Financial Report
2015

CONTENTS

1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

in CHF '000	NOTES	2015	2014
Net revenue from sales to customers	4.1 / 4.2 / 4.3	279,391	288,127
Other operating income	4.3	5,268	6,268
Changes in inventories of semi-finished and finished products, capitalised costs	4.3	4,522	–5,282
Total operating income	4.3	289,181	289,113
Cost of materials		–104,635	–124,517
External production costs		–18,125	–11,882
Personnel expenditure	4.4 / 4.5	–80,874	–88,374
Other operating expenses	4.6	–48,165	–43,113
Depreciation and impairment on tangible assets	4.15	–17,967	–15,166
Depreciation and impairment on intangible assets	4.16	–1,826	–2,021
Earnings before interest and taxes (EBIT)	4.1	17,589	4,040
Financial income		1,374	826
Financial expenses		–1,483	–1,319
Financial result	4.7	–109	–493
Earnings before income taxes (EBT)		17,480	3,547
Income tax expenses	4.8	–4,654	–1,890
Net income for the period		12,826	1,657
Attributable to the shareholders of Orell Füssli Holding Ltd		11,025	–527
Attributable to minority interests		1,801	2,184

in CHF	NOTES	2015	2014
Earnings per share	4.9	5.63	–0.27

The disclosures on pages 14 to 32 form an integral part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2015	2014
Assets			
Cash and cash equivalents	4.10	73,119	60,377
Marketable securities	4.11	330	365
Trade accounts receivable	4.12	20,199	30,766
Other receivables	4.13	18,003	21,024
Inventories	4.14	37,215	40,282
Current income tax receivables		1,057	1,185
Accrued income and deferred expenses		3,244	1,732
Total current assets		153,167	155,731
Tangible assets	4.15 / 4.17	73,589	81,629
Intangible assets	4.16	1,374	2,579
Participations	4.18	1,098	1,457
Deferred tax assets	4.23	5,269	9,211
Other non-current financial assets	4.19	5,577	5,624
Total non-current assets		86,907	100,500
Total assets		240,074	256,231

Liabilities and equity			
Trade payables		10,242	15,609
Other current liabilities	4.20	45,889	60,391
Current income tax liabilities		1,022	1,400
Accrued expenses and deferred income		15,917	13,239
Current financial liabilities	4.21	1,107	8,720
Current provisions	4.22	2,181	5,573
Total current liabilities		76,358	104,932
Non-current financial liabilities	4.21	2,537	2,561
Pension fund liabilities		306	425
Non-current provisions	4.22	256	959
Deferred tax liabilities	4.23	1,476	1,508
Total non-current liabilities		4,575	5,453
Share capital		1,960	1,960
Capital reserves		4,160	4,160
Retained earnings		155,325	139,190
Translation differences		–17,512	–13,587
Total equity before minority interests		143,933	131,723
Minority interests		15,208	14,123
Total equity		159,141	145,846
Total liabilities and equity		240,074	256,231

The disclosures on pages 14 to 32 form an integral part of the financial report.

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF '000	NOTES	2015	2014
Net income for the period		12,826	1,657
Depreciation		15,881	15,081
Impairment and amortisation		3,912	2,107
Other non-cash related income and expenses		773	–152
Change in trade accounts receivable		8,268	1,599
Change in inventories		1,519	10,775
Change in other receivables		2,468	20,232
Change in trade payables		–4,588	–5,651
Change in other liabilities		–14,563	8,509
Change in accruals net		1,510	3,902
Change in provisions and deferred income tax		–341	–7,836
Cash flow from operating activities		27,665	50,223
Purchase of tangible assets		–11,288	–16,062
Proceeds from disposals of tangible assets		334	300
Purchase of intangible assets		–609	–549
Proceeds from disposal of SOFHA GmbH	4.28	3,493	–
Proceeds from disposals of associated participations	4.28	520	–
Purchase of other participations		–	–100
Proceeds from disposals of other participations	4.18	–	2,569
Purchase of other non-current assets		–72	–126
Proceeds from disposals of other non-current assets		33	30
Proceeds from other investmenst		–	301
Cash flow from investing activities		–7,589	–13,637
Increase of financial liabilities		43	138
Repayment of financial liabilities		–6,652	–2,976
Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, SOFHA GmbH, Tritron GmbH)		–	–666
Cash flow from financing activities		–6,609	–3,504
Translation effects		–725	93
Increase in cash and cash equivalents		12,742	33,175
Cash and cash equivalents at 1 January		60,377	27,202
Cash and cash equivalents at 31 December		73,119	60,377

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1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF '000	Share capital	Capital reserves	Retained earnings and net income	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2014	1,960	4,160	139,717	–14,166	131,671	12,649	144,320
Dividends paid	–	–	–	–	–	–666	–666
Currency translation effects	–	–	–	579	579	–44	535
Net income for the period	–	–	–527	–	–527	2,184	1,657
Total equity at 31 December 2014	1,960	4,160	139,190	–13,587	131,723	14,123	145,846
Equity at 1 January 2015	1,960	4,160	139,190	–13,587	131,723	14,123	145,846
Disposal of SOFHA GmbH	–	–	–	11	11	–303	–292
Consideration of goodwill offset at an earlier date	–	–	5,110	–	5,110	–	5,110
Currency translation effects	–	–	–	–3,936	–3,936	–413	–4,349
Net income for the period	–	–	11,025	–	11,025	1,801	12,826
Total equity at 31 December 2015	1,960	4,160	155,325	–17,512	143,933	15,208	159,141

The share capital as at 31 December 2015 and 31 December 2014 consisted of 1,960,000 registered shares with a par value of CHF 1.– each.

Following the disposal of SOFHA GmbH the remaining goodwill offset in the retained earnings is reduced by CHF 5,110,000 to CHF 1,544,000 (2014: CHF 6,654,000).

The amount of accumulated non-distributable reserves stands at CHF 12,174,000 (2014: CHF 8,674,000).

The disclosures on pages 14 to 32 form an integral part of the financial report.

2 ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in conformity with the existing Swiss GAAP FER standards in their entirety, as well as the provisions of the Listing Rules of SIX Swiss Exchange and the Swiss law on companies limited by shares ("company law").

The first-time application of Swiss GAAP FER 31 did not lead to any adjustments in the balance sheet or in the income statement. The adjustments that were required are described in the notes to the financial statements.

The consolidated financial statements are based on the principle of historical costs and are prepared assuming that the company is a going concern.

2.2 CONSOLIDATION

Subsidiaries

Subsidiaries comprise all domestic and foreign entities directly or indirectly controlled by Orell Füssli Holding Ltd, either by holding at least 50% of the voting rights or by otherwise exercising a significant influence on the business management and business policy.

Subsidiaries are consolidated as of the date on which direct or indirect control passes to Orell Füssli Holding Ltd. They are deconsolidated as of the date that such control ceases. In cases of business combinations control is assumed by a subsidiary. All identifiable assets and liabilities of a subsidiary are measured at fair value as of the acquisition date. The excess of a cost of acquisition over the fair value of the Group's share of the net assets of an acquired subsidiary is recognised in the equity as goodwill. Minor subsidiaries are not included in the full consolidation.

The impact of inter-company transactions, is eliminated in the consolidated financial statements.

Participations in joint ventures

Joint ventures under joint management, but not controlled by one of the parties, are consolidated on a pro rata basis.

As of 1 October 2013 Orell Füssli Thalia Ltd was created by the merger of the book retailing activities of Thalia Bücher Ltd and Orell Füssli Buchhandlungs Ltd. Each parent company holds a 50% interest and the Board of Directors consists of two representatives of each parent company. For the purposes of reporting consistency, this joint venture is consolidated on a pro rata basis. Thus, 50% of each of the income statement and balance sheet item is included in the consolidated financial statements of the Orell Füssli Group. Orell Füssli Holding Ltd continues to hold 51% of the capital of Orell Füssli Buchhandlungs Ltd, as before, while the Hugendubel family holds 49%.

Participations in associated companies

Participations in associated companies in which Orell Füssli Holding Ltd is able to exercise a significant influence are accounted for using the equity method. Influence is considered as significant if Orell Füssli Holding Ltd directly or indirectly holds between 20% and 50% of the voting rights or if it can otherwise exercise a significant influence on the business management and business policy.

Participations in associated companies are recognised initially at cost. Cost may include goodwill. The carrying amount of the participation is adjusted subsequently depending on the development of Orell Füssli Holding Ltd's share in the associated company's equity.

Other participations

Holdings of less than 20% of voting rights are recognised at the lower of cost or market value.

2.3 CURRENCY TRANSLATION

The items included in the financial statements of each group entity are valued using the currency of the primary economic environment in which the group operates (the "functional currency"). Transactions in a foreign currency are translated into the functional currency using the exchange rate prevailing on the date of the transaction.

The consolidated financial statements are presented in Swiss francs. To prepare the consolidated financial statements, the assets and liabilities of foreign subsidiaries are converted into Swiss francs at the market rate as of the corresponding balance sheet date. Revenues and expenses are converted at the average currency exchange rate for the financial year. Translation differences and foreign currency gains on equity-like long-term loans are booked neutrally for profit purposes under currency differences in the shareholders' equity. The Orell Füssli Group used the following currency exchange rates for the 2015 and 2014 financial years:

CURRENCY EXCHANGE RATES

	Market rate		Annual average rate	
	2015	2014	2015	2014
EUR at a rate of CHF	1.0828	1.2029	1.0685	1.2148
USD at a rate of CHF	0.9928	0.9896	0.9628	0.9154
GBP at a rate of CHF	1.4697	1.5372	1.4716	1.5071

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the annual financial statements requires management to estimate values and make assumptions affecting the disclosures of income, expenses, assets, liabilities and contingent liabilities as of the balance sheet date. If such estimates and assumptions made by management as of the balance sheet date and to the best of its knowledge, differ from the actual conditions at a later date, the original estimates and assumptions are amended in the reporting period in which the conditions have changed.

2.5 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that differ from those of other business segments.

The Group's business activities are categorised in three segments: Industrial Systems, Security Printing and Book Retailing. Other business activities include publishing as well as infrastructure services, which are not material in terms of their size. Information about the products and services of each business segment is provided in section 4.1 Notes to the consolidated financial statements.

2.6 REVENUE RECOGNITION

Net revenue from sales to customers of tradable, manufactured and printed products is recorded as income after their delivery to and acceptance by the client. Revenue is recorded net of value-added tax and any rebates.

Revenue from construction contracts (see note 2.12) is recognised using the percentage of completion method (PoC) in order to record the portion of total sales for the reporting period.

Revenue from services rendered and objects leased over a certain period and which are invoiced to clients periodically is recorded in the period in which the service is rendered or the right of use is exercised. Revenue from the processing of transaction-related services is recorded at the time the service is rendered in full.

Dividend income is recorded in the reporting period in which a right to payment arises.

2.7 IMPAIRMENT

Tangible and intangible assets are tested for impairment if events or changes of circumstances indicate that the value of an asset may be impaired. If such indications exist, the recoverable amount is determined. An impairment loss results if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of either the fair value less selling costs or the present value of expected future cash flows. The impairment is recorded in the income statement. For the purpose of impairment testing, assets are grouped at the lowest level for which separate cash flows can be identified.

2.8 INCOME TAXES

Income taxes are recorded based on the applicable tax rate of the individual countries and expensed in the period in which they occur. Tax effects resulting from tax losses carried forward are recognised as deferred tax assets if future taxable profits are likely against which the tax losses could be offset.

Deferred tax assets and liabilities are recognised for temporary differences between the values of assets and liabilities disclosed in the balance sheet and their corresponding tax accounting value provided they result in future taxable expenditures or profits, respectively. Further, deferred tax assets are recognised only if future taxable profits are likely against which they may be offset.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the asset will be realised or the liability will be settled.

Current tax assets and liabilities can be offset against each other provided they concern the same taxable unit, the same tax authority and there is a legally enforceable right to offset them. Deferred tax assets and liabilities can be offset against each other in the same circumstances.

2.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, cash in bank and postal giro accounts and short-term fixed deposits with a contractual maturity period of three months or less.

2.10 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Marketable securities are initially valued at cost plus transaction costs. All purchases and sales are recognised at the daily market price. Subsequently, marketable securities are included in current assets and marked to market in the income statement.

Derivative financial instruments to hedge transactions with future cash flows are recognised at fair value in the same item where the underlying transaction is recorded in the balance sheet. Otherwise, they are disclosed in the notes to the financial statements. The Orell Füssli Group does not buy or sell any derivative financial instruments without underlying transactions.

2.11 TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ACCOUNTS RECEIVABLE

Trade accounts receivable and other current accounts receivable are valued at the amortised acquisition cost less any impairments. The valuation of doubtful accounts receivable is done by means of individual impairment charges and in light of the expected losses based on empirical values.

Any loss due to a change in the provision for doubtful accounts receivable is recognised in the income statement as other operating expense, while the reversal of any such provision accordingly results in a decrease of the operational expense.

2.12 CONSTRUCTION CONTRACTS POC (INCLUDED IN OTHER RECEIVABLES)

Manufacturing contracts are long-term orders with a timeframe of at least three months and representing a significant volume, which are usually governed by a contract for work and services. The estimates used to determine the application of the PoC method were revised in the current financial year. Manufacturing contracts are recognised using the percentage of completion method (PoC). The PoC method measures the stage of completion of the contractual activity in percentage terms in order to determine the share of the overall revenue for the reporting period and to recognise this share as other receivable. The degree of completion is determined based on the completed quantity of a production lot and/or on the portion of the production stages carried out. Expected losses on construction contracts are recognised immediately in the income statement as an expense.

Advance payments for manufacturing contracts are recognised without any impact on income. If there is no repayment claim, advance payments are offset against the accrued costs of the production contract to which these payments relate.

2.13 INVENTORIES

Inventories include raw materials, auxiliary material and supplies, semi-finished products, finished products, work-in-progress and trading goods. Inventories are stated at the lower of cost or net realisable value. The acquisition or production costs are determined based on the weighted average acquisition costs. The production costs of semi-finished and finished products comprise the directly attributable production costs, including materials and manufacturing costs, as well as overhead costs. The net realisable value is the estimated selling price in the ordinary course of business less the production and distribution costs. To this end, coverage analyses are consulted for the products, while the date of acquisition is consulted for the book trade. Discounts are treated as reductions in the acquisition cost.

2.14 OTHER NON-CURRENT FINANCIAL ASSETS

This item includes long-term loans, amounts due from pension funds, fixed-term deposits with a residual term to maturity of over one year as well as security deposits. They are valued at face value less any impairment.

2.15 TANGIBLE ASSETS

Tangible assets comprise machinery, technical installations, moveable property, leasehold improvements, vehicles, IT systems and hardware, property, buildings, investment property and fixed equipment.

Tangible assets are valued initially at their acquisition or production cost. This includes the purchase price of the tangible asset plus costs directly related to getting the asset ready to operate for its intended purpose.

Tangible assets are subsequently depreciated using the straight-line method over the period of their useful lives. This also applies to tangible assets generated internally. Land is not depreciated. The period of depreciation may be adjusted if there is a business necessity. Depreciation begins once the tangible asset is ready for use. The estimated useful lives of each tangible asset category are as follows:

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

in years	Estimated useful lives
Machinery and technical installations	5–10
Buildings	30–40
Fixed facilities in production premises and own properties	30–40
Fixed facilities in commercial premises	12–15
Movable properties, leasehold improvements, vehicles	4–10
IT systems and hardware	3–5

Buildings under construction are fixed assets that are not yet finished or not yet operational. They are valued at accumulated acquisition or production costs and are not depreciated.

Investments in the replacement and improvement of tangible assets are recognised in the balance sheet when an additional economic benefit is likely.

Expenditures for the repair and maintenance of buildings and equipment are recorded as expenses in the income statement when they occur.

2.16 INTANGIBLE ASSETS

Intangible assets comprise rights, licences and software. They are valued at acquisition or production cost less accumulated depreciation and impairment. The acquisition cost of rights, licences and software comprises the purchase price plus directly attributable costs. Rights, licences and software are amortised using the straight-line method over the contractually agreed duration. Software developed in-house is amortised using the straight-line method over a maximum period of three years.

2.17 GOODWILL

Goodwill represents the excess of the purchase price over the fair value on the date of acquisition of the identifiable net assets of a company acquired by the Orell Füssli Group. Goodwill arising from acquisitions is offset against consolidated shareholders’ equity on the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill is disclosed in the notes to the consolidated financial statements. Negative goodwill is recognised directly in shareholders’ equity as a capital reserve.

2.18 TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at face value.

2.19 DIVIDEND DISTRIBUTION

Shareholders’ claims to dividend payments are recorded as a liability in the period in which the dividends are approved by the company’s shareholders.

2.20 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, finance lease liabilities and other financial liabilities. Financial liabilities are valued at their face value, which is usually determined by the payment amount minus any transaction costs incurred.

Financial liabilities are classified as current if they will mature in whole or in part within the following 12 months. If a contractual agreement to prolong the maturity of a loan exists as of the balance sheet date, the new duration will be taken into account for its classification.

2.21 LEASES

The leasing of assets involving the transfer of essentially all the risk and rewards incidental to ownership to the lessee is designated as a finance lease. Finance leases are recognised initially in the balance sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The leased asset is depreciated over its useful life or the lease term, whichever is shorter. The corresponding financial obligations are recorded as liabilities.

Leases of assets in which essentially all the risks and rewards incidental to ownership are effectively held and used by the lessor are classified as operating leases. The costs under an operating lease are recorded in the income statement.

2.22 EMPLOYEE RETIREMENT BENEFIT SCHEMES

Group companies' retirement benefit schemes are included in the consolidated financial statements according to the legal provisions in effect in the corresponding country. The actual financial impact of pension plans on the Group is calculated as of the balance sheet date. Any financial benefit is carried as an asset if it is used for the company's future pension expenses. A financial commitment is carried as a liability if the requirements for the creation of a provision are met. Any freely available employer's contribution reserves are recognised as an asset.

The Group's Swiss subsidiaries have legally independent retirement benefit schemes funded by the employer's and the employees' contributions. The financial consequences for the Group of pension fund surpluses and deficits as well as changes in any employer's contribution reserves are recorded in the income statement as personnel expenditure alongside deferred contributions for the period. Any surpluses or deficits are calculated based on the pension fund's provisional annual financial statements prepared according to Swiss GAAP FER 26.

Foreign pension plans are of secondary importance. Certain foreign subsidiaries have pension plans without independent assets and include the corresponding pension provision directly in the balance sheet. Pension provisions are calculated according to nationally recognised methods and changes are recorded in the income statement as personnel expenditure.

2.23 PROVISIONS

Provisions are recognised if the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that a cash outflow will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions are recorded for future operational losses.

If the effect of the time value of money is significant, provisions are determined by discounting future cash flows.

2.24 SHARE CAPITAL

Ordinary shares are classified as part of the shareholders' equity. Transactions with minority interests are treated as transactions with own shares. Therefore, payments for purchases of minority interests as well as any consideration received from the sales of minority interests are recorded in equity. Any differences between the consideration received/paid and the minority interests as presented in the balance sheet are recorded in equity.

3 RISK MANAGEMENT

3.1 RISK ASSESSMENT

As part of its supervisory duties of the Orell Füssli Group, the Board of Directors of Orell Füssli Holding Ltd conducts a systematic risk assessment at least once a year. At its meeting on 20 March 2015, the Board of Directors took note of management's report on group-wide risk management and approved the steps proposed.

3.2 FINANCIAL RISK MANAGEMENT

The Orell Füssli Group is active worldwide and therefore exposed to various financial risks, such as currency, interest rate and credit risks.

In addition to risk management in general, financial risk management at the Orell Füssli Group focuses on the unpredictability of financial market trends and seeks to minimise potential adverse effects on the group's financial performance. This can also include the occasional use of derivative financial instruments for economic hedging of financial risks.

Currency risk

The Orell Füssli Group engages in business transactions in currencies that demonstrate a certain degree of volatility. In the case of large orders with a lead time of more than three months, the risk of currency fluctuations is assessed by the Finance Department and, if necessary, hedged by means of financial instruments.

Interest rate risk

As the Orell Füssli Group has no significant interest-bearing assets, both income and operating cash flow are largely unaffected by changes in market interest rates.

Correspondingly, there is no interest-rate hedging.

Credit risk

Credit risks can arise from cash and cash equivalents, credit balances with financial institutions and receivables from customers. Risks are minimised by utilising various financial service providers rather than a single banking institution.

In light of the different customer structure of the divisions, no general credit limits are applied throughout the group. Instead, customers' credit-worthiness is systematically assessed by each division, taking into account the financial situation, past experience and/or other factors. Significant international business activities are usually secured by bank guarantees or letters of credit.

Management does not expect any material losses on its portfolio of receivables.

3.3 LIQUIDITY RISK

The Orell Füssli Group monitors its liquidity risk through prudent liquidity management by pursuing the principle of its maintaining a liquidity reserve in excess of daily and monthly needs for operating funds. This includes holding sufficient reserves of cash and cash equivalents, funding possibilities by maintaining an adequate amount of credit facilities and the ability to issue shares or bonds on the market. Rolling liquidity planning is therefore conducted based on expected cash flows and is regularly updated. It has to be borne in mind that different divisions customarily hold higher liquidity reserves at year-end due to the seasonal nature of their businesses and these are reduced again in the following quarter. Average liquidity reserves are usually much lower than those held at year-end are.

Available liquidity as of the balance sheet date was as follows:

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF '000 at 31 December	2015	2014
Cash and cash equivalents	73,119	60,377
Prepayments from customers	–39,451	–55,367
Other financial assets / liabilities	–3,552	–9,687
Cash and cash equivalents net	30,116	–4,677
Thereof assigned to other shareholders	18,563	13,717
Disposable cash and cash equivalents	11,553	–18,394
Available lines of credit	81,032	83,830
./. Secured guarantees by banks (without prepaiment guarantees)	–2,361	–2,262
./. Lines of credit used	–1,107	–9,496
Total disposable cash and cash equivalents and unused lines of credit	89,117	53,678

As well as the committed credit facilities in local currencies, sufficient funds should also be available to conduct ordinary business activities in the future. In 2015, the credit facilities in the local currencies are unchanged compared with the prior year; however, they decreased by CHF 2,798,000 in the reporting currency due to the changes in the EUR/CHF exchange rate.

If additional liquidity is required for significant investments in non-current assets and expenditure on future acquisitions, an adjustment of the credit facilities may be considered. However, a mortgage could also be taken out on the unencumbered property at Dietzingerstrasse in Zurich.

4 EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

The business activities of the Orell Füssli Group are organised in three main segments, which provide the basis for regular internal segment reporting. Segment reporting provides information on sales revenues and the operating result (EBIT).

Industrial Systems

Production and marketing of machinery and systems for encoding and personalising printable products.

Security Printing

Production and marketing of banknotes, security documents, identity cards and other documents with high security requirements.

Book Retailing

Sale of books and similar products in numerous bookstores in German-speaking Switzerland and on the internet. In particular, this segment includes the 50% of the income statement and the balance sheet of the Orell Füssli Thalia Ltd joint venture company.

Other business activities

In 2015 and 2014, this segment consisted primarily of the publishing business.

Infrastructure services as well as the costs and revenues of the holding are not allocated as these are managed at group level and not attributed to individual segments. Further, consolidation effects arising from inter-segment revenue in this category are eliminated.

SEGMENT RESULTS 2015

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenue from segment sales	52,624	117,446	98,826	10,245	279,141	250	279,391
Inter-segment sales	46	–	6	15	67	–67	–
Net revenue from sales to customers	52,670	117,446	98,832	10,260	279,208	183	279,391
Earnings before interest and taxes (EBIT)	369	17,514	1,820	–409	19,294	–1,705	17,589

SEGMENT RESULTS 2014

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenue from segment sales	73,779	92,689	110,366	10,793	287,627	500	288,127
Inter-segment sales	150	–	–	29	179	–179	–
Net revenue from sales to customers	73,929	92,689	110,366	10,822	287,806	321	288,127
Earnings before interest and taxes (EBIT)	2,598	–643	3,080	–445	4,590	–550	4,040

4.2 NET REVENUE FROM SALES AND SERVICES BY COUNTRY AND REGION

The Industrial Systems and Security Printing segments serve customers worldwide without focussing on a specific geographical market. The Book Retailing and Other business activities segments focus mainly on the domestic market in Switzerland and the neighbouring countries.

Net revenue from sales and services are generated in the following regions:

NET REVENUE FROM SALES AND SERVICES BY REGION

in CHF '000	2015	2014
Switzerland	193,140	194,483
Germany	10,620	13,135
The rest of Europe and Africa	24,226	31,115
North and South America	9,448	21,274
Asia and Oceania	41,957	28,120
Total net revenue from sales to customers by region	279,391	288,127

Total sales are allocated based on the country in which the customer is located. This usually corresponds to the delivery location.

4.3 OPERATING INCOME

in CHF '000	2015	2014
Net revenue from sales to customers		
Sales of goods and products	278,537	283,586
Revenue from license fees	854	4,541
Total net revenue from sales to customers	279,391	288,127
Other operating income		
Rental income from operating leases	371	412
Gain from sales of non-current assets	204	23
Gain from sales of other investments	652	459
Other income	4,041	5,374
Total operating income	5,268	6,268
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	4,410	–5,414
Capitalised costs	112	132
Total changes in inventories of semi-finished and finished products, capitalised costs	4,522	–5,282
Total operating income	289,181	289,113

In the 2015 financial year, the net proceeds from tradable goods and products includes income from production orders calculated using the PoC method in the amount of CHF 26,929,000 (2014: CHF 38,558,000). Based on the review of the announced revenue recognition rules according to Swiss GAAP FER, it was noted that the use of the PoC method by Atlantic Zeiser Group is no longer adequate in terms of frequency, order duration and materiality. Therefore, as of the 2015 financial statements, the presentation of Percentage of Completion figures by Atlantic Zeiser Group is no longer considered adequate and the method will no longer be applied.

4.4 PERSONNEL EXPENDITURE

in CHF '000	2015	2014
Wages and salaries	68,338	73,981
Social security costs	5,942	6,603
Pension costs	4,356	4,795
Other personnel expenditure	2,238	2,995
Total personnel expenditure	80,874	88,374

4.5 PENSION FUNDS

The Orell Füssli Foundation has used the 2010 BVG (OPA) mortality table since 2011. The actuarial interest rate is 2.00% (2014: 2.50%).

EMPLOYER'S CONTRIBUTION RESERVES

in CHF '000	Nominal value ECR	Waiver of usage	Adjustments	Additions/ Reversals	Balance sheet	Balance sheet	Result from ECR in personnel expenditure	Result from ECR in personnel expenditure
	31.12.2015	31.12.2015	31.12.2015	2015	31.12.2015	31.12.2014	2015	2014
Pension schemes without funding surplus / deficit (Switzerland)	3,623	–	–	–	3,623	3,623	–	–

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF '000	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit/ liability Group	Economic benefit/ liability Group	Translation differences with no impact on the income statement	Change to prior year or charged to income statement	Contributions limited to the period	Pension costs in personnel expenditure	Pension costs in personnel expenditure
	31.12.2015	31.12.2015	31.12.2014	2015	31.12.2015	31.12.2015	2015	2014
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	–	3,048	3,165
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,308	1,630
Total	–	–	–	–	–	–	4,356	4,795

4.6 OTHER OPERATING EXPENSES

in CHF '000	NOTES	2015	2014
Marketing and distribution expenses		12,301	12,824
Operating lease expenses		11,951	13,411
Repairs and maintenance		6,396	5,488
Administration expenses		6,700	7,283
Losses on bad debts		391	1,033
Provisions made for PoC	4.22	–	–9,250
Losses from sales of fixed assets		4	3
Energy		2,646	2,718
IT		3,598	4,494
Other operating expenses		4,178	5,109
Total other operating expenses		48,165	43,113

In the prior year, the provision for extraordinary expenses in the Security Printing segment was released through the other operating expenses. See also note 4.22 Provisions.

4.7 FINANCIAL RESULT

in CHF '000	Expenses	Income	Balance 2015	Expenses	Income	Balance 2014
Interest result						
Interest expense and income	–172	23	–149	–370	182	–188
Effective interest in lease contracts	–	–	–	–35	–	–35
Total interest result	–172	23	–149	–405	182	–223
Other financial income and expense						
Dividend income	–	938	938	–	–	–
Foreign exchange result	–707	413	–294	–759	644	–115
Bank charges and other finance cost	–604	–	–604	–155	–	–155
Total other financial income and expense	–1,311	1,351	40	–914	644	–270
Total financial result	–1,483	1,374	–109	–1,319	826	–493

4.8 INCOME TAX EXPENSES

in CHF '000	2015	2014
Current income tax	937	1,640
Deferred income tax	3,717	250
Total income tax expenses	4,654	1,890

The high amount of deferred income tax expense arises primarily from Orell Füssli Security Printing Ltd, which was able to use losses brought forward from previous years.

The income tax expense on the Group's earnings before tax according to the profit and loss statement differs from the theoretical amount calculated by applying the weighted average interest rate of the Group to the Group's earnings before tax as follows:

Calculation of income tax

in CHF '000	2015	2014
Earnings before income taxes	17,480	3,547
Weighted average group tax rate	20.6%	14.1%
Expected income tax	3,601	500
Effect of change in local income tax rates	245	19
Non tax-deductible expenses	151	111
Tax-exempt income	–235	–73
Effect of tax loss carry-forwards not capitalized	630	922
Capitalization of previously not recognized tax loss carry-forwards	–27	–
Impairment of capitalized tax loss carry-forwards	270	131
Tax effects relating to other periods	3	74
Other effects	16	206
Effective income tax expense	4,654	1,890

In the prior year, Orell Füssli Holding Ltd, which used a significantly lower tax rate than the other companies of the Group, contributed a higher share of the earnings before tax. Because of this, the weighted average interest rate of the Group in the 2014 financial year was lower than the long-term average.

4.9 EARNINGS PER SHARE

at 31 December	2015	2014
Net income for the period in CHF '000	11,025	–527
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Earnings per share in CHF	5.63	–0.27

There were no dilution effects either in 2015 or in 2014.

4.10 CASH AND CASH EQUIVALENTS

in CHF '000 at 31 December	2015	2014
Cash in bank accounts and in hand	71,894	58,950
Short-term bank deposits	1,225	1,427
Total cash and cash equivalents	73,119	60,377

4.11 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2015, there are open foreign exchange forward contracts, which are used to hedge against currency fluctuations affecting future cash flows that have not yet been recorded in the balance sheet. Consequently, there is an unrecognised amount of CHF 291,000. Foreign currencies in the notional amount of total CHF 9,122,000 have been hedged. In the prior year, there were no open foreign exchange forward contracts or other forms of hedging as of the balance sheet date.

4.12 TRADE ACCOUNTS RECEIVABLE

in CHF '000 at 31 December	2015	2014
Trade accounts receivable gross	21,642	31,980
./. provisions for doubtful trade accounts receivable	–1,443	–1,214
Total trade accounts receivable net	20,199	30,766

Provisions for doubtful trade accounts receivable are based on the different customer structure in each division according to an individual estimate as well as current empirical information. Adjustments are recorded in other operating expenses in the income statement.

PROVISIONS FOR DOUBTFUL TRADE ACCOUNTS RECEIVABLE

in CHF '000	2015	2014
At 1 January	–1,214	–1,190
Increase in provisions for doubtful trade accounts receivable	–546	–1,081
Utilisation of provisions	114	951
Reversal of provisions	117	93
Exchange differences	86	13
At 31 December	–1,443	–1,214

There is no forfaiting on the receivables portfolio.

4.13 OTHER RECEIVABLES

in CHF '000 at 31 December	2015	2014
Construction contracts gross	28,787	60,208
./. deductible customer advances received	–24,105	–48,037
Total construction contracts net	4,682	12,171
Prepayments to suppliers	4,537	1,489
Current financial assets	92	1,594
Other receivables	8,692	5,770
Total other receivables	18,003	21,024

The increase in other receivables is primarily due to the remaining amounts due from the sale of SOFHA GmbH.

4.14 INVENTORIES

in CHF '000 at 31 December	2015	2014
Raw materials, auxiliary materials and supplies	11,662	18,809
Semi-finished and finished products	19,133	15,733
Trading goods	16,114	16,199
Work-in-progress	496	987
Total inventories gross	47,405	51,728
./. allowance on inventories	–10,190	–11,446
Total inventories net	37,215	40,282

4.15 TANGIBLE ASSETS

TANGIBLE ASSETS IN 2015

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	83,391	361	324	117,232	29,924	14,318	245,550
Change in scope of consolidation	–27	–	–	–	–452	–	–479
Additions	1,915	–	–	8,489	781	215	11,400
Disposals	–552	–	–	–9,287	–835	–48	–10,722
Reclassification	1,606	–	–	12,588	–	–14,253	–59
Exchange differences	–1,313	–36	–14	–832	–1,416	–12	–3,623
Cost at 31 December	85,020	325	310	128,190	28,002	220	242,067
Accumulated depreciation and impairment at 1 January	–54,128	–	–324	–88,078	–21,391	–	–163,921
Change in scope of consolidation	22	–	–	–	407	–	429
Depreciation on disposals	552	–	–	9,285	751	–	10,588
Depreciation	–3,673	–	–	–8,516	–2,512	–	–14,701
Impairment	–1,070	–	–	–1,950	–246	–	–3,266
Exchange differences	679	–	14	516	1,184	–	2,393
Accumulated depreciation and impairment at 31 December	–57,618	–	–310	–88,743	–21,807	–	–168,478
Net carrying amount at 1 January	29,263	361	–	29,154	8,533	14,318	81,629
Net carrying amount at 31 December	27,402	325	–	39,447	6,195	220	73,589
Net carrying amount of tangible assets under finance lease	2,135	–	–	–	–	–	2,135

TANGIBLE ASSETS IN 2014

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	88,513	367	310	115,201	29,366	5,746	239,503
Additions	485	–	–	4,029	2,034	9,645	16,193
Disposals	–5,737	–	–	–2,801	–1,214	–164	–9,916
Reclassification	–	–	–	907	–	–907	–
Exchange differences	130	–6	14	–104	–262	–2	–230
Cost at 31 December	83,391	361	324	117,232	29,924	14,318	245,550
Accumulated depreciation and impairment at 1 January	–54,966	–	–300	–83,922	–19,290	–	–158,478
Depreciation on disposals	5,731	–	–	2,733	1,170	–	9,634
Depreciation	–3,615	–	–10	–6,698	–3,246	–	–13,569
Impairment	–1,110	–	–	–243	–244	–	–1,597
Exchange differences	–168	–	–14	52	219	–	89
Accumulated depreciation and impairment at 31 December	–54,128	–	–324	–88,078	–21,391	–	–163,921
Net carrying amount at 1 January	33,547	367	10	31,279	10,076	5,746	81,025
Net carrying amount at 31 December	29,263	361	–	29,154	8,533	14,318	81,629
Net carrying amount of tangible assets under finance lease	2,472	–	–	–	–	–	2,472

4.16 INTANGIBLE ASSETS

INTANGIBLE ASSETS IN 2015

in CHF '000	Software and developments	Rights and licenses	Other in-tangible assets	Total
Cost at 1 January	10,556	1,335	919	12,810
Change in scope of consolidation	–100	–243	–	–343
Additions	531	11	67	609
Disposals	–55	–8	–	–63
Reclassification	353	–	–294	59
Exchange differences	–387	–1	–68	–456
Cost at 31 December	10,898	1,094	624	12,616
Accumulated depreciation and impairment at 1 January	–8,592	–961	–678	–10,231
Change in scope of consolidation	86	243	–	329
Depreciation on disposals	55	8	–	63
Depreciation	–1,000	–180	–	–1,180
Impairment	–646	–	–	–646
Reclassification	–5	–	5	–
Exchange differences	355	1	67	423
Accumulated depreciation and impairment at 31 December	–9,747	–889	–606	–11,242
Net carrying amount at 1 January	1,964	374	241	2,579
Net carrying amount at 31 December	1,151	205	18	1,374

INTANGIBLE ASSETS IN 2014

in CHF '000	Software and developments	Rights and licenses	Other in-tangible assets	Total
Cost at 1 January	9,980	1,340	1,252	12,572
Additions	352	–	198	550
Disposals	–220	–	–	–220
Reclassification	519	–	–519	–
Exchange differences	–75	–5	–12	–92
Cost at 31 December	10,556	1,335	919	12,810
Accumulated depreciation and impairment at 1 January	–7,387	–438	–689	–8,514
Depreciation on disposals	219	–	–	219
Depreciation	–1,491	–19	–2	–1,512
Impairment	–	–509	–	–509
Exchange differences	67	5	13	85
Accumulated depreciation and impairment at 31 December	–8,592	–961	–678	–10,231
Net carrying amount at 1 January	2,593	902	563	4,058
Net carrying amount at 31 December	1,964	374	241	2,579

The 'software and developments' item consists solely of bought-in products.

4.17 FURTHER DETAILS OF TANGIBLE AND INTANGIBLE ASSETS

The following changes occurred in insurance values and commitments to purchase tangible assets:

FURTHER DETAILS OF TANGIBLE ASSETS

in CHF '000 at 31 December	2015	2014
Insurance value	284,022	293,154
Commitments for purchases of properties, plants and other equipments	1,310	8,100

The remaining tangible fixed assets stated at cost as of 31 December 2015 in note 4.15 consist mainly of furniture and fixtures in the amount of CHF 17,477,000 (2014: CHF 18,912,000) and IT systems and hardware in the amount of CHF 10,056,000 (2014: CHF 10,425,000).

In the 2014 and 2015 financial years, no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 11,124,000 (2014: CHF 12,502,000), while CHF 827,000 (2014: CHF 909,000) was related to other leased tangible assets.

The obligations assumed with the purchase of tangible assets concern investments in the Security Printing segment as well as minor renovations in the branches of Orell Füssli Thalia Ltd.

4.18 PARTICIPATIONS

The minority interest in Photoglob Ltd was disposed of in the first quarter of 2015.

As of the end of 2014, the certificates of participation in the Swiss Book Centre cooperative in Hägendorf, which had been held by Orell Füssli Buchhandlungs Ltd, were redeemed at their issue price. The resulting profit amounted to CHF 459,000.

4.19 OTHER NON-CURRENT FINANCIAL ASSETS

in CHF '000 at 31 December	NOTES	2015	2014
Loan assets		836	876
Pension fund assets	4.5	3,623	3,623
Other non-current financial assets		1,118	1,125
Total other non-current financial assets		5,577	5,624

4.20 OTHER CURRENT LIABILITIES

in CHF '000 at 31 December	2015	2014
Prepayments from customers on construction contracts gross	24,105	48,037
./. deductible customer advances received	–24,105	–48,037
Prepayments from customers on construction contracts net	–	–
Prepayments from customers	39,451	55,367
Liabilities to employees	469	415
VAT and similar taxes payable	3,728	833
Dividends payable	3	3
Other current payables	2,238	3,773
Total other current liabilities	45,889	60,391

4.21 FINANCIAL LIABILITIES

The carrying amounts of financial liabilities have the following maturity profile:

MATURITIES OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2015	From borrowings	Liabilities from finance lease	Total 2014
Current financial liabilities	1,107	–	1,107	8,720	–	8,720
Non-current financial liabilities	1,875	662	2,537	1,875	686	2,561
Total financial liabilities	2,982	662	3,644	10,595	686	11,281

The interest-bearing liabilities do not include any collateralised financial liabilities. Leases are effectively collateralised as the rights to the leased assets revert to the lessor in the event of a breach of contract.

4.22 PROVISIONS

Provisions are included for restructurings, warranties, commissions, unfinished projects and for the loss-free valuation of orders.

The provisions for restructuring relate to the changes made to the floor spaces of the bookstores.

Warranty provisions are created in connection with services rendered and they are based on local legislation or contractual agreements. The provisions are calculated on the basis of empirical figures.

The other provisions concern primarily production orders and staff matters relating to Security Printing. In the prior year, Security Printing used the provision to compensate losses made on PoC production orders.

MOVEMENT IN PROVISIONS 2015

in CHF '000	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	1,346	479	4,707	6,532
Change in scope of consolidation	–	–69	–	–69
Additions (charged to income statement)	–	335	1,454	1,789
Reversals (charged to income statement)	–43	–185	–1,946	–2,174
Utilisation during the year	–1,098	–178	–2,323	–3,599
Exchange differences	–	–42	–	–42
At 31 December	205	340	1,892	2,437
Provisions maturing within 12 months	205	340	1,636	2,181
Provisions maturing over 1 year	–	–	256	256

MOVEMENT IN PROVISIONS 2014

in CHF '000	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	4,269	556	9,865	14,690
Additions (charged to income statement)	119	413	4,642	5,174
Reversals (charged to income statement)	–737	–103	–550	–1,390
Utilisation during the year	–2,305	–378	–9,250	–11,933
Exchange differences	–	–9	–	–9
At 31 December	1,346	479	4,707	6,532
Provisions maturing within 12 months	1,344	479	3,750	5,573
Provisions maturing over 1 year	2	–	957	959

4.23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities were as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

in CHF '000	Deferred tax assets	Deferred tax liabilities	Balance 2015	Deferred tax assets	Deferred tax liabilities	Balance 2014
At 1 January	9,211	–1,508	7,703	9,675	–1,694	7,981
Charges to income statement	–3,661	–56	–3,717	–433	183	–250
Exchange differences	–281	88	–193	–31	3	–28
At 31 December	5,269	–1,476	3,793	9,211	–1,508	7,703

Deferred taxes are calculated at the effective applicable rate for each company.

Deferred taxes include the following capitalised losses carried forward:

DEFERRED INCOME TAX ASSETS FROM LOSSES CARRIED FORWARD:

in CHF '000 at 31 December	2015	2014
Deferred income tax assets on loss carry-forward gross	7,467	11,518
./. Allowance	–2,021	–1,637
Deferred income tax assets on loss carry-forward net	5,446	9,881

Deferred income tax assets arising from tax loss carry forward are recognised in as far as the related tax benefits are likely to be realised through future taxable profits. The value adjustment corresponds to a loss carried forward in the amount of CHF 7,941,000 (2014: CHF 6,231,000), which largely stems from Atlantic Zeiser GmbH and Orell Füssli Verlag Ltd.

4.24 DIVIDEND PER SHARE

In the current year under review, no dividend was paid out for the 2014 financial year.

At the ordinary general meeting held on 28 April 2016, a dividend of CHF 7,840,000 (CHF 4.00 per share) will be proposed, which has not yet been recorded as a liability in the consolidated financial statements.

4.25 GOODWILL FROM ACQUISITIONS

The goodwill arising from acquisitions is offset against the group shareholders' equity as of the date of acquisition. A theoretical capitalisation of the goodwill would have the following impact on the annual financial statements:

THEORETICAL STATEMENT OF GOODWILL

in CHF '000	2015	2014
Cost at 1 January	6,654	6,654
Reduction due to changes in the consolidation scope (disposal of SOFHA GmbH)	–5,110	–
Cost at 31 December	1,544	6,654
Accumulated amortisation at 1 January	–5,768	–4,437
Depreciation and impairment	–309	–1,331
Reduction due to changes in the consolidation scope (disposal of SOFHA GmbH)	5,110	–
Accumulated amortisation at 31 December	–967	–5,768
Theoretical net book value at 1 January	886	2,217
Theoretical net book value at 31 December	577	886

A theoretical straight-line amortisation period of five years is applied. In the above theoretical statement of assets, goodwill items are converted to Swiss francs at the exchange rate on the date of acquisition. Such an approach requires no currency adjustments in the statement.

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF '000	2015	2014
Earnings before interest and taxes (EBIT) according to consolidated income statement	17,589	4,040
Goodwill amortisation	–309	–1,331
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	17,280	2,709
Net income for the period after minority interests	11,025	–527
Goodwill amortisation	–309	–1,331
Net income for the period after minority interests including goodwill amortisation	10,716	–1,858

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

in CHF '000 at 31 December	2015	2014
Equity before minority interests according to the consolidated balance sheet	143,933	131,723
Theoretical capitalisation of goodwill (net book value)	577	886
Theoretical equity before minority interests including goodwill (net book value)	144,510	132,609

4.26 CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

In the 2014 financial year, there was an unrecognised liability for the purchase of a 25.1% minority interest in SOFHA GmbH, Berlin, in the amount of CHF 1,612,000.

4.27 OBLIGATIONS FROM OPERATING LEASE CONTRACTS

The Orell Füssli Group rents property, machinery, plant and equipment by means of operational leases. Some lease contracts are non-cancellable; others have an option for cancellation of usually less than one year.

The future aggregate minimum lease payments under non-cancellable operating leases (mainly, minority interests) are as follows:

MATURITIES OF FUTURE AGGREGATE MINIMUM LEASE PAYMENTS

in CHF '000 at 31 December	2015	2014
No later than 1 year	10,350	12,019
Later than 1 year and no later than 5 years	27,910	33,399
Later than 5 years	8,078	11,346
Total future aggregate minimum lease payments	46,338	56,764

4.28 CHANGES IN THE SCOPE OF CONSOLIDATION IN THE 2015 FINANCIAL YEAR

SOFHA GmbH: In April 2015, the 75% majority stake held by Atlantic Zeiser GmbH in SOFHA GmbH was sold.

IN THE 2014 FINANCIAL YEAR

Triton USA Inc.: This subsidiary of Tritron GmbH, Battenberg (Germany) began its first significant operations in 2014 and has been included for the first time in the 2014 financial year in the scope of consolidation.

4.29 RELATED PARTY TRANSACTIONS

All transactions with related parties are included in the consolidated annual financial statements for 2015 and 2014.

RELATED PARTY TRANSACTIONS

in CHF '000	with associated entities	with shareholders	with other related parties	Total 2015	with associated entities	with shareholders	with other related parties	Total 2014
Net revenue from sales	250	67,355	–	67,605	177	50,258	–	50,435
Other operating income	606	–	–	606	1,547	–	–	1,547
Financial income	938	–	3	941	62	–	1	63
Cost of materials	–	–	–	–	10	–	–	10
Other operating expenses	22	–	260	282	40	–	260	300

in CHF '000 at 31 December	with associated entities	with shareholders	with other related parties	Total 2015	with associated entities	with shareholders	with other related parties	Total 2014
Trade accounts receivable	51	771	–	822	166	295	–	461
Other receivables	–	1,056	–	1,056	–	7,913	–	7,913
Financial assets	–	–	–	–	1,300	–	200	1,500
Trade payables	26	–	–	26	5	–	–	5
Other liabilities	–	29,700	–	29,700	45	26,890	–	26,935
Financial liabilities	1,875	–	–	1,875	1,875	–	–	1,875

In 2014 as in prior years, the Orell Füssli Group continued to sell books and publishing products to related parties and to employees at favourable rates.

Except for the compensation disclosed in the compensation report (see pages 41 to 44 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2015 and 2014.

A full list of all group and associated companies is shown in section 8: "Companies of the Orell Füssli Group".

4.30 EVENTS AFTER THE BALANCE SHEET DATE

No further events that provide additional information on the items in the consolidated financial statements or cast doubt on the assumption that the company is a going concern or that would be otherwise material occurred between the balance sheet date and the date on which the annual report was approved by the Board of Directors (21 March 2016).

5 REPORT OF THE GROUP AUDITORS

To the general meeting of Orell Füssli Holding Ltd
As statutory auditor, we have audited the consolidated financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 10 to 32), for the year ended 31 December 2015.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and the fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditors Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Thomas Wallmer	**Gian Franco Bieler**
Audit expert	Audit expert
Auditor in charge	

Zurich, 21 March 2016

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

in CHF '000	NOTES	2015	2014
Income from participations	7.3	11,000	–
Other operating income		2,439	2,362
Total operating income		13,439	2,362
Personnel expenditure	7.4	–2,318	–2,473
Operating lease expenses		–61	–63
Administration expenses	7.5	–2,100	–1,186
Other operating expenses		–96	–93
Depreciation and impairment		–87	–35
Earnings before interest and taxes		8,777	–1,488
Financial income		1,028	3,346
Financial expenses		–2,329	–521
Financial result	7.6	–1,301	2,825
Net operating income before extraordinary income and expenses		7,476	1,337
Extraordinary income	7.7	1,740	1
Extraordinary expenses	7.8	–3,042	–148
Earnings before taxes (EBT)		6,174	1,190
Income tax expenses		–	–82
Net income for the period		6,174	1,108

6.2 BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2015	2014
Assets			
Cash and cash equivalents		23,889	25,439
Trade receivables from related companies		–	11
Trade receivables from consolidated companies		301	1,673
Other current receivables from third parties		188	5
Other current receivables from related companies		–	400
Other current receivables from consolidated companies	7.9	31,480	14,829
Accrued income and deferred expenses		25	26
Total current assets		55,883	42,383
Loans to consolidated companies	7.10	29,093	24,311
Participations in related companies	7.11	50	330
Participations in consolidated companies	7.12	68,350	70,744
Tangible assets		92	143
Intangible assets		122	185
Total non-current assets		97,707	95,713
Total assets		153,590	138,096
Liabilities and equity			
Trade payables to third parties		106	87
Trade payables to consolidated companies		127	17
Short term interest-bearing liabilities to consolidated companies	7.13	9,799	1,071
Other current liabilities		33	40
Accrued expenses and deferred income		1,610	1,137
Current provisions		–	3
Total current liabilities		11,675	2,355
Provisions for restructuring		130	130
Total non-current liabilities		130	130
Share capital		1,960	1,960
Legal provit reserve		11,140	11,140
Retained earnings		122,511	121,403
Net income for the period		6,174	1,108
Total equity		141,785	135,611
Total liabilities and equity		153,590	138,096

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 GENERAL INFORMATION

The financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. With the introduction of the new Swiss accounting law, the structure of the balance sheet and the income statement have been completely revised. In light of this, the prior-year presentation was also revised.

Orell Füssli Holding Ltd is a Swiss company with headquarters in Zurich. The number of full-time equivalents (FTEs) did not exceed 50 as an annual average.

7.2 KEY ACCOUNTING POLICIES

Receivables

Trade accounts receivable and other current receivables are valued at the amortised acquisition cost minus any value adjustments. Doubtful accounts receivable are valued by applying individual value adjustments

Participations in consolidated and related companies

Long-term holdings of equity in other companies that confer over 50% of the voting rights are classified as a participation in a group subsidiary. Initial recognition is at acquisition cost. If there are actual indicators that the value of a participation is impaired, a value adjustment is recorded. The participations are valued individually.

7.3 INCOME FROM PARTICIPATIONS

The income from equity participations comprises dividend payments from subsidiaries as of 31 December 2015. The general meeting of the subsidiary has already approved the corresponding dividend payments.

7.4 PERSONNEL EXPENDITURE

This item comprises primarily the personnel expenditure relating to the Board of Directors and the Executive Board and the Head of Internal Audit.

7.5 ADMINISTRATION EXPENSES

An increase of CHF 914,000 compared with the 2014 financial year largely comprises significant expenditure on external research in relation to strategic projects.

7.6 FINANCIAL RESULT

The conversion of loans into equity capital (CHF 30,000,000 at Orell Füssli Security Printing Ltd, CHF 3,000,000 at Orell Füssli Verlag Ltd and CHF 2,000,000 at Orell Füssli Dienstleistungen Ltd as of the end of 2014) and the lower interest rate reduced the financial income by CHF 2,318,000. The substantial decline in the exchange rate of the Swiss franc to the euro meant that Orell Füssli Holding Ltd needed higher-than-average corrections in the amount of CHF 2,111,000 in the 2015 financial year. The currency fluctuations are presented on a gross basis.

7.7 EXTRAORDINARY INCOME

The individual valuation of the participation in Orell Füssli Dienstleistungen Ltd led to a revaluation to the level of the original share value (CHF 500,000). In 2015, Orell Füssli Dienstleistungen Ltd was able to repay a depreciated loan in the amount of CHF 1,000,000. CHF 240,000 represents the profit from the disposal of the minority interest in Photoglob Ltd.

7.8 EXTRAORDINARY EXPENSES

In 2015, Orell Füssli Verlag Ltd was devalued by CHF 2,894,000 based on the impairment testing performed. In the 2015 and 2014 financial years, payments of over CHF 148,000 were made to retirees of the Orell Füssli Group.

7.9 OTHER SHORT-TERM RECEIVABLES WITH GROUP COMPANIES
Orell Füssli Holding Ltd provides its subsidiaries and other related parties with necessary financial resources in the form of loans or short-term current account credit facilities. Per 31 December 2015, this also includes the dividend receivable with Orell Füssli Security Printing Ltd of CHF 11,000,000.

7.10 LOANS TO GROUP COMPANIES
As part of cash management, a further loan was granted to Atlantic Zeiser GmbH. As a result, Atlantic Zeiser GmbH could redeem its short-term external bank loan.

7.11 PARTICIPATIONS IN RELATED COMPANIES
In 2015, the minority interest in Photoglob Ltd was sold.

7.12 PARTICIPATIONS IN GROUP COMPANIES
The value of the participations changed by the value adjustment of Orell Füssli Verlag Ltd (principle of individual evaluation) in the amount of CHF 2,894,000 and the revaluation of Orell Füssli Dienstleistungen Ltd in the amount of CHF 500,000.

7.13 SHORT-TERM INTEREST-BEARING LIABILITIES WITH GROUP COMPANIES
The excess liquidity of the subsidiaries is made available to Orell Füssli Holding Ltd for its use. As part of cash management (negative interest rate), cash was transferred from Orell Füssli Buchhandlungs Ltd to Orell Füssli Holding Ltd in the form of a short-term loan.

7.14 SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD
As of the balance sheet date, the Board of Directors and the members of the Executive Board held the following shares in Orell Füssli Holding Ltd:

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Number of shares at 31 December	2015		2014	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Dr. Anton Bleikolm	1,000	1,000	1,000	1,000
Heinrich Fischer	2,017	2,017	2,017	2,017
Peter Stiefenhofer	1,000	1,000	730	730
Gonpo Tsering	300	300	300	300
Dieter Widmer	800	800	200	200

Dr. Thomas Moser, member of the Board of Directors, is an Alternate Member of the Governing Board of the Swiss National Bank (SNB), which owns 653,460 shares in Orell Füssli Holding Ltd.

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD

Number of shares at 31 December	2015		2014	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Martin Buyle	250	250	250	250

In the current and in the prior financial year, Orell Füssli Holding Ltd did not grant any participation rights to members of the Board of Directors, the Executive Board or employees.

7.15 MAJOR SHAREHOLDERS

at 31 December 2015	Total registered shares	Participation in %
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Hong Kong	304,221	15.52%
Fam. Siegert, Meerbusch (D)	187,252	9.55%
Veraison SICAV, Zurich (CH)	174,009	8.88%
Sarasin Investmentfonds Ltd, Basle (CH)	98,900	5.05%

7.16 FURTHER INFORMATION

in CHF '000 at 31 December	2015	2014
Contingent liabilities in favour of third parties	18,294	25,278

Orell Füssli held none of its own shares on 31 December 2015.

7.17 PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

The Board of Director's proposes to the Annual General Meeting on 28 April 2016 the payment of a dividend of CHF 4.00 per share.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000	2015
Retained earnings at the beginning of the period	122,511
Profit for the year 2015	6,174
Retained earnings available to the general meeting	128,685
Dividend of CHF 4.00 per share	–7,840
Carried forward	120,845

8 OVERVIEW OF SIGNIFICANT PARTICIPATIONS

SIGNIFICANT PARTICIPATIONS

			Nominal capital	% of capital held [1]	
	City, Country	Currency	in 1000	direct	indirect [2]
Consolidated companies					
Orell Füssli Security Printing Ltd	Zurich, CH	CHF	10,000	100	
Orell Füssli Technology Ltd	Zug, CH	CHF	50	100	
Orell Füssli Banknote Engineering Ltd	Zurich, CH	CHF	100	100	
Orell Füssli Buchhandlungs Ltd	Zurich, CH	CHF	5,000	51	
Orell Füssli Verlag Ltd	Zurich, CH	CHF	1,000	100	
Orell Füssli Dienstleistungs Ltd	Zurich, CH	CHF	500	100	
Atlantic Zeiser GmbH	Emmingen, D	EUR	869	100	
Atlantic Zeiser Inc. [4]	West Caldwell, USA	USD	0		100
Atlantic Zeiser (M) SDN BHD [4]	Kuala Lumpur, MAL	EUR	102		100
Atlantic Zeiser Ltd [4]	Andover, UK	GBP	0		100
Atlantic Zeiser SAS [4]	Créteil Cedex, F	EUR	38		100
Atlantic Zeiser SA [4]	Madrid, E	EUR	60		100
Atlantic Zeiser SRL [4]	Milano, I	EUR	100		100
Tritron GmbH [4]	Battenberg, D	EUR	200		51
Tritron USA inc. [5]	Chester VA, USA	USD	10		51
Pro rata consolidated participation					
Orell Füssli Thalia Ltd [3]	Zurich, CH	CHF	14,000		50
Equity accounted for participations					
Orell Füssli Kartographie Ltd	Zurich, CH	CHF	210	24	

1) Capital held and voting rights in % are identical
2) Capital share of the respective parent company
3) Held through Orell Füssli Buchhandlungs Ltd
4) Held through Atlantic Zeiser GmbH
5) Held through Tritron GmbH

9 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

To the general meeting of Orell Füssli Holding Ltd, Zurich
As statutory auditor, we have audited the financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet and notes (pages 34 to 39), for the year ended 31 December 2015.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instruction of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Thomas Wallmer	**Gian Franco Bieler**
Audit expert	Audit expert
Auditor in charge	

Zurich, 21 March 2016