IFRS 10, control exists when Zumtobel has the power of disposition over the subsidiary and, consequently, can determine the subsidiary's financial and business policies and is exposed to variable returns. Control is generally defined as the majority of voting rights. Contractual obligations in individual cases also establish control when the investment falls below the majority of voting rights.

One company was included in the consolidation at equity (2019/20: one). Nine companies (2019/20: ten) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial. An overview of the Group companies is provided in a list at the end of the notes.

IFRS interim financial statements were prepared as of 30 April for companies that have a different balance sheet date.

Any additional obligations to prepare subgroup financial statements based on local requirements are met with the publication of these consolidated financial statements.

The scope of consolidation changed as follows during the reporting year:

	Consolidation Method		Total
	full	at equity	
30 April 2020	90	1	91
Included during reporting year for first time	1	0	1
30 April 2021	91	1	92

The previously unconsolidated Europhane Portugal LDA, Portugal, was initially consolidated in February 2021. It is a wholly owned Group company.

2.6.2.2 Consolidation methods

Basis of consolidation

The principles set forth in IFRS 3 “Business Combinations” are used to eliminate the investment and equity for subsidiaries included through full consolidation. In accordance with this method, the subsidiary’s identifiable assets, liabilities and contingent liabilities are recognised at fair value as of the acquisition date. If the acquisition price exceeds the fair value of the acquired identifiable assets and liabilities, the difference is recognised as goodwill. Any negative differences are recognised immediately to profit or loss in accordance with IFRS 3 “Business Combinations”.

Non-controlling interests are carried at the respective proportion of the fair value of recognised assets and liabilities.

The profit or loss recorded by a subsidiary that is acquired or sold during the year is included in the Group income statement as of the effective date of acquisition or up to the effective date of disposal.

The equity method is applied to associated companies over which the Zumtobel Group 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 through profit or loss to reflect the proportional share of results for the reporting period less any profit distributions received, material interim profits and impairment loss to goodwill. Any changes in the net assets of the investment that are not included in the investee’s reporting period results or comprehensive income are recorded without recognition to profit or loss and reported on the statement of comprehensive income.

Other consolidation principles

Intercompany receivables are offset against the corresponding liabilities during the consolidation of liabilities. Revenue and expenses arising from transactions between Group companies are eliminated during the consolidation. Interim profits from inventories as well as the production and transfer of fixed assets between Group companies are eliminated unless they are immaterial.

Foreign currency translation

The functional currency method is used to translate the financial statements of foreign companies included in the consolidation. The local currency represents the functional currency for all these companies because the entities operate independently from a financial, economic and organisational standpoint. The functional currency of the Zumtobel Group is the euro. Assets and liabilities are translated using the average exchange rate on the balance sheet date. On the income statement, revenues and expenses are translated using monthly average exchange rates. The same applies to income and expenses recognised directly in equity. The resulting net difference is shown on the statement of comprehensive income.

The most important currencies for the Zumtobel Group are listed in the following table:

1 EUR equals	Average exchange rate:			
	Income Statement		Closing rate: Balance Sheet	
	30 April 2021	30 April 2020	30 April 2021	30 April 2020
AUD	1.6116	1.6429	1.5581	1.6598
CHF	1.0806	1.0900	1.0998	1.0558
USD	1.1760	1.1083	1.2082	1.0876
SEK	10.2943	10.6804	10.1640	10.6639
NOK	10.5694	10.1584	9.9533	11.1840
GBP	0.8917	0.8759	0.8686	0.8691

2.6.3 Adjustment of prior year data in accordance with IAS 8

The liabilities for customer bonuses and discounts consist primarily of subsequent customer rebates, which are granted for meeting previously agreed turnover or volume targets. These agreements meet the definition of contractual liabilities as defined in IFRS 15. Therefore, the net presentation under trade receivables (IAS 8.41) in the previous years was adjusted in 2020/21. This position is now reported as part of contract liabilities under other liabilities. The effects of the adjustment are shown in the following table.

in TEUR	30 April 2020 prior Restatement	Restatement	30 April 2020 after Restatement
Trade receivables gross	173,657	0	173,657
Valuation adjustments to receivables	(10,908)	0	(10,908)
Provision for customer bonuses and discounts	(16,873)	16,873	0
Trade receivables	145,876	16,873	162,750
ASSETS	994,791	16,873	1,011,664
EQUITY	280,682	0	280,682
Other liabilities	134,352	16,873	151,226
LIABILITIES	714,109	16,873	730,982
Equity ratio in %	28.2%	(0.5)%	27.7%

The correction of a system setting in the internal calculation logic during 2020/21 led to the adjustment, without recognition through profit or loss, of the presentation of the various expense categories for the comparative period in accordance with IAS 8.41. Additional information is provided under "Expenses" in the notes to the consolidated income statement 2.6.5.2.

2.6.4 Accounting and Valuation Methods

2.6.4.1 Effects of new and revised standards and interpretations

The following new, revised and/or expanded standards and interpretations were relevant for the Zumtobel Group for the first time in 2020/21:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IAS 1 and IAS 8	Change: Definition of materiality	1 January 2020
	Change to references in the conceptual framework for accounting	1 January 2020
IAS 39, IFRS 9 and IFRS 7	Reform of reference interest rates (Phase 1)	1 January 2020
IFRS 3	Change: Definition of a business	1 January 2020
IFRS 16	Change: Covid-19-related rental concessions	1 June 2020

The changes to IAS 1 and IAS 8 create a uniform definition of materiality for application in financial statements prepared according to IFRS.

The change to references in the conceptual framework for accounting introduces editorial adjustments by the European Financial Reporting Advisory Group (EFRAG) to previous references to the conceptual framework in various standards. The following standards are involved: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

The changes to IAS 39, IFRS 9 and IFRS 7 cover the recognition, measurement and disclosure requirements for derivatives.

With the change to IFRS 3, the IASB clarifies that a business comprises a group of activities and assets with at least one resource (input) and a substantial process which together significantly contribute to producing outputs.

The changes to IFRS 16 concerning Covid-19-related rental concessions create an exemption for lessees from the requirement to assess whether rental concessions granted in reaction to the Covid-19 pandemic represent a lease modification. This exemption was applied in connection with the granting of rent-free months, primarily for building leases.

These changed standards have no effect, or no material effect, on the Zumtobel Group.

The following new or revised IAS/IFRS/IFRIC interpretations were not applied prematurely. These standards and interpretations were published, but do not yet require mandatory application and/or were not yet adopted by the European Union through its endorsement process. Consequently, they were not applied by the Zumtobel Group in 2020/21:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IFRS 4	Change: Postponement of IFRS 9	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Change: Reform of reference interest rates (Phase 2)	1 January 2021
IAS 16	Change: Proceeds before intended use	1 January 2022
IAS 37	Change: Onerous contracts – costs for fulfilling a contract	1 January 2022
IFRS 3	Change: Reference to the Conceptual Framework	1 January 2022
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual improvements to IFRS (Cycle 2018- 2020)	1 January 2022
IAS 1	Change in presentation and change in the disclosure of accounting policies	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IFRS 17	Insurance contracts, incl. changes to IFRS 17	1 January 2023
IAS 1	Changes in the IAS 1 classification of liabilities as current and non-current	1 January 2023

Change of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of Reference Interest Rates (Phase 2)

With regard to the reform of reference interest rates, potential changes in the cash flows from a EUR/CHF cross-currency interest rate swap were analysed: Discussions have already started with the counterparty for the side denominated in CHF, and plans call for a changeover from CHF-Libor to SARON as the new reference interest rate by 31 December 2021 at the latest. The Zumtobel Group does not expect any material ineffectiveness for the hedge as a result of this adjustment. The results of foreign currency conversion on the hedged investment are recorded under equity and reported on the statement of comprehensive income.

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

2.6.4.2 Major accounting and valuation methods

Goodwill

Goodwill is recognised as an asset and tested for impairment at the level of the relevant cash-generating unit or group of cash-generating units. Any impairment is recognised immediately to profit or loss (additional information is provided in the notes 2.6.4.3 under "Discretionary decisions and estimation uncertainty").

Other intangible assets

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

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

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

Internally generated intangible assets are amortised on a straight-line basis (three to ten years). Capitalised development projects are tested for impairment at least once each year, or when there are indications of impairment, based on business plans for the individual products. Indications of impairment are reflected in a reduction of the carrying amount of the intangible asset and related equipment through profit or loss. If the recognition of an internally generated intangible asset is not permitted, the related development costs are expensed in the period incurred. Research costs are expensed as incurred.

Property, plant and equipment

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

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

Straight-line depreciation	Depreciation rate per year
Buildings	2 – 3.3%
Technical equipment and machinery	6.7 - 25%
Other equipment, furniture, fixtures and office equipment	6.7 – 33.3%

Straight-line amortisation for rights of use is based on the following rates:

Straight-line amortisation	Depreciation rate per year
Buildings	0.6 - 11%
Other equipment, furniture, fixtures and office equipment	20.0 – 33.3%

Leases

The accounting method applied to leases is explained in note 2.6.7.17.

Trade receivables

Trade receivables are initially recognised at the amount of the unconditional consideration. A receivable with a significant financing component is initially recognised at fair value and measured at amortised cost, including the deduction of any required impairment losses, in subsequent periods based on the effective interest method.

The Zumtobel Group continues to account for sold trade receivables at an amount equal to its ongoing commitment, i.e. at the maximum amount of the remaining inherent credit risk and delayed payment risk for the sold receivable, and recognises a corresponding liability to credit institutions. The receivables are subsequently derecognised in line with the reduction in the Zumtobel Group's continuing commitment.

The Group defines the goals of the business model in which the financial asset is held at the portfolio level. Trade receivables can be clearly assigned to portfolios for classification and measurement based on defined criteria: The business model "hold" for the collection of cash flows is generally used for trade receivables. Portfolios assigned to the business model "sell" are covered in full by factoring.

Additional information on the accounting treatment of trade receivables is provided in note 2.6.7.10 and in connection with the description of impairment principles.

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

Financial investments and other financial assets

Classification

The Zumtobel Group classifies its financial assets under the following valuation categories:

- >> at fair value through other comprehensive income (FVTOCI) or through profit or loss (FVTPL).
- >> at amortised cost.

The classification is dependent on the business model used by the company to manage the financial instruments and on the respective contractual cash flows.

For assets carried at fair value, the gains and losses are recognised to profit or loss (FVTPL) or to other comprehensive income (FVTOCI). The classification of investments in equity instruments that are not held for trading depends on whether the Group took an irrevocable decision on initial recognition to measure the equity instrument at fair value.

Recognition and derecognition

A standard market purchase or sale of financial assets is recognised as of the trading date, i.e. the date on which the Group commits to buying or selling the asset. Financial assets are derecognised when the entitlement to receive cash flows from the financial asset expires or is transferred and the Group has principally transferred all risks and rewards associated with ownership.

Measurement

The Zumtobel Group initially recognises a financial asset at fair value.

Debt instruments

The subsequent measurement of debt instruments is dependent on the business model used by the company for management of the asset and on the characteristics of the related cash flows. The Zumtobel Group classifies its debt instruments in two relevant valuation categories:

- >> At amortised cost: Assets are carried at amortised cost if they are held to collect contractual cash flows and if these cash flows consist entirely of interest and principal payments. The interest income from these financial assets is calculated according to the effective interest method and reported under financial income based. The gains or losses on derecognition are recognised directly to profit or loss and – together with any foreign exchange gains and losses – reported under other financial income and expenses.
- >> FVTOCI: The Group holds no assets for the purpose of collecting contractual cash flows and selling the financial asset.

Equity instruments

The Group subsequently measures all equity instruments at fair value. In principal, all changes in fair value, included dividends received, are recognised to profit or loss (FVTPL). Impairment losses and revaluations are not reported separately from the other changes in fair value. The Zumtobel Group holds no equity instruments to generate gains from short-term fluctuations in market prices or from trading margins.

Impairment

The Zumtobel Group applies a future-oriented approach to evaluate the expected credit losses on debt instruments carried at amortised cost or at fair value through other comprehensive income. The impairment method depends on whether there is a significant increase in the credit risk.

For trade receivables, the Group applies the simplified approach provided by IFRS 9 which permits the recognition of the expected credit loss over the term of the receivable beginning with initial recognition.

The measurement of trade receivables without a material financing component is always based on the concept of lifetime expected credit losses. In addition to the deduction of individual valuation allowances, the estimated expected credit losses are evaluated in a six-step risk class model based on the customer's actual payment behaviour towards the Group (internal factor), current external credit reports and credit loss insurance as well as the change in macroeconomic country ratings (external factor). Each risk class is assigned to an empirically determined credit loss probability in an impairment matrix and multiplied by the change in the country-specific factor (1.0 – 1.25). The expenses arising from valuation allowances to trade receivables are included under selling expenses (see note 2.6.11.2).

Probability of default per risk class in %

Debtor risk class 1	0.10%
Debtor risk class 2	0.25%
Debtor risk class 3	0.63%
Debtor risk class 4	1.94%
Debtor risk class 5	9.80%
Debtor risk class 6	15.00%
Public authority	0.00%

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

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

>> Impairment losses to financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

- >> If, for example, there are objective indications of impairment at the time of initial recognition, the expected credit loss is reflected in the interest rate. Separate disclosure of the impairment is not required on initial recognition, but a separate risk allowance is required for changes after that time.

Fair value

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

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

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

The fair value of derivative financial instruments can be reliably determined as of each balance sheet date because measurement is based on observable market input factors – i.e. all measurements are classified under Level 2 (also see note 2.6.11)

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

Hedge accounting

Derivatives which are designated as hedges because they meet the requirements for accounting as such are recognised and measured in accordance with the rules for hedge accounting defined by IAS 39. The Zumtobel Group did not exercise the option to apply the requirements of IFRS 9 up to now. However, plans call for the introduction of hedge accounting (IFRS 9) beginning on 1 May 2021; no material effects are expected. Derivatives are initially recognised at fair value on the origination date and subsequently re-measured at their fair value at the end of each reporting period. The accounting treatment of subsequent changes depends on whether the derivative is designated as a hedge and, when this is the case, on the type of the underlying hedge relationship. The Zumtobel Group classifies designated derivatives either as:

- >> Hedges of a specific risk that is connected with the cash flows of recognised assets and liabilities and highly probable, expected transactions (cash flow hedges), or
- >> Hedges of a net investment in a foreign operation (net investment hedges)

The Zumtobel Group holds no fair value hedges, i.e. hedges of the fair value of recognised assets or liabilities or fixed obligations.

At the beginning of the hedge relationship, the Group documents the economic relationship between the hedging instruments and the underlying hedged transactions. An assessment is also made to determine whether changes in the cash flows of the hedging instruments will offset changes in the cash flows of the underlying transactions. The Group documents the risk management goals and strategies on which the hedging relationships are based.

The fair values of derivative financial instruments which are designated in hedging relationships are listed in note 2.6.10. The full fair value of a hedging derivative is classified as a non-current asset or non-current liability when the remaining term of the underlying transaction exceeds 12 months, and as a current asset or current liability when the remaining term of the underlying transaction equals 12 months or less.

Cash flow hedges that are accounted for as hedges

The effective portion of the changes in the fair value of derivatives which are designated as hedging instruments within the framework of cash flow hedges are recorded under the cash flow hedge reserve as part of equity. The gain or loss on the ineffective portion is recognised immediately to profit or loss and recorded under other operating income / expenses.

The Group uses cash flow hedges in connection with EUR-interest rate swaps to hedge long-term, variable interest borrowings. The amounts accumulated in equity are reclassified in the periods in which the underlying transaction has an influence on profit or loss. The gain or loss on the effective portion of the interest rate swap is reported under financial results for the period in which the interest expense for the hedged credit is due and payable.

Hedge of a net investment

The accounting treatment of hedges of net investments in foreign operations is similar to the accounting treatment of cash flow hedges. Gains and losses on the hedging instrument which are attributable to the effective portion of the hedge are recorded on the statement of comprehensive income and accumulated in the reserves for currency differences from loans. The gain or loss attributable to the ineffective portion is recognised immediately to profit or loss. Gains or losses accumulated in equity are reclassified to profit or loss when the foreign operation is sold in part or in full.

Derivatives that are not accounted for as hedges

The Zumtobel Group holds foreign currency derivatives (primarily currency futures) which do not meet the requirements for hedge accounting. Changes in the fair value of a derivative instrument which is not accounted for as a hedge are recognised immediately to profit or loss. The hedge for the interest rate swap scheduled to end on 30 June 2021 was released as of 30 April 2021, and the negative fair value was reclassified from the reserve under equity to expenses.

The derivatives are accounted for as other financial assets or other liabilities depending on the fair value.

Current and non-current assets and liabilities

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

Categories and subsequent measurement of financial liabilities

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

- >> At fair value through profit or loss
- >> At fair value through other comprehensive income
- >> At amortised cost

Borrowings and other financial liabilities

Borrowings are carried at amortised cost. Any transaction costs or differences between the amounts received and the repayment amount are recognised to profit or loss on a straight-line basis over the expected term of the loan in accordance with the effective interest method.

Loans are derecognised when the contractual obligation is fulfilled, cancelled or expired.

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

Borrowing costs

General and specific borrowing costs which are directly related to the acquisition, construction or production of a qualified assets are capitalised during the period required for the completion and preparation of the asset for its intended use or sale. Qualified assets are assets which require a substantial period time to complete them for their intended use or sale.

Other borrowing costs are expensed as incurred.

Provisions

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

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

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

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

Employee benefits

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

>> Other long-term employee benefits consist primarily of the provisions for service anniversary bonuses and partial retirement in Germany as well as long-service leave in Australia.

>> Defined benefit plans

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

Plan assets are offset against the present value of the pension obligation. The pension obligations are valued each year by certified actuaries.

Defined benefit plans are measured as of each valuation date based on current best assumptions, which may change from one valuation date to the next. The actuarial gains and losses arising from changes in actuarial assumptions or differences between earlier actuarial assumptions and actual developments are recognised as incurred under other comprehensive income for the period after the deduction of deferred taxes. The actuarial gains and losses for the respective reporting period are reported separately on the statement of comprehensive income together with the related deferred taxes.

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

>> Defined contribution plans

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

Income taxes

The calculation of tax expense for the current period is based on taxable income for the financial year. Taxable income differs from net profit on the income statement because it excludes income and expenses that will become taxable in later years, or never become taxable or deductible for tax purposes. The Group's obligations for current tax expense are calculated on the basis of currently applicable tax rates.

The calculation of deferred taxes is based on the balance sheet-oriented liability method. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

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

Revenue recognition

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

An analysis identified the delivery of luminaires, transport and services as separate contract components. Transport and service are immaterial as a share of the total purchase price because the contract calls for the delivery of luminaires at a specific point in time and not the transport or provision of services over a period of time.

Guarantee services are generally not purchased separately and, therefore, cannot be seen as separate performance obligations. This is due to the fact that assurance-type guarantees in the lighting branch represent typical, technically based product characteristics and the promised guarantees generally do not exceed standard branch practices. The individual cases which exceed this level are immaterial. These assurance-type guarantees represent the promise that the sold products will meet the agreed specifications. Accordingly, guarantee services are recognised in agreement with IAS 37 "Provisions, Contingent Liabilities and Contingent Receivables".

Customer bonuses and discounts represent variable payments under IFRS 15 which reduce the transaction price. In accordance with IFRS 15, they must be accounted for as variable consideration. Advance payments received from customers on orders which are realised at a point in time as well as customer bonuses and discounts are reported on the balance sheet under "other liabilities" (see note 2.6.7.19). Revenues in the Zumtobel Group are, for the most part, recognised at a point in time because the delivery of luminaires normally takes place on a specific date. Most of the contracts do not cover the provision of complete solutions over a period of time and involve the delivery of luminaires with a standard branch guarantee on a specific date. If the criteria for recognition over time are not met, revenue is recognised at a point in time. In the Zumtobel Group, a customer obtains control over a promised product or service, above all, when the risks and rewards of ownership are transferred.

The Zumtobel Group also provides a limited scope of services which are invoiced on a monthly basis. In these cases, the customer receives and uses the benefits simultaneously with the performance by the Zumtobel Group – and revenue is recognised over time. Revenue is also recognised over time in individual cases involving the production of customer-specific products when the contracts create a legal entitlement to payment for previously provided services. Due to the short terms of these orders, the Zumtobel Group considers these effects to be immaterial. Any surplus of advance payments or partial payments by customers over the progress of contract performance within the framework of revenue recognition over time results in the recognition of contract liabilities from revenue recognition over time; the opposite situation results in the recognition of contract assets. Partial performance within the framework of projects is recorded under trade receivables because the entitlement to consideration is only dependent on time and not on any conditions.

Contract assets and contract liabilities are part of the Zumtobel Group's normal business cycle and are reported as current assets or current liabilities.

Foreign currency transactions

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

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, the impairment of assets, and earnings effects from the deconsolidation of group companies. These special effects are disclosed separately in the consolidated financial statements and designated as "thereof" on the income statement.

Government grants

Government grants related to income, which are provided as compensation for expenses, are recognised as income of the period in which they are granted; they are recorded at the gross amount under other operating income on the income statement. Government grants provided for investments are recognised as liabilities and distributed over the useful life of the related items of property, plant or equipment. The subsidies for short-time work in connection with the Covid-19 pandemic, which are recorded as a reduction of expenses, are explained in note 2.6.5.2.

2.6.4.3 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. The intrinsic value of the individual assets is validated by determining the applicable recoverable amount. If the recoverable amount of an individual asset cannot be determined, an estimate of the recoverable amount of the related cash-generating unit (CGU) is used.

Intangible assets with an indefinite useful life, intangible assets that are not yet available (e.g. development projects in progress) and goodwill are tested for impairment at the end of each financial year and whenever there are indications of impairment. Goodwill is tested for impairment at the level of the identified cash-generating units "CGU Lighting" and "CGU Components". The "CGU Lighting" and "CGU Components" represent the lowest level at which independent cash flows are generated. Product development, production and sales are responsible for the subordinate business areas of all brands. These two CGU's are identical to the "Lighting Segment" and "Components Segment" determined in accordance with IFRS 8.5.

The recoverable amount of the development projects in progress and completed development projects with indications of impairment was determined according to the value in use. The expected future cash flows from these projects were discounted for the calculation at country-specific, weighted average pre-tax cost of capital rates (Austria: 6.50%, Germany: 6.03%, Great Britain: 7.62%).

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

The most important determinants for impairment testing are a function of the forecasted cash flows, long-term growth rate and weighted average cost of capital used for discounting. The valuation period is based on a detailed, four-year forecast period plus a transition year and a perpetual annuity. The forecasts are based on external projections, past experience and estimates by the Management Board for the development of the market environment and earnings.

Both CGUs were tested for impairment in mid-2020/21 due to indications resulting from the Covid-19 pandemic. There were no indications of impairment to goodwill at the half-year or at the end of 2020/21 financial year.

The impact of the Covid-19 crisis on the Zumtobel Group in 2020/21 was lower than expected in the crisis-adjusted budget planning for the financial year. An upward trend was visible, above all, in revenues for the fourth quarter which were 2.4% over budget. Another positive indicator was the year-on-year increase in the order book. Budgeted EBIT was also exceeded. Revenues for the 2020/21 financial year, in total, were 0.6% over budget. Reductions in fixed costs made the most substantial contribution to the improvement in earnings. Personnel, marketing and travel costs, in particular, were clearly below forecast. Due to the continuation of the Covid-19 crisis, the recoverability of goodwill was tested as of the balance sheet date, similar to the previous year, through a qualitative assessment which was based on updated scenario-based earnings forecasts for the coming years. The budget for the 2021/22 financial year and the subsequent medium-term forecast show a return to growth in line with market data. Fixed costs were included in these forecasts, but with an adjustment for the positive effect of short-time work.

The increase in the fixed cost base to a pre-crisis level was overcompensated by an appropriate upward adjustment to the sales forecast and resulted in an increase in EBIT over the 2020/21 financial year. The medium-term forecast includes a return to the pre-crisis level in 2022/23. The working capital and CAPEX forecasts were also updated.

Four scenarios were prepared for the "CGU Lighting", which vary with regard to the assumptions for the duration and depth of the crisis.

- >> The baseline scenario (weighting: 40%) includes revenue over the pre-crisis level in 2022/23. Additional positive effects will be provided by "Ramp up Niš" and "Thorn Eco". The "ramp up" represents the positive effects from the transfer of products to Niš. "Thorn Eco" focuses on revenue growth from the rapidly expanding OTC business with outsourced luminaires.
- >> Under the second scenario (20%), the growth assumptions from the base scenario were reduced by 25% (excluding any additional effect from "Thorn Eco").
- >> The third scenario (20%) reduces the growth assumptions from the base scenario by 50% (excluding any additional effect from "Thorn Eco").
- >> The worst case scenario (20%) includes a reduction of 50% in the growth assumptions from the base scenario and no additional effects from "Ramp up Niš" and "Thorn Eco".

The "CGU Components" baseline scenario (weighting: 60%) assumes an increase over the pre-crisis level in the final forecast year (FY 2023/24). The worst case scenario (40%) simulates the possibility of a longer crisis through a delayed return to growth. These weightings reflected management's estimates. The major changes compared with the assumptions from FY 2019/20 include the extended duration of the crisis and the delayed start of growth.

The baseline scenarios for the segment forecasts include the following assumptions:

Non-observable input factors	2020/21	2019/20
For both CGUs:		
Long-term growth rate	1.50%	1.50%
Cash flow forecast period	4 years	4 years
CGU Lighting		
Pre-tax discount rate	8.37%	9.29%
CGU Components		
Pre-tax discount rate	9.56%	10.17%

- >> Long-term growth rate: The growth rate used to extrapolate cash flows beyond the forecast period. This growth rate is lower than the projections for the sector in which the cash-generating unit operates.
- >> Cash flow forecast period: The four-year forecasts prepared, approved and reviewed by management.
- >> Pre-tax discount rate: Represents the specific risks for the respective CGU and the countries in which it is active.

Additional information on the impairment testing of goodwill is provided in note 2.6.7.1.

- >> Provisions for employee benefits
 The actuarial measurement of employee benefits requires the use of assumptions for interest rates, expected income on plan assets, wage/salary and pension increases, the retirement age and life expectancy.
- >> Other provisions
 The provisions for guarantees and warranties include the estimated future costs for repairs and replacements as well as confirmed insurance coverage and are calculated according to past experience. The determination of provisions for restructuring involves estimates for workforce reductions and the resulting costs as well as the expenses connected with contract cancellations. The provisions for legal proceedings are based on management's estimates of the possible outcome of these proceedings. These assumptions are connected with uncertainty, and actual payments may vary from the estimates.
- >> Deferred tax assets
 The capitalisation of deferred taxes is based on expected future tax rates as well as estimates for the utilisation of these deferred taxes against future earnings. Possible changes in tax rates or income that differs from the assumed level could lead to the write-down of deferred tax assets.
- >> Lease terms
 The Zumtobel Group determines the terms of leases based on the non-cancellable base period together with periods arising from extension options which can be classified as sufficiently certain. Discretionary decisions are involved in assessing whether an option to extend or terminate a lease will be exercised. All relevant factors which represent an economic incentive are included in this decision. These factors are questioned and reassessed as required, which can lead to a change in the lease term and, in turn, to the adjustment of the lease liability and right of use. The relevant assumptions for determining the lease term, above all for the major leased office buildings, sales offices and warehouses with unlimited contracts, are based on the strategic focus, location and costs.

>> Uncertainties connected with the Covid-19 pandemic

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

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

2.6.5 Notes to the Consolidated Income Statement

2.6.5.1 Revenues

Revenues include an adjustment of TEUR 39,145 (2019/20: TEUR 38,546) for sales deductions (primarily customer discounts). Gross revenues totalled TEUR 1,083,597 (2019/20: TEUR 1,169,845).

Revenues recorded by the Zumtobel Group in 2020/21 resulted from the sale of lighting (74%), components (24%) and services (2%). Sales of lighting and components are recognised at a point in time. In contrast, the sale of services is recognised over time – i.e. on a monthly basis.

in TEUR	2020/21		2019/20	
Indoor luminaires & components	874,212	84%	962,481	85%
Outdoor luminaires & components	170,240	16%	168,819	15%
Revenues	1,044,452		1,131,299	

Information on the distribution of revenues by segment and region is provided in note 2.6.13. Information on the contract liabilities arising from contracts with customers is included in the disclosures on other liabilities (see note 2.6.7.19). All amounts reported under contract liabilities in the previous year were included in revenues for 2020/21.

2.6.5.2 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:

2020/21 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(448,179)	(4,140)	(56)	0	(452,375)
Personnel expenses	(168,238)	(153,949)	(28,542)	(6,652)	(357,381)
Depreciation	(50,342)	(17,754)	(964)	(2,523)	(71,583)
Other expenses	(61,565)	(82,745)	(10,469)	0	(154,779)
Own work capitalised	12,884	5	(21)	0	12,868
Internal charges	4,715	(5,301)	586	0	0
Total expenses	(710,726)	(263,884)	(39,466)	(9,175)	(1,023,251)
Other income	3,644	1,302	544	16,660	22,150
Total	(707,082)	(262,582)	(38,922)	7,485	(1,001,101)

2019/20 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(504,648)	(5,129)	(68)	0	(509,845)
Personnel expenses	(177,090)	(162,327)	(27,685)	(8,155)	(375,257)
Depreciation	(47,984)	(17,392)	(1,012)	(5,068)	(71,456)
Other expenses	(64,509)	(96,848)	(13,142)	0	(174,499)
Own work capitalised	17,000	458	43	0	17,501
Internal charges	6,295	(6,870)	575	0	0
Total expenses	(770,936)	(288,108)	(41,289)	(13,223)	(1,113,556)
Other income	2,892	2,894	283	11,332	17,401
Total	(768,044)	(285,214)	(41,006)	(1,891)	(1,096,155)

According to IAS 8.41, the prior year data for the presentation of expenses for 2019/20 were adjusted through a correction in intercompany billings. The cost of goods sold (TEUR 11,548) and selling expenses (TEUR 958) were reduced, and administrative expenses (TEUR 12,506) were increased. This adjustment resulted from the correction of a false system setting in the charge-out of central costs to the operating companies.

The cost of materials includes TEUR 24,984 (2019/20: TEUR 26,846) of third party services.

Other income includes government grants of TEUR 5,061 (2019/20: TEUR 6,606) which were provided primarily for research activities. Of this total, TEUR 4,898 (2019/20: TEUR 6,324) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 61,776 (2019/20: TEUR 59,229). Development costs capitalised during the reporting year equalled TEUR 12,492 (2019/20: TEUR 16,468), and the related amortisation and impairment losses recognised to these capitalised development costs amounted to TEUR 17,808 (2019/20: TEUR 18,607).

Selling expenses include research costs of TEUR 3,010 (2019/20: TEUR 3,514).

The subsidies of TEUR 10,992 received by the Zumtobel Group primarily for short-time work during the Covid-19 pandemic, are included as a reduction of TEUR 5,927 to the cost of goods sold, TEUR 4,931 to selling expenses and TEUR 134 to administrative and other costs. Due to the delayed effect, these subsidies had only a limited financial influence on the Zumtobel Group in the previous financial year.

PwC Wirtschaftsprüfung GmbH (2019/20 : KPMG Austria GmbH) performed or arranged to perform the following services for Zumtobel Group AG in 2020/21:

In TEUR	2020/21	2019/20
Total fees	513	380
<i>thereof audit and related activities</i>	470	236
<i>thereof other services</i>	43	144

The fees for other services are related to miscellaneous assurance services. The fees agreed with the member companies of the PwC network for auditing services in the Zumtobel Group totalled TEUR 1,264 (2019/20: TEUR 1,328). The prior year data are based on the services performed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and its network partners.

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

in TEUR	2020/21	2019/20
Wages	(52,417)	(52,644)
Salaries	(218,391)	(229,234)
Expenses for termination benefits	(4,038)	(3,008)
Expenses for pensions	(4,428)	(4,611)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(58,023)	(57,526)
Other employee benefits	(7,435)	(9,044)
Contract workers	(6,051)	(11,043)
Expenses from restructuring	(6,598)	(8,147)
Personnel expenses	(357,381)	(375,257)

2.6.5.3 Other operating results

in TEUR	2020/21	2019/20
Government grants	4,898	6,324
License revenues	2,485	1,787
Changes in the scope of consolidation	0	1,970
Other income	2,267	770
Income from release of provisions	7,009	0
Other operating income	16,660	11,332
Impairment loss to non-current assets	(2,524)	(5,077)
Restructuring	(6,598)	(7,019)
IAS 19 – past service cost adjustment	0	(1,127)
Other operating expenses	(9,175)	(13,223)

As in the prior year, the government grants received in 2020/21 represent subsidies that were recognised to profit or loss.

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

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

The special effects are classified as follows:

in TEUR	2020/21	2019/20
Expenses related to Les Andelys (FR) facility buyback	(132)	(2,973)
Income from reversal of provisions related to LesAndely (FR) facility	3,691	0
Restructuring UK subsidiary	(1,560)	0
Warranty case outdoor luminaires (UK)	401	(7,984)
Restructuring other facilities	(1,156)	(3,273)
IAS 19 – past service cost adjustment	0	(1,127)
Reorganisation management and sales	(1,885)	(853)
Deconsolidation effects	0	(18)
Impairment in tangible and intangible assets	(2,524)	0
Restructuring Sales Germany	(1,165)	0
Lighting Segment	(4,330)	(16,228)
Impairment capitalized R&D	0	(3,987)
Restructuring facility Jennersdorf (AT)	0	481
Income from reversal of provisions related to litigation	950	0
Income from reversal of provisions related to Jennersdorf (AT) facility	1,968	0
Restructuring other facilities	(700)	0
Components Segment	2,218	(3,506)
Lucky Buy - First time consolidation LED FMT GmbH (formerly Lexedis Lighting GmbH)	0	1,970
Impairment capitalized R&D	0	(992)
Central Functions	0	978
Total	(2,112)	(18,756)

The special effects reported in 2020/21 include TEUR 0 (2019/20: TEUR 7,984) of material costs, TEUR 6,598 (2019/20: TEUR 8,147) of personnel expenses, TEUR 2,524 (2019/20: TEUR 5,077) of impairment losses and TEUR –7,009 (2019/20: TEUR –2,452) of other income.

2.6.5.4 Interest income and expenses

Interest expense includes interest and fees for the current consortium credit agreement as well as the interest component of the lease for the plant in Great Britain (TEUR 1,468; 2019/20: TEUR 1,575) and the interest component of lease liabilities capitalised in accordance with IFRS 16 (TEUR 1,789; 2019/20: TEUR 2,057).

2.6.5.5 Other financial income and expenses

in TEUR	2020/21	2019/20
Interest component as per IAS 19 less income on plan assets	(2,464)	(3,041)
Foreign exchange gains and losses	(2,094)	(1,396)
Market valuation of financial instruments	383	(916)
Losses on sale/Impairment	339	(221)
Total	(3,836)	(5,574)

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

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at their respective market values as of the balance sheet date. The positive valuation results in 2020/21 resulted chiefly from the remeasurement of the ineffective portion of the EUR/CHF cross-currency interest rate swap. The negative valuation results in 2019/20 are related primarily to the measurement of forward exchange contracts in Swiss francs.

2.6.5.6 Income taxes

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

in TEUR	2020/21	2019/20
Current taxes	(4,585)	(7,733)
<i>thereof current year</i>	(4,567)	(6,748)
<i>thereof prior years</i>	(18)	(985)
Deferred taxes	16,182	(531)
Income taxes	11,597	(8,264)

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to –34.06% in 2020/21 (2019/20: 36.38%). Deferred tax income results primarily from the accounting treatment of temporary differences in non-current financial assets. Details are provided under note 2.6.7.8.

The difference between the theoretical tax rate and actual tax rate for the Group is explained in the following table:

Difference between calculated and actual income tax expense

in TEUR	2020/21	2019/20
Profit before tax	34,047	22,716
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	(8,512)	(5,679)
Difference between calculated/actual tax expense	20,109	(2,585)
Non-deductible expenses	(2,966)	(2,470)
Foreign tax rates	1,938	535
Adjustments to valuation discounts for deferred taxes	54,753	(2,124)
Tax-free income	1,493	1,497
Effects from changes in loss carryforwards	(31,880)	3,362
Other items	(3,229)	(3,385)
Total tax expense	11,597	(8,264)

Deferred taxes of TEUR 14,875 (2019/20: TEUR 10,309) were recognised on tax deductible impairment losses to investments at the level of the head company and member companies of the Austrian tax group. This represents deferred taxes on 100% of the outstanding partial write-downs in Austria. The other items consist primarily of tax effects from permanent accounting differences and from previous periods.

The effects reported under the "adjustments to valuation discounts for deferred taxes" resulted chiefly from the reclassification for tax purposes of loans granted by Zumtobel Lighting GmbH to Thorn Lighting Holdings Ltd. and from the use of loss carryforwards by the Austrian tax group. The partial write-downs to the loans were not accounted for as tax deductible and therefore led to a change in the existing tax loss carryforwards and a corresponding adjustment to the valuation discounts. The effect for Zumtobel Group AG amounted to approximately TEUR 35,712. The other adjustments under this position include, in particular, TEUR 19,047 for Thorn Lighting Ltd. The effects from changes in the loss carryforwards resulted mainly from a reduction in tax loss carryforwards following the reclassification of loans granted by Zumtobel Lighting GmbH to Thorn Lighting Holdings Ltd. and findings from a tax audit. The total effect for Zumtobel Group AG, as the head of the Austrian tax group, equalled TEUR 31,333.

The option to form a tax group in accordance with § 9 of the Austrian Corporate Tax Act of 1988 has been used in Austria since the 2004/05 financial year. For this purpose, Zumtobel Group AG, as the head of the group, concluded a tax transfer contract with the following group members: Zumtobel Lighting GmbH (participating corporation), ZG Lighting Austria GmbH, Zumtobel Holding GmbH, Zumtobel Insurance Management GmbH, Zumtobel Pool GmbH, Tridonic GmbH (participating corporation), Tridonic Jennersdorf GmbH, Tridonic Holding GmbH, LEDON Lighting GmbH, RFZ Holding GmbH (formerly Zumtobel LED Holding GmbH; participating corporation), Zumtobel LED GmbH (participating corporation) and FURIAE Immobilien GmbH.

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

against the taxable profit of the respective group member or the head of the group in accordance with any carry forward and/or transfer limits.

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

2.6.5.7 Earnings per share

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

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

2.6.6 Notes to the Consolidated Statement of Comprehensive Income

2.6.6.1 Foreign exchange differences

Foreign exchange differences arise when the historical exchange rate on the initial consolidation date differs from the rate in effect on the balance sheet date for companies which do not report in the euro. 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 –1,319 (2019/20: TEUR 1,211) of currency-related adjustments to goodwill. The currency reserve under equity also contains a foreign exchange-related effect of TEUR –273 (2019/20: TEUR 61) from non-controlling interests. The deconsolidation of a Group company whose functional currency is not the euro involves the reclassification of the related amounts from the currency reserve to the income statement and the inclusion of these amounts in deconsolidation results.

2.6.6.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR 203 (2019/20: gains of TEUR –1,220) from loans result from the change in the effective portion of the EUR/CHF cross-currency interest rate swap, which is part of a hedge of the CHF-net investment in a foreign operation, as well as long-term loans granted by the Group in GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and must therefore be reported under other comprehensive income.

2.6.6.3 Actuarial gain/loss

The actuarial losses of TEUR –8,046 recognised in 2020/21 (2019/20: gains of TEUR 3,222) include losses of TEUR –7,152 (2019/20: gains of TEUR 4,012) for pension plans which consist primarily of the following: a loss of TEUR –12,662 (2019/20: gain of TEUR 3,695) in Great Britain and TEUR –191 (2019/20: gain of TEUR 537) in Germany as well as a gain of TEUR 5,658 (2019/20: loss of TEUR –172) in Switzerland.

2.6.6.4 Hedge accounting

The amount of TEUR 63 (2019/20: TEUR 139) reported under hedge accounting results from a change in the market value of the derivatives which qualify for hedge accounting and were concluded to hedge the interest rate risks from long-term, variable interest EUR loans (2019/20: TEUR 75,000). The hedge was terminated as of 30 April 2021 and the fair value changes are no longer reported under comprehensive income but to profit or loss.

2.6.6.5 Deferred taxes

The deferred taxes of TEUR –1,282 reported on the statement of comprehensive income in 2020/21 (2019/20: TEUR 68) include TEUR –1,071 (2019/20: TEUR –581) from the provisions for pension and termination benefits, which resulted from actuarial gains/losses as defined in IAS 19 "Employee Benefits", as well as TEUR –303 (2019/20: TEUR 361) from the hedge accounting reserve and TEUR 92 (2019/20: TEUR 288) from the reserve for foreign exchange differences from loans (IAS 21 reserve).

2.6.7 Notes to the Consolidated Balance Sheet

2.6.7.1 Goodwill

in TEUR	Lighting Segment	Components Segment	Total
30 April 2019	188,242	2,057	190,299
30 April 2020	189,513	1,997	191,510
30 April 2021	188,158	2,033	190,191

Recoverable amount

The recoverable amount of the "CGU Lighting" exceeded the carrying amount by EUR 258.4 million (2019/20: EUR 174.7 million). The comparable amount for the "CGU Components" was EUR 134.5 million (2019/20: EUR 65.6 million).

Effect of possible changes in material assumptions

An increase in the pre-tax WACC from 8.4% to 11.8% (FY 2020/21), from 9.3% to 11.8% (FY 2019/20) or a reduction of 33.6% in cash flow in FY 2020/21/24.8% in FY 2019/20, assuming the other parameter remained constant, would reduce the excess coverage of the "CGU Lighting" to zero. In the "CGU Components", an increase in the pre-tax WACC from 9.6% to 18.1% (FY 2020/21), from 10.17% to 14.5% (FY 2019/20) or a reduction of 54.3% in cash flow in FY 2020/21/34.7% in FY 2019/20 would reduce the excess coverage to zero.

Effect of changes in foreign exchange rates

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR –1,319 to goodwill in 2020/21 (2019/20: TEUR 1,211) which was not recognised through profit or loss. These foreign exchange effects are allocated primarily to the assets in the Lighting Segment for segment reporting.

2.6.7.2 Other intangible assets

2020/21 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2020	55,943	202,250	258,193
Foreign currency translation	(49)	(224)	(273)
Additions	842	12,836	13,678
Disposals	(2,176)	(1,451)	(3,627)
Transfers	1,548	429	1,977
30 April 2021	56,108	213,840	269,948
Accumulated amortisation			
30 April 2020	(48,841)	(162,658)	(211,499)
Foreign currency translation	18	211	229
Scheduled depreciation	(2,619)	(13,958)	(16,577)
Impairment	0	(3,880)	(3,880)
Disposals	2,273	988	3,261
Transfers	0	(103)	(103)
30 April 2021	(49,169)	(179,400)	(228,569)
Net carrying amount 30 April 2020	7,102	39,592	46,694
Net carrying amount 30 April 2021	6,939	34,440	41,379

2019/20 Financial Year

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

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38 "Intangible Assets". The additions to acquisition costs, including transfers, contain capitalised development expenses of TEUR 12,492 (2019/20:TEUR 16,468). Most of these additions involve product developments in the lighting and lighting components areas, whereby TEUR 10,154 were not yet available for use as of 30 April 2021 (2019/20:TEUR 13,678).

2.6.7.3 Property, plant and equipment

2020/21 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2020	313,617	331,041	121,852	14,451	780,960
Foreign currency translation	(782)	(658)	(485)	(41)	(1,967)
Additions	17,847	5,722	6,733	15,571	45,873
Disposals	(6,371)	(16,761)	(5,628)	(66)	(28,825)
Transfers	1,598	11,239	1,398	(16,211)	(1,976)
30 April 2021	325,909	330,583	123,869	13,704	794,065
Accumulated amortisation					
30 April 2020	(146,465)	(260,503)	(89,432)	0	(496,399)
Foreign currency translation	494	501	483	0	1,478
Scheduled depreciation	(18,285)	(17,647)	(12,314)	0	(48,246)
Impairment	0	(2,881)	0	0	(2,881)
Disposals	2,067	16,078	5,064	0	23,208
Transfers	0	103	0	0	103
30 April 2021	(162,188)	(264,349)	(96,200)	0	(522,737)
Net carrying amount 30 April 2020	167,153	70,538	32,419	14,451	284,561
Net carrying amount 30 April 2021	163,721	66,234	27,669	13,704	271,328

No items of property, plant or equipment were pledged as security for loans under the current credit agreements. Note 2.6.7.17 provides information on the rights of use included in property, plant and equipment which resulted from the application of IFRS 16.

The Group has incurred obligations of TEUR 12,299 (2019/20: TEUR 10,974), for the purchase of property, plant and equipment. These obligations are classified as follows and relate primarily to investments in the plant in Serbia: land and buildings at TEUR 14 (2019/20:TEUR 5), plant and machinery at TEUR 5,011 (2019/20:TEUR 10,271) and other non-current assets at TEUR 7,274 (2019/20:TEUR 698).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 504 (2019/20:TEUR 637), plant and machinery at TEUR 11,592 (2019/20:TEUR 12,065) and other non-current assets at TEUR 1,431 (2019/20:TEUR 1,774).

2019/20 Financial Year

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

2.6.7.4 Associated companies

Inventron AG, Switzerland, in which the Zumtobel Group holds an investment of 48%, is considered an associate in the sense of IAS 28 "Investments in Associates" because of the significant influence – but not control – which is exercised over major financial and/or operating policies ("associated company"). Therefore, this company was included in the consolidated financial statements at equity as of 30 April 2021. This company is active in the development and production of lighting and electronics in customer-specific small series.

Key data on Inventron AG is shown in the following table:

in TEUR	2020/21	2019/20
Assets	9,862	10,434
Non-current assets	5,646	5,095
Current assets	4,216	5,339
Liabilities	1,664	2,036
Non-current liabilities	707	549
Current liabilities	957	1,486
Equity	8,198	8,399
thereof group share	3,935	4,029
Revenues	11,777	9,032
Net profit/loss for the year	118	352
thereof group share	56	169

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

Detailed information on receivables and liabilities due from/to associated companies is provided in note 2.6.16.

2.6.7.5 Non-controlling interests

The following companies have non-controlling interests:

Company	Country	Operating Segment	30 April 2021	30 April 2020
Thorn Gulf LCC	UAE	Lighting Segment	51%	51%
ZG Lighting Trading LLC	Qatar	Lighting Segment	51%	51%

Additional contractual agreements give the Zumtobel Group control over Thorn Gulf LCC, UAE, and ZG Lighting Trading LLC, Qatar, in the sense of IFRS 10 "Consolidated Financial Statements". These two companies are therefore included through full consolidation.

The following tables present summarised financial information on the subsidiaries with non-controlling interests. This information represents the balances before intragroup eliminations:

	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
Balance Sheet						
in TEUR	30 April 2021			30 April 2020		
Non-current assets	365	113	478	564	97	661
Current assets	4,150	3,274	7,424	7,527	5,505	13,032
Assets	4,515	3,387	7,902	8,091	5,602	13,693
Non-current liabilities	240	83	323	323	52	376
Current liabilities	2,030	926	2,956	4,136	2,931	7,067
Equity	2,245	2,378	4,623	3,632	2,619	6,250
<i>thereof due to non-controlling interests</i>	<i>899</i>	<i>1,188</i>	<i>2,087</i>	<i>1,453</i>	<i>1,309</i>	<i>2,762</i>
Equity and Liabilities	4,515	3,387	7,902	8,091	5,601	13,693
Dividends	(1,841)	(812)	(2,653)			

	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
Statement of Comprehensive Income	2020/21			2019/20		
in TEUR	2020/21			2019/20		
Revenues	6,783	6,230	13,013	16,133	7,338	23,470
Net profit/loss for the year	808	833	1,641	1,239	1,078	2,317
<i>thereof due to non-controlling interests</i>	323	417	740	496	539	1,035
Subtotal other comprehensive income	(353)	(262)	(615)	92	49	141
<i>thereof due to non-controlling interests</i>	(142)	(131)	(273)	37	25	61
Total comprehensive income of non-controlling interests	181	286	467	533	564	1,096
Dividends paid to non-controlling interests	(736)	(406)	(1,142)			

	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
Cash Flow Statement	2020/21			2019/20		
in TEUR	2020/21			2019/20		
Cash flow from operating activities	2,884	2,124	5,009	1,194	(192)	1,002
Cash flow from investing activities	(4)	0	(4)	(719)	(161)	(880)
Cash flow from financing activities	(2,049)	(887)	(2,935)	428	80	508
Net increase/decrease in cash and cash equivalents	831	1,238	2,069	903	(273)	630

2.6.7.6 Financial assets

Non-current financial assets consist primarily of securities and similar rights, and shares in other companies. This position also includes amounts receivable from insurance for the coverage of guarantee claims (TEUR 3,433; 2019/20: TEUR 0).

Current financial assets consist mainly of positive market values from hedged positions in the form of foreign exchange derivatives (TEUR 245; 2019/20: TEUR 1,280) and also include receivables of TEUR 1,962 (2019/20: TEUR 0) from a continuing involvement the factoring commitment.

Detailed information is presented in note 2.6.11.1.

2.6.7.7 Other assets

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

in TEUR	30 April 2021	30 April 2020
Coverage capital for Group life insurance	2,621	2,919
Other	701	996
Other non-current assets	3,322	3,915
Prepaid expenses and deferred charges	9,725	10,584
Amounts due from tax authorities	19,199	17,311
Prepayments made	2,770	3,471
Other	5,576	17,892
Other current assets	37,270	49,258

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

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

The main components of the position "other" are as follows: accrued research receivables of TEUR 218 (2019/20: TEUR 7,480), receivables of TEUR 1,031 (2019/20: TEUR 1,280) from partial retirement in Germany, claims of TEUR 670 (2019/20: TEUR 2,689) to government institutions in connection with the Covid-19 pandemic, receivables of TEUR 456 for licenses and amounts receivable of TEUR 0 (2019/20: TEUR 570) from insurance companies in Austria.

2.6.7.8 Deferred taxes

The deferred tax assets and deferred tax liabilities reported on the consolidated 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 2021			30 April 2020		
	Assets	Liabilities	Recognised through profit/loss	Assets	Liabilities	Recognised through profit/loss
Other intangible assets	3,038	8,446	1,358	2,811	9,685	944
Property, plant and equipment	1,986	6,737	(172)	1,991	6,592	(5,394)
Financial assets	0	2,332	25,741	0	28,163	(12,278)
Inventories	2,806	29	10	2,864	17	(70)
Trade receivables	399	551	347	174	697	(303)
Other receivables	120	2,546	1,043	13	3,464	10,587
Non-current provisions	19,653	0	(225)	20,967	8	2,117
Other provisions	5,233	700	1,493	3,794	710	2,661
Trade payables	1,709	12	(752)	2,483	30	1,014
Loss carryforwards	170,863	0	(12,661)	200,427	0	191
Deferred tax credits or liabilities	205,807	21,353		235,524	49,366	
Adjustments to valuation discounts for deferred taxes	(147,553)			(164,463)		
Offset of tax credits and liabilities due from/to the same taxation authority	(20,894)	(20,894)		(47,600)	(47,600)	
Deferred taxes	37,360	459		23,461	1,766	
Deferred tax income/expense			16,182			(531)

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 521,332 (2019/20:TEUR 657,847) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 21,989 (2019/20:TEUR 9,430) will expire within ten years. In agreement with IAS 12.39 "Income Taxes", deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries, apart from loans classified as net investments. The taxes on the difference between the book value for tax purposes and IFRS equity equal TEUR 17,936 (2019/20:TEUR 15,917). The calculation of deferred taxes for Group companies is based on the applicable national tax rate. Deferred taxes on loss carryforwards are only capitalised if they will be offset by deferred tax liabilities or if the utilisation of the loss carryforwards is sufficiently certain within the legally defined period. The prior year amounts for intangible assets and property, plant and equipment were adjusted.

Details on the deferred taxes recorded under other comprehensive income in 2020/21 are provided in note 2.6.6.5.

2.6.7.9 Inventories

The following table shows the gross value and impairment losses related to the various components of inventories:

in TEUR	30 April 2021	30 April 2020
Raw materials	59,526	64,111
<i>Gross value</i>	73,341	81,201
<i>Impairment loss</i>	(13,815)	(17,090)
Work in process	1,941	2,253
Semi-finished goods	7,452	6,836
<i>Gross value</i>	8,162	7,836
<i>Impairment loss</i>	(710)	(1,000)
Merchandise	24,374	24,081
<i>Gross value</i>	27,400	29,330
<i>Impairment loss</i>	(3,026)	(5,249)
Finished goods	65,028	73,650
<i>Gross value</i>	76,422	88,056
<i>Impairment loss</i>	(11,394)	(14,406)
Inventories	158,321	170,931

The changes in the valuation adjustments to inventories totalled TEUR 8,799 in 2020/21 (2019/20: TEUR 1,057).

2.6.7.10 Trade receivables

in TEUR	30 April 2021	30 April 2020
Trade receivables gross	171,540	173,658
Valuation adjustments to receivables	(8,945)	(10,908)
Trade receivables	162,595	162,750

Details on valuation adjustments are provided in note 2.6.12.1. Additional information on the adjustment of prior year data according to IAS 8.41 is provided in note 2.6.3.

The Zumtobel Group transferred trade receivables to a bank in exchange for liquid funds within the framework of a factoring agreement. These receivables were not derecognised in full because all of the related risks and rewards were neither transferred nor retained (allocation of risks and rewards between the Zumtobel Group and the bank). The assessment of the risks resulting from the sold receivables is based on the partially retained default risk and delayed payment risk. The remaining credit risk-related defaults are assumed by the bank. The Zumtobel Group continues to manage the servicing for the sold receivables and retains the right of disposal over the receivables.

in TEUR	30 April 2021	30 April 2020
Trade receivables gross before factoring	241,284	236,156
Continuing involvement		
Book value continuing involvement	1,962	0
Book value associated liability	1,962	0

The receivables sold through a factoring agreement, which had not been settled by the customers as of the balance sheet date, totalled TEUR 69,744 (2019/20: TEUR 62,498).

Expenses of TEUR 635 (2019/20: TEUR 982) were recognised in connection with the factoring agreement.

2.6.7.11 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 346 (2019/20: TEUR 493) are not available for discretionary use. The carrying amount of cash and cash equivalents corresponds to the market value because of the terms of these funds.

2.6.7.12 Employee benefits

The provisions for pensions and termination benefits represent post-employment benefits. Other provisions include miscellaneous non-current employee benefits as defined in IAS 19 "Employee Benefits".

The following table reconciles the beginning and ending balances of the present values:

Defined benefit plans as per IAS 19 in TEUR	Post-employment benefits					
	Pensions		Termination benefits		Other	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Beginning balance, net liability	78,299	81,752	49,189	47,479	10,524	9,671
Foreign currency translation & reclassification	(438)	581	0	0	82	(20)
Changes in the scope of consolidation	0	0	0	2,032	0	371
Changes recognised through profit or loss	3,020	5,164	1,271	1,962	1,177	1,569
<i>thereof service cost</i>	1,845	1,758	1,459	1,306	1,110	1,766
<i>thereof past service cost</i>	(771)	1,127	0	0	0	0
<i>thereof plan reductions and settlements</i>	0	0	(654)	(15)	0	0
<i>thereof interest expense</i>	3,757	5,742	466	671	53	91
<i>thereof expected income from plan assets</i>	(1,811)	(3,463)	0	0	0	0
<i>thereof actuarial gain/loss</i>	0	0	0	0	14	(288)
Actuarial gain/loss recognised to other comprehensive income	7,152	(4,012)	1,213	643	0	0
<i>thereof demographic adjustments</i>	(1,991)	(431)	0	0	0	0
<i>thereof financial adjustments</i>	13,705	6,894	1,140	605	0	0
<i>thereof experience-related adjustments</i>	(4,562)	(10,474)	73	38	0	0
Payments	(5,556)	(5,186)	(2,580)	(2,928)	(1,082)	(1,068)
<i>thereof to salaried employees</i>	(5,556)	(5,186)	(2,580)	(2,928)	(1,082)	(1,068)
Ending balance, net liability	82,477	78,299	49,093	49,189	10,702	10,524

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

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

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

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Germany	1.1%	1.3%	-	-	2.5%	2.5%	1.5%	1.5%	1)	1)
Great Britain	1.9%	1.5%	1.9%	1.5%	-	-	3.1%	2.3%	65/65	65/65
Switzerland	0.4%	0.4%	0.4%	0.4%	1.3%	1.5%	-	-	64/65	64/65
Sweden	0.5%	0.6%	-	-	-	-	1.8%	1.5%	65/65	65/65
Austria	1.2%	1.3%	-	-	2.5%	2.5%	-	-	2)	2)
France	0.7%	0.9% / 0.8%	-	-	2.5%	1.8% / 2%	-	-	3)	3)
Italy	1.1%	1.3%	-	-	1.5%	1.5%	-	-	67/67	67/67
Serbia	4.5%	4.5%	0.0%	-	5.5%	5.0%	-	-	4)	4)

The parameters also include mortality and invalidity rates which are based on country-specific tables. The parameter for Switzerland was converted from "Generationentafeln BVG2015" to "Generationentafeln BVG2020" in 2020/21.

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

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

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

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

Pension obligations

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

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

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

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

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

The pension plans in Germany are financed entirely through provisions and generally represent commitments for fixed salary-based pension subsidies or commitments based on the employee's final salary, whereby the amount is dependent on the number of years of service with the company. However, the pension plans in Germany have been closed to new employees for over ten years. The remaining risks for the company are therefore mainly actuarial in nature. There is no requirement to cover obligations through plan assets.

The pension obligations in Switzerland represent occupational pensions as defined in Swiss law ("Berufliche Vorsorge-Gesetz", BVG), which also includes benefits for surviving dependents and payments in the event of the participant's invalidity. The two involved Swiss companies outsourced these obligations through so-called full-coverage insurance contracts with syndicated funds formed by insurance companies. However, Swiss experts qualify these full-coverage insurance plans as defined benefit plans in accordance with IAS 19 "Employee Benefits" because of the legally guaranteed minimum payment. The management of plan assets by the syndicated funds is based on BVG regulations and the Swiss directive on occupational benefits for retirees, surviving dependents and invalids ("BVV 2"). On 1 January 2020, the pension fund provider was replaced. Higher conversion rates led to the recognition through profit or loss of TEUR -1,127 as past service costs in 2019/20.

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

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value it as defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.34. These expenses totalled TEUR 233 in 2020/21 (2019/20: TEUR 461), and the payments will total TEUR 223 in 2021/22. The asset coverage calculated in accordance with Swedish law equalled 160% (2019/20: 133%) for all plan participants. This coverage represents the difference between the insurance obligations and the fair value of the relevant assets, which was determined according to information provided by the pension fund programme.

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

in TEUR	30 April 2021	30 April 2020
Obligations not financed through funds	27,363	28,342
Obligations financed through funds	271,986	265,824
Present value of defined benefit obligation (DBO)	299,349	294,166
Fair value of plan assets	(216,872)	(215,867)
Net liability as per balance sheet	82,477	78,299

The provision for pensions is classified by country as follows:

in TEUR	30 April 2021	30 April 2020
Germany	25,612	26,484
Great Britain	47,844	36,351
Switzerland	7,270	13,606
Other	1,751	1,858
Net liability as per balance sheet	82,477	78,299

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

in TEUR	2020/21		2019/20	
	DBO	Plan assets	DBO	Plan assets
30 April 2020	294,166	215,867	292,882	211,130
Foreign currency translation	(1,601)	(1,163)	2,083	1,502
Service cost	1,845	0	1,758	0
Plan reductions and settlements	0	0	0	0
Past service cost	(771)	0	1,127	0
Interest expense / income	3,757	1,811	5,742	3,463
Actuarial gain/loss recognised to other comprehensive income	11,470	4,318	6,163	10,174
<i>thereof demographic adjustments</i>	(1,991)	0	(431)	0
<i>thereof financial adjustments</i>	13,705	0	6,894	0
<i>thereof experience-related adjustments</i>	(244)	4,318	(300)	10,174
Payments	(9,517)	(3,961)	(15,588)	(10,402)
<i>thereof payments</i>	(9,517)	(3,961)	(15,588)	(10,402)
<i>thereof payments due to settlements</i>	0	0	0	0
30 April 2021	299,349	216,872	294,166	215,867

The actual payments from the pension plans totalled TEUR 9,517 in 2020/21 (2019/20: TEUR 15,588).

Plan assets comprised the following as of 30 April 2021:

in TEUR	30 April 2021	thereof quoted on an active market
Liquid funds	16,087	15,448
Equity instruments	54,048	40,628
Debt instruments	47,312	42,382
Real estate	20,647	12,979
Assets held by insurance companies	10,569	0
Other	68,210	67,191
Plan assets	216,872	178,628

The plan assets generated income of TEUR 6,129 in 2020/21 (2019/20: TEUR 13,637).

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

in TEUR	30 April 2021	30 April 2020
Present value	299,349	294,166
Plan assets	(216,872)	(215,867)
Deficit	82,477	78,299

Termination benefits

These obligations are defined by law and require the company to make a lump-sum payment to employees on the termination of their employment relationship under certain circumstances.

The major termination benefit 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 termination payment when they reach retirement age or when the company ends the employment relationship. The amount of the claim is linked to the length of service and the amount of the final salary or wage. The termination benefit 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 2021	30 April 2020
Austria	43,558	43,501
France	3,566	3,858
Italy	1,969	1,830
termination benefits obligation	49,093	49,189

IAS 19 Reserve

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

n TEUR	Pensions	Termination benefits	Total
30 April 2019	108,662	11,871	120,533
Actuarial gain/loss	(4,012)	643	(3,368)
Changes in the scope of consolidation		(185)	(185)
Foreign currency translation	146	0	146
Deferred taxes	258	323	581
30 April 2020	105,055	12,652	117,707
Actuarial gain/loss	7,152	1,213	8,365
Foreign currency translation	(319)	0	(319)
Deferred taxes	1,331	(260)	1,071
30 April 2021	113,219	13,605	126,824

Deferred taxes of TEUR 1,071 were recognised in other comprehensive income during 2020/21 (2019/20: TEUR 581). Deferred taxes were not recognised for IAS 19 differences in Great Britain because their utilisation is not sufficiently certain.

The actuarial losses of TEUR –8,046 recognised in 2020/21 (2019/20: gains of TEUR 3,222) include losses of TEUR –7,152 (2019/20: gains of TEUR 4,012) for pension plans which consist primarily of the following: a loss of TEUR –12,662 (2019/20: gain of TEUR 3,695) in Great Britain and TEUR –191 (2019/20: gain of TEUR 537) in Germany as well as a gain of TEUR 5,658 (2019/20: loss of TEUR –172) in Switzerland.

Sensitivity analysis

Effects on the DBO as of 30 April 2021:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(22,613)	25,636	234	(245)	18,213	(17,655)
<i>thereof UK</i>	(18,050)	20,386	0	0	14,826	(16,203)
Termination benefits	(2,775)	3,017	2,798	(2,605)	0	0

Effects on the DBO as of 30 April 2020:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(22,402)	26,221	278	(290)	21,568	(16,619)
<i>thereof UK</i>	(17,440)	19,772	0	0	17,375	(15,411)
Termination benefits	(2,779)	3,180	2,977	(2,625)	0	0

Weighted average term of the obligation in years

	30 April 2021	30 April 2020
Pension plans	14	14
Termination benefits	13	13

The contributions to pension plans are expected to total TEUR 5,188 in 2021/22, and the expected termination benefits amount to TEUR 1,021.

Other long-term employee benefits

These obligations totalled TEUR 10,702 (2019/20:TEUR 10,524) and consisted mainly of the following provisions: TEUR 8,117 (2019/20:TEUR 7,832) for service anniversary bonuses in Austria, TEUR 877 (2019/20:TEUR 940) for partial retirement in Germany, TEUR 884 (2019/20:TEUR 869) for special leave in Australia and TEUR 824 (2019/20:TEUR 883) for legally required profit sharing and bonus payments for long-standing service in France.

2.6.7.13 Defined contribution obligations

Defined contributions of TEUR 4,356 to various pension plans were made by various group companies in 2020/21 (2019/20:TEUR 4,308). This amount also includes payments made in Austria based on the amended termination benefits regulations ("Abfertigung neu").

2.6.7.14 Defined benefit remuneration systems

The compensation packages for employees in certain functions include annual variable salary components. The employees assigned to these functions are entitled to participate in the Group's overall results and, consequently, are part of the Global Reward Scheme (GRS). The variable salary components of the GRS consist of two incentives:

- 1) Short-Term Incentive Scheme (STI)
- 2) Long-Term Incentive Scheme (LTI)

The variable remuneration comprises a short-term component (Short-Term Incentive; STI) and a long-term component (Long-Term Incentive; LTI). The STI is paid out in cash on the allocation date. The cash distribution from the LTI is spread over three, respectively five years, whereby the pay-out of the individual tranches is based on a performance evaluation on the respective distribution date.

The performance evaluation for the allocation of variable remuneration in the respective distribution years is based on two performance indicators: adjusted EBIT and free cash flow. The targets for these performance indicators are based on the budget forecast and set at the beginning of each financial year.

The evaluation of the accrued LTI tranches from earlier years is based on the total shareholder return of Zumtobel Group AG, which is compared with the total shareholder return of selected, comparable companies (peer group). This peer group has a broad distribution, from both a geographical and industrial perspective. The current tranche of the long-term component from the LTI commitment had been earned in full as of 30 April 2021, and a provision was therefore recognised at the full amount of the obligation. The provisions for share-based remuneration with cash settlement totalled TEUR 2,477 (2019/20:TEUR 1,996), and the respective amount recognised under personnel expenses in 2020/21 to TEUR 861 (2019/20:TEUR 1,186).

In addition to this remuneration method, variable salary components represent part of the total compensation package for the sales staff (direct sales jobs) and participants in defined local remuneration programmes.

2.6.7.15 Other provisions

2020/21 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2020	35,008	12,321	1,767	148	14,005	63,249
Addition	17,578	2,266	788	39	4,529	25,200
Utilisation	(8,816)	(3,679)	(252)	1	(5,427)	(18,173)
Reversal	(354)	(896)	(1,173)	0	(4,817)	(7,240)
Foreign currency translation	45	67	7	0	13	132
30 April 2021	43,461	10,079	1,137	188	8,303	63,168
<i>thereof current</i>	<i>17,233</i>	<i>10,079</i>	<i>1,137</i>	<i>188</i>	<i>7,286</i>	<i>35,923</i>
<i>thereof non-current</i>	<i>26,228</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,017</i>	<i>27,245</i>

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

Provisions for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 13,365 (2019/20: TEUR 20,083) for individual cases as well as experience-based provisions of TEUR 3,867 (2019/20: TEUR 3,483) for cases not recognised individually or not known. Provisions are created for cases not recognised individually or not known in connection with the voluntary extension of the guarantee to five years for Zumtobel products sold in the EU or EFTA countries. The respective calculations include the application of separate percentage rates for the various product groups to product revenues for the respective period. In addition, provisions of TEUR 26,229 (2019/20: TEUR 11,487) were recognised for long-term, extended guarantee commitments and individual damage cases connected with road lighting projects in Great Britain.

Provisions for restructuring

These provisions resulted from the restructuring measures connected with the plant reorganisation which were still in progress as of 30 April 2021.

2.6.7.16 Financial liabilities

in TEUR	30 April 2021	30 April 2020
Loans from financial institutions	1,964	111
Lease liability	13,190	14,276
Loans from public authorities	2,206	2,914
Loans from other third parties	0	0
Working capital credits	10,041	11,606
Current borrowings	27,401	28,907
Loans from financial institutions	80,000	155,605
Lease liability	51,346	48,253
Loans from public authorities	5,768	4,739
Loans from other third parties	0	0
Non-current borrowings	137,114	208,597
Borrowings	164,515	237,504

The consortium credit agreement concluded on 1 December 2015 represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of 30 April 2021, no funds were drawn under this credit agreement (30 April 2020: EUR 75 million). In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025. They were fully drawn as of 30 April 2021. These significant financing agreements include a change of control clause that would take effect if there were a change in the absolute majority of voting rights and require compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). The financial covenants were met in full as of 30 April 2021 with a debt coverage ratio of 0.85 (2019/20: 1.55) and an equity ratio of 31.5% (2019/20: 27.7%). The consortium credit agreement also includes a clause for an increase of up to EUR 200 million which can be drawn under certain circumstances. A deterioration or improvement in these financial indicators could lead to a gradual increase or decrease in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

2.6.7.17 Rights of use from leases and lease liabilities

The Zumtobel Group leases various items of real estate, machinery and motor vehicles. The related leases are generally concluded for three to five years but can also include extension options. These contracts can include leasing as well as non-leasing components. The transaction prices for the various components are based on their respective individual prices. Leases are negotiated individually and include a wide variety of different conditions. They do not include any credit conditions, with the exception that the leased object serves as collateral for the lessor. Consequently, leased assets may not be used as collateral for borrowings.

The assets and liabilities from leases are initially recognised at their present value. The lease liabilities include the present value of the following lease payments:

- >> Fixed lease payments (including de facto fixed payments minus any incentives received)
- >> Variable lease payments that are linked to an index or interest(rate) and initially recognised at the index or interest(rate) on the commencement date
- >> Expected payments by the Group from the utilisation of residual value guarantees
- >> Penalty payments connected with the cancellation of a lease, if it is probable that the Group will exercise the cancellation option.

The measurement of lease liabilities also includes the lease payments which would result from the sufficiently probable exercise of extension options. Lease payments are discounted at the underlying implied interest rate when this rate can be readily determined. If not – which is usually the case – discounting is based on the lessee's incremental borrowing rate, i.e. the interest rate that the lessee would have to pay to borrow over a similar term with similar security and conditions to purchase an asset of similar value in a similar economic environment.

The Group has ten interest rates at its disposal for use in establishing the incremental borrowing rate. These interest rates are based on the Group's five major currencies, each with two maturity bands.

The currency-specific three-year SWAP rate plus the Group's risk premium represents a uniform interest rate for all leases with a term up to four years. This covers the majority of the leasing contracts, which primarily involve motor vehicles with a term of 36 to 48 months. The currency-specific, six-year SWAP rate plus the Group's risk premium represents a uniform interest rate for all leases with a term over four years.

The Group's risk premium is based on the credit spread and the country-specific risk premium for Austria, which form the basis to establish the WACC for impairment testing. In line with the financing structure of the Zumtobel Group, a uniform risk premium was applied to the entire corporation. Local investments are generally financed internally through loans or with guarantees provided by the Group.

The Zumtobel Group is exposed to a potential increase in variable lease payments arising from a change in an index or interest (rate). Any effect on the lease payment is reflected in the remeasurement of the lease liability against the right of use. Lease payments are separated into a principal and an interest portion. The interest portion is recognised to profit or loss over the term of the lease to develop a constant periodic rate of interest over the remaining amount of the liability.

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

- >> Amount determined by the initial measurement of the lease liability
- >> any lease payments made at or before the commencement date, less any lease incentives received
- >> any initial direct costs incurred by the lessee and
- >> the estimated costs for the lessee to return the underlying asset to the condition required by the lease.

Rights of use are amortised on a straight-line basis over the shorter of the useful life of the asset and the term of the underlying lease. Payments for short-term leases of technical equipment, machinery and motor vehicles and low-value leases are expensed as incurred. Short-term leases are defined as leases with a term up to twelve months and without a purchase option. Low-value assets include IT and office equipment.

A number of real estate leases held by the Group, primarily in connection with sales locations, include extension and cancellation options. Most of these extension and cancellation options can only be exercised by the Zumtobel Group and not by the respective lessor. In establishing the term of a lease, management includes all facts and circumstances which could provide an economic incentive to exercise an extension option or not to exercise a cancellation option. Any changes in the term arising from the exercise of extension or cancellation options are only included in the lease term when the extension or non-exercise of the cancellation option is sufficiently probable.

Development of the rights of use in 2020/21:

in TEUR	Land & buildings	Other equipment	Right-of-use assets
30 April 2020	44,461	7,379	51,840
Foreign currency translation	(32)	(3)	(35)
Transfer	(148)	148	0
Changes in the scope of consolidation	6	20	26
Additions	932	3,995	4,927
Modification	12,097	0	12,097
Scheduled depreciation	(10,675)	(4,574)	(15,249)
Impairment	(371)	0	(371)
30 April 2021	46,270	6,965	53,235

Development of lease liabilities in 2020/21:

in TEUR	2020/21	2019/20
Beginning balance	62,529	17,082
IFRS 16 first time adoption	0	52,534
Foreign currency translation	21	0
Changes in the scope of consolidation	16	505
Additions	4,887	8,840
Modification	11,870	(1,110)
Repayments	(14,787)	(15,322)
Ending balance	64,536	62,529

Future lease payments to third parties:

2020/21 Financial Year

in TEUR	Minimum lease payments			Total Liability
	Future payments			
	< 1 year	1 - 5 years	> 5 years	
Total minimum lease payments	15,847	41,128	21,662	78,637
Less: finance charge = Interest expense	3,223	6,811	4,067	14,101
Present value of net minimum lease payments	12,624	34,317	17,595	64,536

2019/20 Financial Year

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

Expenses totalling TEUR 3,570 were incurred in 2020/21 (2019/20: TEUR 4,816) for short-term leases, low-value leases and service components. The interest expense arising from leases amounted to TEUR 3,257 (2019/20: TEUR 3,632). Lease payments totalled TEUR 18,740 (2019/20: TEUR 20,991), and there are no conditional lease payments.

Material leases:

A GBP 15.7 million finance lease was concluded in 2008/09 for the factory building in Spennymoor, Great Britain. This finance lease has a 21-year term, whereby no payments were due in the first year. The net present value of the minimum lease payments totalled TEUR 14,872 as of 30 April 2021 (2019/20: TEUR 15,833). The year-on-year change in the net present value of the minimum lease payments resulted chiefly from foreign exchange translation effects.

2.6.7.18 Zumtobel Group as the lessor

The Zumtobel Group concluded an operating lease with an external lessee for the discontinued lighting plant in Romania. The lease term began on 1 May 2010 and ends on 31 December 2021. The Zumtobel Group has also sublet vacant office and warehouse space which, in total, is immaterial in scope. The terms of these subleases range from one to three years.

in TEUR	30 April 2021	30 April 2020
not exceeding 1 year	622	492
1 to 5 years	197	328
more than 5 years	0	0
Future minimum lease payments from third parties	819	820

Rental income of TEUR 747 was received in 2020/21 (2019/20: TEUR 492). Of this total, TEUR 255 (2019/20: TEUR 492) represent income from sub-letting capitalised rights of use as defined in IFRS 16.

2.6.7.19 Other liabilities

The components of other current liabilities are as follows:

in TEUR	30 April 2021	30 April 2020
Vacations, comp. in free time, special payments to employees	51,518	46,037
Amounts due to employees	6,687	5,410
Miscellaneous taxes	18,410	20,178
Social security	5,565	6,280
Prepayments received	31,559	31,964
Customer bonuses, discounts and rebates	19,134	16,873
Accrued interest	27	45
Deferred income	8,818	8,957
Derivatives (hedge accounting)	3,848	4,897
Derivatives held for trading	265	1,263
Customs	3,652	1,941
Other liabilities	8,121	7,381
Other current liabilities	157,602	151,226

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

The prepayments received, rebates, bonuses and discounts are related to contract liabilities arising from contracts with customers. Information on the adjustment of prior year data is provided in note 2.6.3. The Zumtobel Group received government grants totalling TEUR 5,912 for the new plant in Serbia. These grants will be reported under deferred income until the grand conditions are met in full.

The increase of TEUR 1,447 in other non-current liabilities to TEUR 2,363 resulted chiefly from the incentive programme.

2.6.8 Notes to the Consolidated Cash Flow Statement

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

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

Cash flow from operating results rose from TEUR 101,304 in the previous financial year to TEUR 115,699 in 2020/21, above all due to the improvement in profitability.

Working capital was further optimised during the reporting year based on the continued improvement of inventory management. Trade receivables were further reduced despite the decline in revenues through consistent receivables management during the Covid-19 crisis. The receivables sold through factoring agreements totalled TEUR 69,744 (2019/20: TEUR 62,498). Working capital amounted to TEUR 152,452 as of 30 April 2021, which represents a reduction of TEUR 16,779 below the level on 30 April 2020.

As a per cent of rolling 12-month revenues, working capital declined from 15.0% in the previous year to 14.6%. The change in other operating positions equalled TEUR 17,666 (2019/20: TEUR 6,639). The cash outflows reported under this position resulted chiefly from the addition to provisions for guarantees. Cash flow from operating activities increased from TEUR 108,167 to TEUR 140,679 in 2020/21.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects, maintenance and capitalised research and development costs. Investments in non-current assets declined to TEUR 38,135 in 2020/21 (2019/20: TEUR 57,909) and include investments of TEUR 22,242 (2019/20: TEUR 34,109) in Dornbirn and TEUR 4,996 (2019/20: TEUR 9,951) for the lighting and components plant in Serbia (including capitalised development costs). The cash flow effects reported under the "changes in non-current and current financial assets" resulted chiefly from gains and losses realised on interest rate hedges and an increase in financial claims from insurance reimbursements. The increase in cash flow from operating activities and the reduction in investment activity were reflected in an improvement in free cash flow to TEUR 99,999 (2019/20: TEUR 53,284).

Cash flow from financing activities was adjusted by the non-cash additions to lease liabilities which resulted from the initial application of IFRS 16. This position includes cash outflows of TEUR 14,787 (2019/20: TEUR 15,322) for principal payments on lease liabilities and TEUR 5,673 (2019/20: TEUR 7,209) of interest paid on lease liabilities. Fixed interest loans of TEUR 75,000 were repaid. A dividend of TEUR 4,315 was distributed to shareholders during the 2020/21 financial year.

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 consolidated balance sheet under "liquid funds". Overdrafts are reported under current financial liabilities as part of working capital credits.

The balance sheet position "liquid funds" also includes the above-mentioned bank deposits that are not available for discretionary use as well as smaller deposits with a term over three months. These items are not considered to be part of cash and cash equivalents.

2.6.8.1 Reconciliation to cash and cash equivalents

in TEUR	30 April 2021	30 April 2020
Liquid funds	65,205	71,838
Not available for disposal	(346)	(493)
Overdrafts	(10,041)	(11,606)
Cash and cash equivalents	54,818	59,739

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

2.6.8.2 Reconciliation to financial liabilities

in TEUR	Loans received (non-current and current)	Overdrafts	Total	Lease liability (non-current and current)	Total Borrowings
30 April 2020	174,975	(11,606)	163,369	62,529	225,898
Cash proceeds from non-current and current borrowings			1,781	0	1,781
Cash repayments of non-current and current borrowings			(79,232)	(14,786)	(94,018)
Changes in the scope of consolidation			0	16	16
Effect of changes in foreign exchange rates			3,802	21	3,823
Other changes			218	16,757	16,975
30 April 2021	99,979	(10,041)	89,938	64,536	154,474

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

2.6.9 Notes to the Consolidated Statement of Changes in Equity

2.6.9.1 Share capital

Share capital amounts to EUR 108,750,000 and is divided into 43,500,000 bearer shares with zero par value. Zumtobel Group AG shares are traded in the Prime Market segment of the Vienna Stock Exchange. The stock market abbreviation is ZAG, and the international security identification number (ISIN) is AT0000837307. The company has no shares that carry special preferred rights or control rights.

A total of 43,146,657 shares were outstanding as of 30 April 2021 (2019/20: 43,146,657). The company holds 353,343 treasury shares (2019/20: 353,343).

2.6.9.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel Group AG. This item also includes transactions in treasury shares.

2.6.9.3 Reserves

Other reserves

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

Currency reserve

This reserve includes the currency differences resulting from the application of the historical exchange rate on the date of initial consolidation and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (also see notes 2.6.6.1 and 2.6.6.2) as well as the foreign exchange effects from an interest rate hedge. Foreign exchange-based adjustments to goodwill are also recorded under this position.

Hedge accounting

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

IAS 19 reserve

Additional information on the IAS 19 reserve is provided in note 2.6.7.12.

2.6.9.4 Dividend

The general meeting on 24 July 2020 approved a dividend payment of ten euro cents per share for the 2019/20 financial year. Accordingly, a total of TEUR 4,315 was distributed on 31 July 2020 to the 43,146,657 shares outstanding as of 28 July 2020 (43,500,000 shares less 353,343 treasury shares).

The Zumtobel Group follows a continuous dividend policy which calls for a pay-out of approximately 30% to 50% of consolidated net profit, taking any special effects into consideration. Net profit for the 2020/21 financial year was positive at TEUR 45,644. In view of this solid operating development, the Management Board plans to make a recommendation to the Supervisory Board, and subsequently to the annual general meeting of Zumtobel Group AG which is scheduled for 30 July 2021, to distribute a dividend of 20 euro cents per share for the 2020/21 financial year.

2.6.10 Capital management

The goals of capital management in the Zumtobel Group are to protect the continued existence of its member companies ("going concern") and to optimise the return for shareholders by creating the best possible balance between the use of equity and debt. The capital structure is monitored regularly based on the minimum equity ratio agreed with the lenders, including the cost and the risks connected with each type of capital. The main instruments used for capital management include an increase in or reduction of financial liabilities as well as dividend payments, new issues and share buybacks.

The consortium credit agreement and two long-term credit contracts with the European Investment Bank (EIB) represent the major financing agreements for the Zumtobel Group. Information on the credit agreements is provided in note 2.6.7.16.

2.6.11 Financial instruments

2.6.11.1 Categories of financial instruments as defined in IFRS 9

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

2020/21 Financial Year

Assets

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current financial assets	4,559	576	3,983				
<i>Securities and similar rights</i>	576	576	-	576			576
<i>Loans originated and other receivables</i>	3,983	-	3,983				
Current financial assets	2,222	245	1,977				
<i>Securities and similar rights</i>	1,962	-	1,962				
<i>Loans originated and other receivables</i>	15	-	15				
<i>Positive market values of derivatives held for trading</i>	245	245	-	245		245	
Trade receivables	162,595	1,962	160,633				
Liquid funds	65,205	-	65,205				
Total	234,581	2,783	231,798				

Liabilities

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current borrowings	137,114	-	137,114				
Loans received	85,768	-	85,768	88,236			
Lease liability	51,346	-	51,346				
Current borrowings	27,401	-	27,401				
Loans received	4,170	-	4,170				
Working capital credits	10,041		10,041				
Lease liability	13,190	-	13,190				
Trade payables	117,772	-	117,772				
Other current liabilities	4,140	4,113	27				
Negative market values of derivatives held for trading	265	265	-	265		265	
Negative market values of derivatives (hedge accounting)	3,848	3,848		3,848		3,848	
Other	27	-	27				
Total	286,427	4,113	282,314				

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

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

In the Zumtobel Group, the calculation of fair value is based primarily on input factors which, for the most part, are observable on the market (Level 2). The fair value of forward exchange contracts is based on the present value of future cash flows and reflects the application of current market-based interest rate curves for the respective currency and the foreign exchange rates in effect on the valuation date. The fair value of the remaining derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based on observable market input factors. These valuations reflect the Level 2 criteria. The Level 2 financial instruments comprise the derivatives reported under financial assets and financial liabilities (positive market values: TEUR 245, 2019/20: TEUR 1,280; negative market values: TEUR -4,113, 2019/20: TEUR -6,160). The risks associated with non-fulfilment of the financial assets and liabilities are reflected in risk discounts, in cases where the amounts are material.

The consolidated financial statements also include an immaterial amount of financial instruments whose valuation is not based on quoted prices or input factors that can be observed on the market (Level 3). Most of these financial instruments represent smaller investments in various companies. There were no major year-on-year changes in the composition of these financial instruments. No dividends were received during the reporting year (2019/20: TEUR 12).

2019/20 Financial Year

Assets

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current financial assets	1,410	576	834				
<i>Securities and similar rights</i>	576	576	-	576			576
<i>Loans originated and other receivables</i>	834	-	834				
Current financial assets	1,307	1,280	27				-
<i>Loans originated and other receivables</i>	27	-	27				
<i>Positive market values of derivatives held for trading</i>	1,280	1,280	-	1,280		1,280	
Trade receivables	162,750	-	162,750				
Liquid funds	71,838	-	71,838				
Total	237,305	1,856	235,449				

Liabilities

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

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

in TEUR	2020/21	2019/20
Net gains or net losses	(1,372)	(2,533)
<i>Financial instruments measured at amortised cost</i>	(2,094)	(1,396)
<i>Financial instruments at fair value through P&L</i>	429	(87)
<i>Net investment hedge – ineffective portion of changes in fair value</i>	418	(446)
<i>Realised losses from the hedge of a net investment</i>	(464)	(383)
<i>Losses on sale/Impairment</i>	339	(221)
Interest expense	(5,795)	(7,300)
<i>Interest expense for financial assets measured at amortised cost</i>	(5,795)	(7,152)
<i>Interest expense hedge accounting</i>	0	(148)
Interest income	271	278
<i>Interest income at amortised cost</i>	271	278
Valuation adjustments to trade receivables	1,053	(1,347)

Other financial income and expenses (TEUR –3,836; 2019/20: TEUR –5,574) include the net income or expense from these instruments (TEUR –1,372; 2019/20: TEUR –2,533) as well as the interest component as defined in IAS 19 “Employee Benefits” after the deduction of income on plan assets (TEUR –2,464; 2019/20: TEUR –3,041).

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

2.6.12 Information on Risk Management

The use of financial instruments exposes the Zumtobel Group, in particular, to the following risks:

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

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

2.6.12.1 Credit risk

- >> Trade receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts reported under assets therefore represent the maximum credit and default risk. However, this risk is considered low because it is distributed over a large number of customers and financial institutions. Losses on receivables, i.e. derecognised receivables, totalled 0.22% of Group revenues in 2020/21 (2019/20: 0.06%). In 2020/21, no individual customer was responsible for more than 10% of Group revenues.

The Group has arranged for credit insurance to cover the default risk on specific trade receivables, and an application for coverage is required for every new customer with a balance of TEUR 100 or more. The deductible on this credit insurance amounted to 25% of the insured receivables as of 30 April 2021. Group managers are authorised to approve credit limits for customers, whereby the amount of the credit limit is matched to the management level.

The valuation adjustments to trade receivables developed as follows:

in TEUR	2020/21	2019/20
Beginning balance	10,908	9,684
Foreign currency translation	(146)	158
Addition	1,784	2,545
Utilisation	(1,017)	(491)
Reversal	(2,584)	(988)
Ending balance	8,945	10,908

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

Probability of default per risk class in %	Trade receivables gross	insured	uninsured & retention	Impairment	
Debtor risk class 1	0.10%	12,663	10,297	4,940	(5)
Debtor risk class 2	0.25%	39,415	36,347	12,155	(30)
Debtor risk class 3	0.63%	60,694	50,002	23,193	(146)
Debtor risk class 4	1.94%	46,089	26,904	25,911	(502)
Debtor risk class 5	9.80%	3,075	1,022	2,308	(226)
Debtor risk class 6	15.00%	5,271	3,662	2,524	(379)
Public authority	0.00%	4,333	0	0	0
Total		171,540	128,235	71,033	(1,288)
Country-specific factor	1 – 1.25				(249)
Total					(1,537)

The age structure of trade receivables is shown below:

in TEUR	30 April 2021	30 April 2020
Not yet due	152,802	144,807
Overdue 1-60 days	11,726	18,101
Overdue 61-90 days	896	1,833
Overdue 91-120 days	320	824
Overdue 121-180 days	353	1,434
Overdue > 180 days	5,443	6,659
Total	171,540	173,658

The nominal value of trade receivables includes TEUR 7,408 (2019/20: TEUR 7,917) that were classified as doubtful. These doubtful receivables were written off in full.

>> Liquid funds, securities, derivatives and other financial assets

The Zumtobel Group minimises credit risk in this area by investing only in short-term instruments with selected banks.

>> Outstanding credit risk

The maximum risk represents the carrying amount of financial instruments and totalled TEUR 234,581 as of 30 April 2021 (2019/20: TEUR 237,305). This amount consists primarily of trade receivables and liquid funds (also see note 2.6.10.1).

2.6.12.2 Liquidity risk

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

As of 30 April 2021, liquidity was secured by the consortium credit agreement and two other variable interest credit agreements (see note 2.6.7.16). Other sources of liquidity include TEUR 62,881 (2019/20: TEUR 63,257) of short-term unsecured credit lines with interest rates that are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The following schedule of future payments shows the periods in which the cash flows are expected to occur. The liabilities recorded as of 30 April 2021 will result in the following payments.

30 April 2021

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Borrowings	164,515	175,952	27,774	126,516	21,662
Loans from financial institutions	81,964	81,413	291	81,122	0
Loans from public authorities	7,974	5,862	1,596	4,266	0
Lease liability	64,536	78,636	15,846	41,128	21,662
Working capital credits	10,041	10,041	10,041	0	0
Trade payables	117,772	117,772	117,772	0	0
Other liabilities	4,140	3,133	254	2,879	0
Derivatives held for trading	265	197	197	0	0
thereof outflows of forward exchange contracts		53,570	53,570	0	0
thereof inflows of forward exchange contracts		53,388	53,388	0	0
thereof cash outflows from interest rate hedges		15	15	0	0
Derivatives (hedge accounting)	3,848	2,909	30	2,879	0
Other financial instruments	27	27	27	0	0
Liquidity risk	286,427	296,857	145,800	129,395	21,662

30 April 2020

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

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

30 April 2021

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Financial assets	245	268	268	0	0
Derivatives held for trading	245	268	268	0	0
thereof outflows of forward exchange contracts		60,701	60,701	0	0
thereof inflows of forward exchange contracts		60,969	60,969	0	0

30 April 2020

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

No securities were pledged as collateral.

2.6.12.3 Market risk

Market risk represents the risk arising from changes in market prices that are denominated in a foreign currency as well as the risk arising from changes in interest rates and raw material prices which could have a negative effect on Group earnings and/or the fair value of the financial instruments used by the Group. The goal of risk management in this area is to identify and minimise these risks as far as possible and economically feasible through the implementation of appropriate measures.

The Zumtobel Group uses derivative financial instruments in certain cases to provide protection against these risks. Derivative transactions are concluded only with selected banks in order to minimise the credit risk associated with the hedges. The use of derivative financial instruments is regulated by a Group hedging policy. No derivatives are used for trading or speculative purposes.

Cash flows that are exposed to exchange rate risks are generally hedged for an average of one to three quarters on a rolling basis. This method leads to a relatively constant volume of hedges and equalises foreign exchange exposure. Raw material price risks are reduced where possible through appropriate supplier agreements.

The Zumtobel Group concluded a EUR/CHF cross-currency interest rate swap to hedge a net investment in Swiss francs. The fair value changes of the effective portion of the hedge are recorded under comprehensive income in accordance with IAS 39 "Financial Instruments – Recognition and Measurement". The ineffective portion of the changes in fair value is recognised immediately to profit or loss. Parts of this hedge became ineffective in 2014/15 and the respective part of the negative fair value was recognised to profit or loss as a valuation effect. The ineffectiveness resulted from a decline in the nominal value of the net investment in Swiss francs (i.e. the equity in the Swiss companies) below the nominal value of the payment obligations in Swiss francs due to restructuring costs and the initial recognition of actuarial losses (IAS 19). In order to remedy this imbalance, a repayment structure with annual repayments of TCHF 2,000 was established in September 2015. The hedging instrument was extended several times with continuation of the hedge relationship and repayment structure at the historical exchange rate (EUR/CHF 1.4364) and now has a term ending on 30 June 2023. Potential changes in the cash flows from this EUR/CHF cross-currency interest rate swap were analysed in view of the IFRS reform of reference interest rates: The EURIBOR will continue to represent the reference interest rate for the euro-based side. Discussions have already started with the counterparty for the side denominated in CHF, and plans call for a changeover from CHF-Libor to SARON as the new reference interest rate by 31 December 2021 at the latest. The Zumtobel Group does not expect any material ineffectiveness for the hedge as a result of this adjustment. The results of foreign currency conversion on the hedged investment are recorded under equity and reported on the statement of comprehensive income.

Interest rate risk

Interest rate risk represents the possible fluctuation in the value of a financial instrument due to an increase or decrease in market interest rates or a future change in cash flows from variable interest items. The risk associated with interest rate fluctuations is related primarily to receivables and liabilities with a term of more than one year. These terms are not of material importance in the operating area but can play a greater role with respect to financial assets and financial liabilities.

The two bilateral long-term loans (TEUR 40,000 each), which have terms ending in September 2024, respectively February 2025, carry variable interest rates (EURIBOR-based money market rates).

Zumtobel Group AG, as the parent company, reduced the interest rate risk associated with the variable interest credit agreements by concluding EUR-interest rate swaps with various banks for a current effective nominal volume of EUR 20,000,000.00 and terms extending to June 2021. These interest rate instruments convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 0.30%. In the previous year, the EUR-denominated interest rate swaps with fixed interest rates qualified for hedge accounting (cash flow hedge) as defined in IAS 39 "Financial Instruments: Recognition and Measurement". The effectiveness of these hedges was demonstrated by the hypothetical derivative method. The hedge relationship was dissolved as of 30 April 2021, and the changes in fair value are no longer recorded under comprehensive income but as part of profit or loss. The Zumtobel Group also concluded a EUR/CHF cross-currency swap with payment obligations in Swiss francs. The foreign exchange component of this cross-currency swap meets the requirements for a hedge of a net investment in a foreign operation as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates", and the market value is therefore reported under derivatives (hedge accounting).

Nominal currency	Nominal value in 1,000 local currency 30 April 2021	Fair value in TEUR 2020/21	Fair value in TEUR 2019/20
EUR	0	0	(71)
CHF	17,228	(3,848)	(4,826)
Negative market values of hedging instrument (hedge accounting)		(3,848)	(4,897)

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

>> Outstanding interest rate risk

The following table shows the classification of interest-bearing financial instruments according to fixed and variable interest rates:

in TEUR	30 April 2021	30 April 2020
Borrowings	(74,474)	(70,898)
Fixed rate instruments	(74,474)	(70,898)
Financial assets	6,781	2,717
Liquid funds	65,205	71,838
Borrowings	(90,041)	(166,606)
Variable rate instruments	(18,055)	(92,051)
Total	(92,529)	(162,949)

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 179 (2019/20: TEUR 860) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, an increase or decrease in the interest rate would not lead to any valuation effects on the income statement or in equity.

The term of the interest rate derivative used to hedge interest rate risk ends on 30 June 2021, and the related cash flows had been fixed as of 30 April 2021.

Foreign exchange risk

Foreign exchange risk represents the risk that changes in exchange rates can lead to fluctuations in the value of financial instruments. This risk occurs when business transactions are carried out in a different currency than the functional (local) currency of the involved company.

The foreign exchange hedges had a remaining term of less than one year as of the balance sheet date. The Zumtobel Group generally uses forward exchange contracts with a term of up to one year, but options are also used in selected cases. Translation risks are not hedged.

The Group's main currencies are the EUR, USD, CHF, GBP, AUD, NOK and SEK.

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

>> Sensitivity analysis

The following information describes the sensitivity of a change in the EUR exchange rate versus other currencies from the Group's point of view. The calculations cover all financial instruments reported on the balance sheet as of 30 April 2021 (including internal financial instruments).

Financial instruments denominated in the relevant functional currency of subsidiaries that are not located in the euro zone do not represent a risk and are therefore not included in this sensitivity analysis.

A 10% increase or decrease in the value of the euro versus the respective foreign currency as of 30 April 2021 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 decrease of 10%		EUR increase of 10%	
	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	(2,671)	(11,167)	2,671	11,167
EUR - USD	4,352	(497)	(4,352)	497
EUR - RSD	(992)	(1,400)	992	1,400
EUR - AUD	669	(257)	(669)	257
EUR - HKD	26	(69)	(26)	69

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

in TEUR	Fair value	EUR change of 10%	
		EUR decrease of 10%	EUR increase of 10%
EUR - USD	(68)	2,818	(2,692)
EUR - CHF	(29)	(1,671)	1,462
EUR - GBP	1	(124)	115
EUR - AUD	6	(97)	100
EUR - SEK	(4)	(300)	264

Raw material price risk

The most important raw materials used by the Zumtobel Group are aluminium, steel and plastic granulate. Fixed-term supply contracts are concluded wherever possible to minimise the risks arising from unexpected price fluctuations.

2.6.13 Segment Reporting

2.6.13.1 Operating segments

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

The focus of both segments, the Lighting Segment and the Components Segment, is clearly based on applications. The Indoor Division includes applications for industry (incl. logistics, halls and car parks), offices, education and health (incl. hospitals, schools and universities) as well as the retail trade, supermarkets, art & culture and exhibition areas (incl. gastronomy). The Outdoor Division addresses applications for roads, tunnels, sport facilities and exterior lighting for public areas, including facade lighting which is covered

by the acdc brand. The Service Division bundles all project and software-oriented services under a single roof. This application-based orientation determines the form of the product portfolio and carries over into the sales organisation.

Segment reporting is principally based on the same presentation, accounting and valuation methods used to prepare the consolidated financial statements. In accordance with the management approach prescribed by IFRS 8 "Operating Segments", operating profit (EBIT) – a key indicator used for internal reporting – is included as part of the segment data.

The assets allocated to the two segments include property, plant and equipment that can be directly assigned as well as intangible assets and working capital (excluding accrued interest, tax receivables and tax liabilities).

The column "Reconciliation" comprises assets and the related income statement items that could not be allocated to either segment as well as property, plant and equipment, financial liabilities and taxes that involve both segments.

Results from associated companies include TEUR 56 (2019/20: TEUR 168) for the Lighting Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR –6,761 (2019/20: TEUR –5,077) of impairment losses. The allocation of these impairment losses is as follows: TEUR –3,868 (2019/20: TEUR –4,045) to the Components Segment, TEUR –2,893 (2019/20: TEUR –40) to the Lighting Segment and TEUR 0 (2019/20: TEUR –992) to the inter-segment assets reported under "Reconciliation". The elimination of inter-segment revenues is included in the reconciliation column.

in TEUR	Lighting Segment		Components Segment		Reconciliation		Group	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Net revenues	794,094	845,473	302,825	341,437	(52,467)	(55,611)	1,044,452	1,131,299
External revenues	793,170	845,088	251,173	285,066	109	1,146	1,044,452	1,131,299
Inter-company revenues	924	385	51,652	56,372	(52,576)	(56,757)	0	0
Gross profit	271,029	287,362	59,424	66,250	6,917	9,643	337,370	363,255
Adjusted EBIT	37,529	48,316	22,727	23,048	(14,793)	(17,465)	45,463	53,900
Special effects	(4,330)	(16,228)	2,218	(3,506)	0	978	(2,112)	(18,756)
Operating profit	33,199	32,088	24,945	19,542	(14,793)	(16,487)	43,351	35,144
Investments	21,106	29,411	13,815	17,440	3,213	11,059	38,135	57,909
Depreciation	(45,542)	(44,446)	(21,091)	(16,640)	(4,950)	(10,371)	(71,583)	(71,456)

in TEUR	Lighting Segment		Components Segment		Reconciliation		Group	
	30 April 2021	30 April 2020	30 April 2021	30 April 2020	30 April 2021	30 April 2020	30 April 2021	30 April 2020
Assets	656,676	685,941	155,799	183,264	165,211	142,458	977,687	1,011,663

	Lighting Segment		Components Segment		Reconciliation		Group	
	30 April 2021	30 April 2020	30 April 2021	30 April 2020	30 April 2021	30 April 2020	30 April 2021	30 April 2020
Headcount (full-time equivalent)	3,857	3,962	1,808	1,932	148	144	5,813	6,039

The above headcount includes 184 (2019/20: 170) contract workers employed by the Zumtobel Group.

The reconciliation column comprises the following:

in TEUR	2020/21	2019/20
Group parent companies	(18,367)	(18,301)
Group entries	3,574	1,814
Operating profit	(14,793)	(16,487)

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 2021	30 April 2020
Assets used by more than one segment	134,565	123,274
Group parent companies	46,049	49,162
Group entries	(15,403)	(29,977)
Assets	165,211	142,458

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

2.6.13.2 Regional segments

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

in TEUR	External revenues		Assets	
	2020/21	2019/20	30 April 2021	30 April 2020
D/A/CH	347,557	361,155	414,887	455,995
<i>thereof Austria</i>	<i>89,065</i>	<i>95,302</i>	<i>321,632</i>	<i>360,034</i>
Northern and Western Europe	256,800	292,288	148,990	151,114
Southern and Eastern Europe	266,725	288,527	93,191	94,336
Asia & Pacific	108,307	105,434	68,801	77,195
Rest of the World	65,063	83,895	18,418	28,049
Reconciliation			233,400	204,974
Total	1,044,452	1,131,299	977,687	1,011,663

Reconciliation of regions:

in TEUR	30 April 2021	30 April 2020
Assets used by more than one segment	228,677	202,212
Group entries	4,723	2,762
Assets	233,400	204,974

2.6.14 Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 14,965 (30 April 2020: TEUR 13,871) for various liabilities.

2.6.15 Subsequent Events

No subsequent events occurred after the balance sheet date on 30 April 2021.

2.6.16 Related Party Transactions

Closely related persons are persons in key positions at Zumtobel Group AG (active members of the Management Board and Supervisory Board of Zumtobel Group AG) and their close family relatives. The sale of goods to members of management in key positions resulted in revenues of TEUR 2. The members of the Supervisory Board received remuneration totalling TEUR 610 in 2020/21. No loans or advances were granted to management in key positions. The members of management in key positions take on functions in other companies which allow them to exercise control or significant influence over the respective company's financial and business policies. Transactions with these companies amounted to TEUR 735 in 2020/21. Transactions with unconsolidated companies generated revenues of TEUR 501. Moreover, the Zumtobel Group holds receivables TEUR 219 due from unconsolidated companies. There were no transactions with owners during the 2020/21 financial year.

The Group has concluded supply and delivery agreements with associated companies (also see note 2.6.7.4) which reflect third party conditions. Revenues from the sale of materials and services to associated companies totalled TEUR 3,370 in 2020/21 (2019/20: TEUR 3,324), and the expenses for products purchased from associated companies equalled TEUR 76 (2019/20: TEUR 9,436). Trade receivables due from associated companies amounted to TEUR 32 as of 30 April 2021 (2019/20: TEUR 331) and trade payables equalled TEUR 158 (2019/20: TEUR 1). No trade receivables due from associated companies were derecognised due to failed collection in 2020/21, and no receivables due from associated companies were classified as uncollectible as of 30 April 2021.

No financial liabilities were due to associated companies as of 30 April 2021 or 30 April 2020.

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2020/21	2019/20
Total remuneration for the Management Board	2,750	2,966
<i>thereof fixed component</i>	1,430	1,522
<i>thereof short-term variable component</i>	331	512
<i>thereof long-term variable component</i>	989	932
in TEUR	2020/21	2019/20
Alfred Felder (as of 1 April 2016)	1,254	1,353
<i>thereof fixed component</i>	604	641
<i>thereof short-term variable component</i>	130	222
<i>thereof long-term variable component</i>	520	490
Bernhard Motzko (as of 1 February 2018)	786	893
<i>thereof fixed component</i>	436	463
<i>thereof short-term variable component</i>	105	199
<i>thereof long-term variable component</i>	245	231
Thomas Tschol (as of 1 April 2018)*	710	719
<i>thereof fixed component</i>	390	418
<i>thereof short-term variable component</i>	96	90
<i>thereof long-term variable component</i>	224	211
* Remuneration is provided as part of a management service agreement		

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

in TEUR	2020/21	2019/20
Total Supervisory Board remuneration	610	567
<i>thereof fixed remuneration</i>	420	392
<i>thereof variable remuneration</i>	190	175

2.6.17 Information on Employees and Corporate Bodies

2.6.17.1 Personnel structure

	30 April 2021		30 April 2020	
	Average	Balance sheet date	Average	Balance sheet date
Production	2,868	2,860	2,850	3,018
R&D	555	563	529	551
Sales	1,771	1,733	1,815	1,829
Administration	467	473	461	472
Miscellaneous	166	184	230	170
Total	5,826	5,813	5,887	6,039

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

2.6.17.2 Corporate bodies

The following persons served as members of the Supervisory Board in 2020/21:

Name	Function	Initially appointed/ delegated in	Term ends in	Service time to date
Lic.Oec. Karin Zumtobel-Chammah	Chairwoman	2019	2023	2 years
Dr. Ing. Georg Pachta-Reyhofen	1st Vice-Chairman	2020	2024	< 1 year
Dr. Volkhard Hofmann	2nd Vice-Chairman	2017	2022	4 years
Christian Beer	Member	2020	2022	< 1 year
Dipl.-Betw. Eva Kienle	Member	2019	2023	2 years
Prof. Dr. Thorsten Staake	Member	2020	2024	< 1 year
Dietmar Dünser	Delegated by the Employees' Council	2015		6 years
Richard Apnar	Delegated by the Employees' Council	2012		9 years
Isabel Kreilhuber	Delegated by the Employees' Council	2021		< 1 year

The extraordinary general meeting on 18 May 2020 elected Georg Pachta-Reyhofen and Thorsten Staake to the Supervisory Board. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. This election also marked the resignation of two long-standing Supervisory Board members: Jürg Zumtobel and Fritz Zumtobel. At the 44th general meeting on 24 July 2020, Christian Beer was elected to the Supervisory Board. On 24 July 2020, Johannes Burtscher resigned as first vice-chairman and member of the Supervisory Board of Zumtobel Group AG.

The following persons served as members of the Management Board in 2020/21:

Name	Function	Initially appointed on	Term ends on	Service time to date
Dr. Alfred Felder	CEO (Chief Executive Officer)	1 April 2016	30 April 2022	5 years
Dr. Bernard Motzko	COO (Chief Operating Officer)	1 February 2018	30 April 2024	3 years
Dipl.-Kfm. Thomas Tschol	CFO (Chief Financial Officer)	1 April 2018	31 July 2021	3 years

2.7 Scope of Consolidation

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

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Zumtobel Group AG

1 May 2020 to 30 April 2021

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

81	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK
82	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
83	Tridonic AG	Switzerland	100	full	30 April	CHF
84	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
85	Inventron AG	Switzerland	48	equity	30 April	CHF
86	ZG Lighting (Thailand) Ltd	Thailand	100	full	30 April	THB
87	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
88	Thorn Gulf LCC	UAE	49	full	31 December	AED
89	Tridonic (ME) FZE	UAE	100	full	30 April	AED
90	Tridonic Inc., US	USA	100	full	30 April	USD
91	Lemgo Realty Corp.	USA	100	full	30 April	USD
92	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

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

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

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

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

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

Dornbirn, 17 June 2021

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

We draw attention to the fact that the English translation of this auditor's report according to section 274 UGB (Austrian Company Code) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Zumtobel Group AG, Dornbirn, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 April 2021, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 30 April 2021, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Other Matter

The consolidated financial statements of Zumtobel Group AG, Dornbirn, for the financial year ended 30 April 2020 were audited by another auditor who issued an auditor's report containing an unmodified audit opinion dated 15 June 2020 on these consolidated financial statements.

Our audit opinion is not modified in respect of this matter.

Key Audit Matters

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

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

Recoverability of goodwill allocated to the Lighting segment

- Description

In the consolidated financial statements of Zumtobel Group AG, the item "Goodwill" in the consolidated balance sheet reports goodwill in the amount of EUR 190,191k, thus representing 19.5% of the Group's total assets. EUR 188,158k of goodwill mainly relates to Lighting goodwill which particularly results from the acquisition of the Thorn Lighting Group in the financial year 1999/2000. In order to determine a potential need for impairment, the Group tests goodwill for impairment each year at the reporting date or if there is any indication that an asset may be impaired.

The impairment test of Lighting goodwill is performed on the level of the Lighting segment to which goodwill is allocated as a cash-generating unit. In the course of the impairment test, the carrying amount of the cash-generating unit is compared with the respective recoverable amount. The recoverable amount is determined based on the value in use. Measurement is based on the present value of future cash flows of the cash-generating unit. The Group determines the present value by means of a discounted cash flow model which also takes into account expectations regarding the future market development, assumptions regarding the development of macroeconomic factors as well as the expected impact of the ongoing coronavirus crisis on the segment's business activities. Discounting is made based on the weighted average capital costs of the cash-generating unit. The impairment test did not result in any need for impairment.

The result of this assessment substantially depends on estimates made by management with regard to the future cash flows of the Lighting segment, the discount rate used, the growth rate as well as further assumptions and is thus subject to material uncertainty, also given the impact of the coronavirus crisis. Against this backdrop and given the complexity of the assessment, we considered this matter to be a key audit matter in the course of our audit.

- Audit approach and key observations

In the course of our audit and by involving internal specialists, we reviewed – among others – the methodical approach in identifying indications for a need for impairment and in performing the impairment test. After reconciling the future cash flows used in the calculation with the medium-term planning approved for the Lighting segment, we evaluated the appropriateness of the calculation, in particular by comparing it with general and industry-specific market expectations. In this context, we also assessed management's estimates regarding the impact of the coronavirus crisis on the business activities and verified its consideration in determining the future cash flows. Knowing that small changes in the discount rate used may already have a material impact on the amount of goodwill thus calculated, we have thoroughly examined the parameters applied in the determination of the discount rate used and reviewed the calculation method. To take into account the existing forecast uncertainties, we have reviewed the sensitivity analyses prepared by the Group. In doing so, we noted that, considering the information available, the carrying amounts of the cash-generating units were sufficiently covered by the discounted future cash flows.

Overall, the measurement parameters and assumptions used by management are in line with our expectations and are also within the acceptable ranges from our point of view.

- Reference to related disclosures

The Company's disclosures on the impairment test are included in section 2.6.7.1 in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the Audit Committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, 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 management report for the Group was prepared in accordance with the applicable legal regulations.

Regarding the consolidated non-financial statement contained in the management report for the Group, it is our responsibility to examine whether it has been prepared, to read it and to consider whether it is, based on our knowledge obtained in the audit, materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated 24 July 2020. We were appointed by the Supervisory Board on 15 January 2021. We have audited the Company since 30 April 2021.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna

17 June 2021

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of section 281 para. 2 UGB apply.

3. Corporate Governance

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3. Corporate Governance Report 2020/21

The Austrian Corporate Governance Code (ACGC) represents a regulatory framework for the management and monitoring of Austrian stock corporations. The foundation of the code is formed by Austrian stock corporation, stock exchange, and capital market law. This framework is based on EU recommendations for the responsibilities of supervisory board members and the remuneration of directors as well as the principles set forth in the OECD guidelines for corporate governance. The Austrian Corporate Governance Code takes effect through the voluntary commitment of companies to comply with its rules for good governance, in the respective version. The version of the code applicable to the 2020/21 financial year was published in January 2021 and is available under *corporate-governance.at*.

3.1 Commitment to the Austrian Corporate Governance Code

As a listed international company, the Zumtobel Group is committed, without limitation, to compliance with the guidelines defined by the Austrian Corporate Governance Code. It sees the code as an essential requirement for responsible management that is focused on the sustainable, long-term creation of value and high transparency towards all stakeholders. This commitment represents a voluntary obligation of the Zumtobel Group which is intended to strengthen the confidence of shareholders and to support the continuous optimisation of internal legal, conduct and ethics standards.

3.1.1 Comply or Explain

The Zumtobel Group met all rules of the ACGC in full during the 2020/21 financial year.

3.1.2 External evaluation of compliance with the Corporate Governance Code

The Corporate Governance Code (C-Rule 62) requires evaluation of compliance with the C-Rules (Comply or Explain) on a regular basis – at least every three years – by an external institution. This review was last carried out by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, in connection with the audit of the financial statements for the 2019/20 financial year. Based on the results of and evidence gained from this evaluation, the statement of compliance included in the company's corporate governance report for the 2019/20 financial year accurately represents, in all material aspects, the implementation of and compliance with the relevant rules of the ACGC. The report on the independent evaluation and the corporate governance report are available to the general public on the Zumtobel Group's website under <https://z.lighting>.

3.1.3 Compliance management at Zumtobel Group AG

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

3.2 The Corporate Bodies and Committees of Zumtobel Group AG

In accordance with Austrian law, the organisation of Zumtobel Group AG is based on three independent corporate bodies: the annual general meeting, the supervisory board and the management board. The Management Board of Zumtobel Group AG is responsible for the direction of the company. The Supervisory Board, a body that is completely separated from operating management and elected by the annual general meeting, exercises the required control functions. The Management Board and Supervisory Board are organised to ensure the strict separation of members, and membership on both boards at the same time is

not permitted. 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 Zumtobel Group's website under <https://z.lighting>.

3.2.1 Shareholders and the annual general meeting

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

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

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

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

3.2.2 The Management Board

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

The Management Board of Zumtobel Group AG included the following members as of 30 April 2021:

Name	Function	Born in	First appointed on	Term ends on
Alfred Felder	CEO (Chief Executive Officer)	1963	01.04.2016	30.04.2022
Thomas Tschol	CFO (Chief Financial Officer)	1970	01.04.2018	31.07.2021
Bernard Motzko	COO (Chief Operating Officer)	1962	01.02.2018	30.04.2024

Alfred Felder – CEO

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

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

Bernard Motzko – COO

Bernard Motzko was appointed Chief Operating Officer (COO) of the Zumtobel Group AG as of 1 February 2018. His term of office extends to 30 April 2024. Bernard Motzko was born in Upper Silesia in 1962 and grew up in Germany; he studied mechanical engineering and business management at Paderborn University, where he received his doctorate in 1994. After holding various positions in production, Bernard Motzko joined the former Siemens Nixdorf (now Diebold-Nixdorf) in 1997, a manufacturer of cash register systems, kiosk systems and automatic teller machines. He was initially responsible for the plant in Paderborn and assumed global responsibility for the production and supply chain in 2003. His primary focus was on the introduction of standardised processes and methods as well as the optimisation of the production network through the development of plants in Brazil and China.

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

Thomas Tschol – CFO

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

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

3.2.3 The Supervisory Board

The members of the Supervisory Board are elected by the annual general meeting. In accordance with C-Rule 59 of the Austrian Corporate Governance Code, the participation of employees on the Supervisory Board and its committees represents a legally regulated part of the Austrian corporate governance system. The Austrian Labour Constitutional Act entitles the employee representatives to delegate one member to the Supervisory Board and its committees for every two members (shareholder representatives) elected by the Annual General Meeting.

The members of the Supervisory Board of Zumtobel Group AG as of 30 April 2021 are listed below:

Name	Function	Born in	First appointed/ delegated in	Term ends on
Karin Zumtobel-Chammah	Chairwoman	1963	26.07.2019	2023
Georg Pachta-Reyhofen	First Vice-Chairman	1955	18.05.2020	2024
Volkhard Hofmann	Second Vice-Chairman	1952	21.07.2017	2022
Eva Kienle	Member	1967	26.07.2019	2023
Thorsten Staake	Member	1978	18.05.2020	2024
Christian Beer	Member	1961	24.07.2020	2022
Dietmar Dünser	Delegated by the Employees' Council	1966	24.07.2015	
Richard Apnar	Delegated by the Employees' Council	1974	26.06.2012	
Isabel Kreilhuber ¹	Delegated by the Employees' Council	1977	01.04.2021	

Georg Pachta-Reyhofen and Thorsten Staake were elected to the Supervisory Board at the extraordinary general meeting on 18 May 2020. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. Two long-standing members of the Supervisory Board, Jürg Zumtobel and Fritz Zumtobel, resigned as of this meeting. At the 44th annual general meeting on 24 July 2020, Christian Beer was elected to the Supervisory Board and Johannes Burtscher resigned as vice-chairman and member of the Supervisory Board.

3.2.4 The Supervisory Board | shareholder representatives

Karin Zumtobel-Chammah

Karin Zumtobel-Chammah has been chairwoman of the Supervisory Board of Zumtobel Group AG since 18 May 2020. She has been a member of this corporate body since 26 July 2019, and her term of office extends up to the annual general meeting for the 2022/23 financial year. Ms. Zumtobel-Chammah was born in 1963. After receiving an MBA from the University of Freiburg, she started her professional career with key management positions in the finance area before joining the Zumtobel Group in 1996. Ms. Zumtobel-Chammah last served as the Head of Art & Culture and, in this position, was responsible for the Group's art and cultural activities.

¹ Kai Arbinger was a member of the Supervisory Board of Zumtobel Group AG from May 2016 to 31 March 2021; he was delegated by the Central Employees' Council of Tridonic GmbH & Co. KG. Isabel Kreilhuber was designated to succeed him as of 1 April 2021 as an employee representative and member of the Supervisory Board of Zumtobel Group AG.

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

Georg Pachta-Reyhofen

Georg Pachta-Reyhofen has been a member of the Supervisory Board of Zumtobel Group AG and its vice-chairman since 18 May 2020. His term of office extends up to the annual general meeting for the 2023/24 financial year. Mr. Pachta-Reyhofen was born in 1955 and studied mechanical and process engineering at the Vienna University of Technology, where he received his doctorate in 1985. Since 2018, he has accompanied technology companies, among others, through the current transformation as an independent consultant with excellent technical and strategic expertise. From 2006 to 2015, he held various positions on the management boards of MAN SE, Germany, also as CEO of MAN Diesel, CEO of MAN Truck & Bus and recently as CEO on the management board of MAN SE. Mr. Pachta-Reyhofen was previously active in key management functions for MAN Nutzfahrzeuge AG.

Additional functions or inter-company relations outside the Zumtobel Group: k SAG Motion GmbH, member of the supervisory board, Benteler International AG, member of the supervisory board, Bridgestone SA/NV, member of the supervisory board, Bundeswehr University Munich, chairman of the university and administrative council.

Volkhard Hofmann

Volkhard Hofmann has been a member of the Supervisory Board of Zumtobel Group AG since 21 July 2017 and vice-chairman since 18 May 2020; his term of office extends until the annual general meeting for the 2021/22 financial year. He was born in 1952. After receiving his doctorate in political science at Cologne University, he joined the Boston Consulting Group in 1982 and was elected partner and managing director in the minimum period of six years. He established and/or headed several practice groups during his time with the Boston Consulting Group and also held various international management positions.

Additional functions or inter-company relations outside the Zumtobel Group: Vice-chairman of the supervisory board of SMP AG Strategy Consulting Düsseldorf.

Eva Kienle

Eva Kienle has been a member of the Supervisory Board of Zumtobel Group AG since 26 July 2019. Her term of office extends up to the annual general meeting for the 2022/23 financial year. Ms. Kienle was born in 1967 and received a graduate degree in business management. She is a banker and, in addition to an Executive MBA, brings extensive relevant branch experience for her work on the Supervisory Board. She currently serves as the CFO of KWS Saat SE & Co. KGaA and previously held positions on the management boards of companies with private equity shareholders.

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

Thorsten Staake

Thorsten Staake has been a member of the Supervisory Board of Zumtobel Group AG since 18 May 2020. His term of office extends up to the annual general meeting for the 2023/24 financial year. Mr. Staake was born in 1978 and completed studies in several academic disciplines, including a master of science in electrical and computer technology at Worcester Polytechnic Institute in the USA, a master in electrical and information technology at the Technical University in Darmstadt and a doctorate in technology management from the

University of St. Gallen in 2007. He has been a professor at Bamberg University since 2013, where he holds the chair for business informatics and energy efficient systems. Prior to this time, he served as co-director of the Bits to Energy Laboratory at the chair for information management an der Technical University in Zurich.

Additional functions or inter-company relations outside the Zumtobel Group: Hoval AG, Vaduz, member of the administrative board, Ben Energy AG, Zurich, member of the administrative board, Amphiro AG, Zurich, member of the administrative board.

Christian Beer

Christian Beer has been a member of the Supervisory Board of Zumtobel Group AG since 24 July 2020. His term of office extends up to the annual general meeting for the 2021/22 financial year. Mr. Beer was born in 1961 in Bregenz (Austria). After graduating from HTL Bregenz, he started his professional career in 1981 with Grass GmbH. In 1988 he founded Heron Sondermaschinenbau GmbH, a company whose original core business involved the development and construction of automatic assembly machines. Mr. Beer has since served as the managing partner of the Heron Gruppe in Dornbirn. From 1995 to 2020, he founded several companies including Robotunits GmbH with branches in the USA, Great Britain, Australia and Italy, as well as Heron CNC Technik GmbH, Servus Intralogistics GmbH and, most recently, SAFEDI Distance Control.

Additional functions or inter-company relations outside the Zumtobel Group: Pester Pac Automation, Germany, advisory board, HTL Bregenz, Austria, president of the board of trustees.

3.2.5 The Supervisory Board | employee representatives

Dietmar Dünser

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

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

Richard Apnar

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

Isabel Kreilhuber

Isabel Kreilhuber was delegated to the Supervisory Board of Zumtobel Group AG as of 1 April 2021 by the Employees Council of Tridonic GmbH & Co. KG. She was born in 1977 in Dornbirn (Austria). After graduating from secondary school (BHAK) in Bregenz, she studied international management at Vorarlberg Technical college where she received her degree (Mag. FH). Ms. Kreilhuber joined the Zumtobel Group in March 2000 and has held various functions in sales and the global supply chain organisation. Since September 2016, she has served as the head of global planning at Tridonic GmbH & Co. KG. Ms. Kreilhuber had been a member of the Employees' Council for Salaried Employees at Tridonic GmbH & Co. KG since 2017.

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

3.2.6 Contracts with Supervisory Board members which require approval

There are no contracts between the members of the Supervisory Board and the Zumtobel Group which require approval or disclosure in accordance with L-Rule 48 or C-Rule 49 of the Corporate Governance Code.

3.2.7 Independence of the Supervisory Board members

The Supervisory Board of Zumtobel Group AG defined the following criteria for the independence of its members, as required by C-Rule 53 of the Austrian Corporate Governance Code, in 2009. A member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the Zumtobel Group or the Management Board of Zumtobel Group AG. Such relations include, among others, significant customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the Zumtobel Group's website under <https://z.lighting>.

All members of the Supervisory Board have declared their independence in accordance with these criteria, and C-Rule 53 is therefore met in full. The current Supervisory Board members Volkhard Hofmann, Georg Pachta-Reyhofen, Thorsten Staake, Eva Kienle and Christian Beer are independent and neither shareholders nor representatives of shareholders with an investment of more than 10%. Accordingly, C-Rule 54 is also met in full. The Supervisory Board confirms that the definition of the independence criteria reflects the guidelines in Appendix 1 to the Austrian Corporate Governance Code.

3.2.8 Measures to avoid conflicts of interest

The Supervisory Board members deal, at least once each year, with the provisions of the ACGC which are related to conflicts of interest. In addition, new members of the Supervisory Board are informed extensively of the need to avoid conflicts of interest when they join the board.

3.3 Working Procedures of the Management Board and Supervisory Board

The Management Board is responsible for directing the business activities of the Zumtobel Group in accordance with legal regulations, the articles of association and the rules of procedure for the Supervisory and Management Boards. Its members carry shared responsibility for the Group's success and long-term orientation. To facilitate daily work processes, individual board members were defined as the contact partners for specific functions and activities.

The distribution of duties as of 30 April 2021 is as follows:

Alfred Felder CEO	Thomas Tschol CFO	Bernard Motzko COO
<ul style="list-style-type: none"> - Corporate strategy, M&A, business processes - Business divisions - Sales - Marketing & communication, product marketing - Technology & development - Human resources - Legal 	<ul style="list-style-type: none"> - Accounting and tax, finance & controlling - Treasury - Risk management - Audit & compliance - Insurance - Investor relations - Facility management, Dornbirn 	<ul style="list-style-type: none"> - Operations - Supply chain & logistics - Quality - IT - Procurement

3.3.1 Working procedures of the Management Board

The Management Board generally meets twice each month to coordinate the control and management of the Group, whereby minutes are recorded of the related discussions and decisions. The board members also regularly exchange information on important measures and events in their respective areas of responsibility and communicate assessments by the individual managers in their reporting lines. Fundamental decisions are taken by the entire Management Board, whereby this responsibility also covers extensive and independent communication activities that have a major influence on the company's image to stakeholders. In addition, the Management Board supplies the Supervisory Board with information on all relevant issues involving the Zumtobel Group's economic and strategic development, risk position and risk management.

The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board. It also corresponds to the remuneration committee required by Rule 43 of the Corporate Governance Code and 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.

3.3.2 Working procedures of the Supervisory Board

The Supervisory Board oversees the Management Board and provides support for the direction and development of the company, above all on issues of fundamental importance and strategic orientation. The working procedures for the Supervisory Board are defined in detail in the "Rules of Procedure for the Supervisory Board of Zumtobel Group AG". The chairmen of the Management Board and Supervisory Board regularly exchange information and views on the Group's sustainable development and strategic orientation. In order to meet its responsibilities for monitoring the work of the Management Board, the Supervisory Board of the Zumtobel Group meets at least once each quarter.

The Supervisory Board met six times in 2020/21: in four scheduled meetings and two constituent sessions. One member was excused from one meeting; all members were present, in part via communications software with acoustical and optical functions, at the other meetings.

The resignation of Jürg Zumtobel and Fritz Zumtobel from the Supervisory Board and the subsequent election of Georg Pachta-Reyhofen and Thorsten Staake was followed by a constituent meeting on 18 May 2020 at which Karin Zumtobel-Chammah was designated chairwoman of the Supervisory Board.

A further constituent meeting was held after the 44th annual general meeting on 24 July 2020, at which Volkhard Hofmann and Christian Beer were elected to the Supervisory Board.

3.3.3 Evaluation of the Supervisory Board's activities

Based on a self-evaluation via questionnaire, the Supervisory Board extensively reviewed the efficiency of its work in accordance with C-Rule 36 at its meeting in June 2020. The efficiency of and opportunities for improvement in organisational and working procedures as well as coordination between the Supervisory Board and Management Board were openly discussed.

3.3.4 Composition and working procedures of the committees

The Supervisory Board of Zumtobel Group AG has established three committees to support the efficient performance of its advising and control functions. These committees deal with specific issues and prepare resolutions for the full Supervisory Board:

Audit Committee

The members of the Audit Committee are as follows:

Name	Function
Eva Kienle	Chairwoman
Karin Zumtobel-Chammah	Vice-Chairwoman
Volkhard Hofmann	Member
Georg Pachta-Reyhofen	Member
Dietmar Dünser	Employee representative
Isabel Kreilhuber	Employee representative

The Audit Committee is primarily responsible for the audit of and preparations for the approval of the separate financial statements and consolidated financial statements, the management report, the corporate governance report and the recommendation for the distribution of profit. High priority is given to the monitoring of accounting processes as well as the effectiveness of the internal control system, internal audit, the compliance organisation and risk management, whereby the committee performs preparatory work for the Supervisory Board. The Audit Committee prepares a recommendation for the annual general meeting concerning the selection of the auditor and monitors the independence of the auditor on an annual basis, above all concerning additional services provided.

The Audit Committee met twice in 2020/21. All members were present at both meetings.

The meeting on 22 June 2020 concentrated on the annual financial statements for 2019/20. The auditor of the consolidated and separate financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management and data protection, risk management system, internal control system, internal audit, corporate governance and compliance) were discussed and accepted. A resolution for the appointment of the auditor for the 2020/21 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 4 February 2021 dealt with the six-month financial statements as of 31 October 2020, whereby the related reports by the auditor and corporate staff were accepted. Consultations centred on the accounting process and the focal points selected for review. The audit approach and focal points for the audits of the 2020/21 separate and consolidated financial statements were presented and explained by the auditor. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were also presented and accepted.

Committee for Management Board Matters

The members of the Committee for Management Board Matters are as follows:

Name	Function
Volkhard Hofmann	Chairman
Georg Pachta-Reyhofen	Vice-Chairman
Karin Zumtobel-Chammah	Member
Christian Beer	Member

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 fulfils the duties required of a nominating committee under Rule 41. As such, it also prepares recommendations for the appointments to the Management Board and deals with issues related to succession planning. These recommendations are submitted to the Supervisory Board after the qualifications and experience of suitable candidates have been compared against a pre-defined profile. The Supervisory Board is responsible for the final decision on the selection of a Management Board member.

The Committee for Management Board Matters held several meetings and telephone conferences during 2020/21 which involved discussions or follow-up work on key topics. The main issues handled by the committee during the reporting year were the initial recommendation to the Supervisory Board on remuneration policies for the Management Board and Supervisory Board of Zumtobel Group AG, the extension of the Management Board appointments of Thomas Tschol as Chief Financial Officer of Zumtobel Group AG to 31 July 2021 and Bernard Motzko as Chief Operating Officer of Zumtobel Group AG to 30 April 2024 and, subsequently, the appointment of Thomas Erath as Chief Financial Officer of Zumtobel Group AG for a term extending to 31 July 2024.

In addition, the Committee for Management Board Matters served as a sounding board for the Management Board on various issues during the 2020/21 financial year.

Strategy Committee

The members of the Strategy Committee are as follows:

Name	Function
Georg Pachta-Reyhofen	Chairman
Volkhard Hofmann	Vice-Chairman
Karin Zumtobel-Chammah	Member
Thorsten Staake	Member
Dietmar Dünser	Employee representative
Isabel Kreilhuber	Employee representative

As a sounding board for the Management Board, the Strategy Committee regularly reviews the strategic positioning of the company and the implementation of strategic measures.

The Strategy Committee held two meetings in 2020/21 which dealt with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the committee during the past year included the evaluation of options for the corporate strategy and the expansion of the Zumtobel Group FOCUS strategy into FOCUSED as a means of underscoring the increased concentration on sustainability and the digitalisation of business processes. Additional information can be found in section 1.1.6 of the management report.

3.4 Diversity Concept and Measures to Support Women

Diversity in the workforce is an important factor for creating an innovative climate in the company and protecting the Group's competitive position. The Zumtobel Group's workforce includes men and women from roughly 80 different nations, whereby the staff at the corporate headquarters in Dornbirn, Austria, represent roughly 50 nations. The Zumtobel Group is an equal opportunity employer and, as such, rejects any form of discrimination based on ethnic origin, nationality, gender, cultural background, age, disability, religious conviction or sexual orientation. All people are unique, valuable and have individual capabilities. This belief is also manifested in the Zumtobel Group's code of conduct, which prohibits all forms of discrimination. Experience, qualifications and performance are the basis for personnel decisions in all corporate areas and at all management levels. There is no specific target for the appointment of women to management positions, but internal and external recruiting and personnel development measures are increasingly aimed in this direction.

The Zumtobel Group recognises that the continuation of existing initiatives and an open approach to new initiatives requires a greater share of women in higher qualified positions. In order to safeguard its competitive ability and benefit from a wide range of different viewpoints, the Zumtobel Group has set a goal to increase the share of women and, accordingly, their representation in the Group each year. The share of women in the Zumtobel Group's workforce equalled 35.7% in 2020/21 (2019/20: 35.8%), including 7.3% in management positions.

The Zumtobel Group works to increase its attractiveness as an employer and implements measures to support the work-life balance. Part-time employment, educational leave, sabbaticals, parental leave for fathers, home office options or other models are arranged where needed. Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration. The Management Board of the Zumtobel Group is well aware of the importance of diversity and will formulate this belief in concrete terms as part of its strategy as the basis for defining further targeted measures.

The Zumtobel Group follows a uniform remuneration scheme with high transparency. Detailed position descriptions and functional evaluations ensure that compensation reflects the job requirements and is also fair and appropriate. This focus on the functional content also limits any gender-specific irregularities.

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

3.5 Diversity on the Supervisory Board and Management Board

The members of the Supervisory and Management Boards are selected on the basis of their professional qualifications and personal expertise in order to achieve a balance of educational and professional backgrounds. Support for diversity with regard to generations and genders are included in selecting new appointments.

The following table shows the structure of the Management Board and Supervisory Board of Zumtobel Group AG as of 30 April 2021:

	Gender	Education	Age group
Management Board			
	Men (3)	Economics (1)	< 50 (0)
	Women (0)	Electrical engineering (1)	50 to 60 (3)
		Industrial engineering and mechanical engineering (1)	> 60 (0)
Supervisory Board			
Shareholder representatives	Men (4)	Economics (4)	< 50 (1)
	Women (2)	Engineering (2)	50 to 60 (3)
			> 60 (2)
Employee representatives	Men (2)	Economics (1)	< 50 (2)
	Women (1)	Plastics engineering (1)	50 to 60 (1)
		Telecommunications and electronics (1)	> 60 (0)

The basic and overriding selection criteria for appointments to the Management Board are the professional qualifications required for the respective function, leadership qualities, previous experience and acquired capabilities as well as knowledge of the company. These criteria and aspects for the selection of Management Board members are independent of the candidate's gender. In 2020/21, the Management Board of Zumtobel Group AG consisted of three men between 50 and 58 years of age who come from three different countries. The Management Board, as a whole, combines business and engineering know-how and many years of experience, within the Group and in international management positions with various companies.

The relevant diversity aspects for the composition of the Supervisory Board include the age of the members, the equal representation of genders, internationality and a balanced professional and educational background. The members of the Supervisory Board of Zumtobel Group AG range from 44 to 69 years of age and, as a whole, cover the entire spectrum of fields which are relevant for the company. Business skills and many years of management experience and competence round out the profile. The Supervisory Board had three female

members in 2020/21, which reflects the defined target of 33%. The Zumtobel Group is working to increase the share of women in its management and control bodies and gives special attention to the evaluation of female talents in succession planning.

3.6 Changes after the balance sheet date on 30 April 2021

No reportable events occurred between the end of the 2020/21 financial year on 30 April 2021 and the preparation of this corporate governance report.

Dornbirn, 17 June 2021

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Report of the Supervisory Board of Zumtobel Group AG for the 2020/21 Financial Year

Dear Shareholders,

The outbreak of the Covid-19 pandemic confronted our employees, management, suppliers, customers and all other stakeholders of the Zumtobel Group with unprecedented challenges. Management and our entire workforce demonstrated their ability to react quickly to new and unforeseen situations and implement an extensive package of measures. Based on these measures and the transformation completed in recent years, the company proved to be extremely crisis-resistant in these difficult times – as can be seen in the robust results for the 2020/21 financial year with revenues of EUR 1,044.5 million and adjusted Group EBIT of EUR 45.5 million. Communication between the Management Board and the Supervisory Board was characterised by a high degree of openness which made it possible for the Supervisory Board to evaluate business activities at any time and support the Management Board in important decisions.

We performed the duties required by law and the articles of association during the 2020/21 financial year by regularly monitoring the direction of the company by the Management Board and the management of Zumtobel Group AG. The Management Board provided us with comprehensive verbal and written reports on a regular and timely basis, which covered the general development of business and major events as well as the position of Zumtobel Group AG and the Zumtobel Group. During the periods between the scheduled meetings, the Management Board supplied the Supervisory Board with regular reports on important individual subjects. The chairman of the Management Board and the chairwoman of the Supervisory Board also held a number of personal meetings. These activities allowed the Supervisory Board to meet its obligations in full.

The Supervisory Board of Zumtobel Group AG included the following six shareholder representatives as of 30 April 2021: Karin Zumtobel-Chammah, Georg Pachta-Reyhofen, Volkhard Hofmann, Eva Kienle, Thorsten Staake and Christian Beer. The Supervisory Board, in its current composition, meets the requirements of the Austrian Stock Corporation Act and is not restricted in any way whatsoever in its actions or decision capacity.

Meetings of the Supervisory Board

The Supervisory Board met six times during the 2020/21 financial year, in four scheduled meetings and two constituent meetings. One member was excused from one meeting, and there was full attendance at all other meetings, in part through acoustical and optical participation via communications software.

Regular virtual meetings were also held in 2020/21, which was a crisis year due to the worldwide Covid-19 pandemic. Information was provided on the current development of business in light of the Covid-19 crisis, with additional topics covering the measures introduced by the company to protect employees' health, to minimise the risks for the company's development and to identify opportunities. We successfully addressed fundamental long-term challenges – also in this challenging environment. One result was the expansion of the "Focus" strategy to include two new aspects: "E" ("Environment and Engaged Employees") and "D" ("Digitalisation") – and to be "FOCUSED".

Following the resignation of Jürg Zumtobel and Fritz Zumtobel from the Supervisory Board and the election of Georg Pachta-Reyhofen and Thorsten Staake, the Supervisory Board was newly constituted in its meeting on 18 May 2020 and Karin Zumtobel-Chammah was elected chairwoman.

The Strategy Committee was also newly constituted in this meeting; Georg Pachta-Reyhofen was elected chairman and Volkhard Hofmann vice-chairman. The other committee members are Karin Zumtobel-Chammah and Thorsten Staake as shareholder representatives.

A circular resolution on 2 June 2020 approved the conclusion of EUR 39.9 million in special KRR financing for Zumtobel Lighting GmbH by Österreichische Kontrollbank (OeKB) with a 60% liability assumption by the Republic of Austria. This loan was fully drawn during the first half of 2020/21 but was repaid gradually beginning in the third quarter due to the positive development of business. The final repayment was made in the fourth quarter, and the credit line was cancelled before the balance sheet date on 30 April 2021.

The Supervisory Board meeting on 22 June 2020 included a detailed evaluation of the separate financial statements of Zumtobel Group AG and the related consolidated financial statements. The accompanying documents and the auditor's report were discussed in detail together with the auditor and presented to and approved by the Supervisory Board. Status reports were provided on the development of business and individual projects, and elections were held for the executive bodies of subsidiaries (Zumtobel Lighting GmbH, Tridonic GmbH). The contract for Thomas Tschol as Chief Financial Officer of Zumtobel Group AG was also extended to 31 July 2021. Based on a self-evaluation via questionnaire, the Supervisory Board reviewed the efficiency of its work and opportunities for improvement in its organisation and working procedures.

The Supervisory Board was newly constituted after the 44th general meeting on 24 July 2020, in which Volkhard Hofmann and Christian Beer were elected to the Supervisory Board. At the Supervisory Board meeting which immediately followed the general meeting, Karin Zumtobel-Chammah was elected chairwoman and Georg Pachta-Reyhofen and Volkhard Hofmann were elected vice-chairmen.

The vacancies on the Audit Committee and the Committee for Management Board Matters created by the resignation of Johannes Burtscher from the Supervisory Board, were filled during the past financial year.

The Audit Committee now includes the following shareholder representatives: Eva Kienle (chairwoman), Karin Zumtobel-Chammah (vice-chairwoman), Georg Pachta-Reyhofen and Volkhard Hofmann.

The Committee for Management Board Matters now includes Volkhard Hofmann as chairman and Georg Pachta-Reyhofen as vice-chairman as well as Karin Zumtobel-Chammah and Christian Beer as further shareholder representatives.

The agenda for the Supervisory Board meeting on 9 October 2020 dealt with the Forecast 3+9 and status reports on individual projects. The Supervisory Board also approved the implementation of the new Global Reward Scheme (GRS) for key managers and instructed the Management Board to strengthen the focus of the digital business model at the components and luminaire levels.

The contract with Bernard Motzko as a member of the Management Board of Zumtobel Group AG was extended to 30 April 2024 through a circular resolution dated 16 November 2020.

Based on a circular resolution dated 22 February 2021, Thomas Erath was appointed to succeed Thomas Tschol on the Management Board of Zumtobel Group AG; his appointment covers the period from 1 August 2021 to 31 July 2024.

The central issues at the Supervisory Board meeting on 4 February 2021 were individual projects and the approval of capital measures for the Group.

The budget for the 2020/21 financial year and medium-term planning for the 2022/23, 2023/24 and 2024/25 financial years were accepted at the Supervisory Board meeting on 23 April 2021. A capital increase and changes in executive appointments for the Group were also discussed.

Audit Committee

The Audit Committee met twice during 2020/21, with full attendance at both meetings.

The meeting on 22 June 2020 concentrated on the consolidated and separate financial statements for 2019/20. The auditor and the company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management and data protection, risk management system, internal control system, internal audit, corporate governance and compliance) were discussed and accepted. A resolution for the appointment of the auditor for the 2020/21 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 4 February 2021 dealt with the six-month financial statements as of 31 October 2020, whereby the related reports by the auditor and corporate staff were accepted. Consultations centred on the accounting process and the focal points selected for review. The audit approach and focal points for the audits of the 2020/21 separate and consolidated financial statements were presented and explained by the auditor. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were also presented and accepted.

In three telephone meetings during November 2020, February 2021 and June 2021, the Audit Committee and the Management Board discussed results for the first and third quarters of the financial year as well as the updated risk position and the new auditor's extensive findings from the initial audit. The chairwoman of the Audit Committee held regular discussions with the auditor and the Chief Financial Officer to monitor the audit during the pre-audit and main audit phases in May and June 2021.

Committee for Management Board Matters

The members of the Committee for Management Board Matters held numerous meetings and telephone conferences during the 2020/21 financial year, which involved discussions and follow-up assessments of key topics. The most important issues handled during the reporting year included the following: the initial recommendation of a remuneration policy for the Management Board und Supervisory Board of Zumtobel Group AG for submission to the Supervisory Board; the extension of the appointment of Thomas Tschol as Chief Financial Officer of Zumtobel Group AG to 31 July 2021 and the appointment of Bernard Motzko as Chief Operating Officer of Zumtobel Group AG to 30 April 2024; and the appointment of Thomas Erath as the successor to Thomas Tschol as Chief Financial Officer of Zumtobel Group AG up to 31 July 2024.

The Committee for Management Board Matters also served as a sounding board for the Management Board on a wide range of issues.

Strategy Committee

In two meetings, the members of the Strategy Committee dealt with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the Strategy Committee in 2020/21 included the evaluation of options for the corporate strategy 2025, including a discussion of the new business and service models as growth drivers, the brand strategy, and the extension of the Zumtobel Group's strategy from FOCUS to FOCUSED to strengthen sustainability and support the development of a portfolio of digital solutions. Our goal for sustainability is to anchor this issue even stronger in our actions. This was reflected in a greater concentration on our existing sustainability initiatives. Climate neutrality for the Zumtobel Group by 2025 is one of our defined goals. We also want the Zumtobel Group to take on a pioneering role in the circular economy. Efforts in this respect include the responsible handling of material resources as well as the systematic minimisation of waste, emissions and energy consumption. Our claim to be the leading provider of user-oriented light solutions for the interconnected world will be underscored, above all, by pioneering work in innovation and digitalisation, the maintenance of a high-quality, interdisciplinary network in the areas of technology, science, design and art as well as the acceptance of responsibility for future generations through the creation of sustainable products and services for a circular economy.

The members of the Strategy Committee, together with management, also concentrated on and updated the vision & mission of the Zumtobel Group.

Additional information is provided in section 1.1.6 of the Group management report.

Consolidated and Separate Financial Statements

The separate financial statements and the management report as well as the consolidated financial statements and the group management report of Zumtobel Group AG for the 2020/21 financial year, which were prepared by the Management Board, were audited by PwC Wirtschaftsprüfung GmbH, Vienna, and given unqualified opinions. After an extensive review and discussion of the separate financial statements of Zumtobel Group AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for reservation, the Supervisory Board stated its agreement with the management reports for the company and the Group pursuant to § 96 (1) of the Austrian Stock Corporation Act and approved the separate financial statements of Zumtobel Group AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements as well as the consolidated corporate governance report which was reviewed by the Audit Committee.

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

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

For the Supervisory Board

Karin Zumtobel-Chammah
Chairwoman of the Supervisory Board

Dornbirn, am 24 June 2021

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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
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 – receivables from credit institutions from a continuing involvement based on the factoring agreement
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables – trade payables – prepayments received – customer bonuses, discounts and rebates

Service

Zumtobel Group AG

1. May 2020 to 30. April 2021

Financial Calendar

Record Date for the Annual General Meeting	20 July 2021
45 th Annual General Meeting of Zumtobel Group AG	30 July 2021
Ex-Dividend Day	03 August 2021
Record Date Dividend	04 August 2021
Dividend Payout Day	06 August 2021
Interim Report Q1 2021/22 (1 May 2021 - 31 July 2021)	07 September 2021
Half-Year Financial Report 2021/22 (1 May 2021 - 31 October 2021)	07 December 2021
Interim Report Q1-Q3 2021/22 (1 May 2021 - 31 January 2022)	08 March 2022

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Financial Reports

Our financial reports are available in English and German for download under: <https://z.lighting/>. The annual report 2010/21 will be available at our 45th Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1125.

More Information

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

<https://z.lighting/>

Imprint

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Disclaimer

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

