# Annual Report 2017

orell füssli

**Orell Füssli** *is a diversified industrial and trading group engaged in the core businesses of banknote and security printing, industrial systems used in the individualisation of security documents and branded products, and book retailing.*

*In its security printing segment Orell Füssli produces banknotes, identity documents and securities, and is noted for innovative applications of printing processes and technologies. In the industrial systems segment Atlantic Zeiser supplies installations and services for the digital printing and encoding of banknotes, passports and security documents, plastic cards, labels and packaging. In the book retailing segment Orell Füssli holds a 50% interest in Orell Füssli Thalia Ltd, the leading group of large and specialist bookstores in prime locations in Switzerland. Orell Füssli Thalia Ltd combines a bricks-and-mortar presence with attractive online stores. It provides customised logistics and service facilities for libraries and companies.*
*Orell Füssli generates sales of some CHF 300 million with about 900 employees at locations in eight countries and is listed on the SIX Swiss Exchange.*

# Editorial
# Dear shareholder,

For Orell Füssli, business in the past year was dominated by sideways drift featuring light and shade in the individual divisions. All in all, expectations for the 2017 financial year were only partially fulfilled. At Security Printing both output and productivity increased, resulting in further growth in net revenue and operating earnings compared to the previous year. Atlantic Zeiser fell far short of its target for the year due to a subdued market environment and the weak outcome in its packaging business segment. Impairments also had to be recognised at Atlantic Zeiser. Book Retailing continued to focus on implementing its transformation programme and was thus able to counteract the difficult conditions prevailing on the market.

**NET REVENUE**

*in CHF million*

288.5

The Orell Füssli Group posted net revenue of CHF 288.5 million in the 2017 financial year. Operating earnings (EBIT) amounted to CHF 12.6 million, including accumulated special items totalling CHF –5.3 million. The equity ratio remained at a very solid level (68%).

Atlantic Zeiser looks back on an unsatisfactory 2017, with a sharp decline in net revenue which was reflected in negative operating earnings. In addition, an evaluation of Atlantic Zeiser's business prospects revealed the need for impairment charges, which reduced earnings further. In the traditional banknote serialisation business segment, the market returned to a normal level after an exceptionally strong year in 2016. In the field of card personalisation systems new models for personalising financial cards were launched on the market in a weak business environment. Finally, in the packaging business segment the company was unable to expand its position as planned, especially in track & trace and serialisation solutions. In light of the unsatisfactory overall situation, a start was made on setting out a future concept for Atlantic Zeiser. A decision on its implementation will be made in the first half of 2018.

**EBIT**

*in CHF million*

12.6

At the Security Printing Division, the positive development trend from previous years continued. The output of the printing plant increased again compared to the previous year, which led to a new record in net revenue, while experience from previous years was utilised to achieve further improvements in productivity and quality. Further denominations were produced for two key customers and are already in circulation in some cases. The Swiss National Bank issued two new denominations in 2017 with the 10-Swiss franc and 20-Swiss franc notes. Orell Füssli acquired initial orders from new customers on the basis of the successful new issues and the presentation of prestigious industrial awards for the 50-Swiss franc note. The focused expansion of this acquisition activity and long-term customer retention with high standards in terms of quality and security features will be of primary importance for generating an attractive earnings situation in the next two years. Cooperation with Landqart AG, in which Orell Füssli acquired a minority holding in 2017, will broaden the potential for acquiring further customers.

Alongside efforts to enhance operating efficiency we shall analyse the potential at Security Printing for broadening the range of products and services on offer by expanding our in-house technology portfolio and thus substantially strengthen our competitive position in the coming years.

Book Retailing was once again faced with a contracting Swiss book market in 2017 and held its own well in this business environment with numerous measures and activities. The main focus remained on the systematic implementation of the transformation programme which had been launched in 2015 to secure the competitive position of the business for the long term. Orell Füssli has taken purposeful steps to boost the attractiveness of the bricks-and-mortar sales outlets while at the same time lowering the operating cost base. The inner-city branches in Basle and St. Gall, which have a long tradition, were re-opened in 2018 after moving to new locations. The merging of the company's online presence on the www.orellfuessli.ch platform, which has now been completed, is an important basis for the implementation of an integrated omni-channel strategy.

For the 2018 financial year we foresee a downturn in the earnings situation. The steps taken in connection with the reorientation at Atlantic Zeiser are likely to depress earnings in the shape of special charges. At Security Printing we expect earnings to decline due to the change in the product mix towards lower-margin orders alongside further improvements in productivity. At Book Retailing work will focus on the ongoing implementation of the transformation programme.

**NET INCOME FOR THE PERIOD**
*in CHF million*
6.4

The Board of Directors will propose to the Annual General Meeting to be held on May 8, 2018, that an unchanged dividend of CH 4.00 per share be paid.

Dear shareholder, the Orell Füssli Group continued to make significant progress in Security Printing and had to face setbacks at Atlantic Zeiser in the past year. The Board of Directors and the Executive Board continue to be convinced of the company's potential and will set about tackling the challenges on hand together and with great determination.

Finally, our thanks go to our customers worldwide for their loyalty and their confidence in Orell Füssli. We also thank our employees warmly for their committed efforts, which have contributed crucially to the further development of the company.

Zurich, March 2018

DR. ANTON BLEIKOLM
*Chairman of the Board of Directors*

MARTIN BUYLE
*CEO*

# Key figures
# 2017

## INCOME STATEMENT

| *in CHF million* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Net revenue** | **288.5** | **298.9** | **279.4** | **288.1** | **272.2** |
| Thereof Atlantic Zeiser | 55.9 | 72.2 | 52.7 | 73.9 | 78.6 |
| Thereof Security Printing | 129.8 | 121.2 | 117.4 | 92.7 | 75.1 |
| Thereof Book Retailing | 91.7 | 94.8 | 98.8 | 110.4 | 109.5 |
| Thereof Publishing | 11.1 | 10.8 | 10.3 | 10.8 | 11.3 |
| **EBITDA** | **28.5** | **33.1** | **37.4** | **21.2** | **–5.6** |
| *in % Net revenue* | *9.9%* | *11.1%* | *13.4%* | *7.4%* | *–2.1%* |
| **EBIT before special items** | **17.9** | **20.3** | **21.5** | **3.0** | **–5.8** |
| Thereof Atlantic Zeiser | –2.1 | 3.9 | 3.4 | 2.2 | 4.2 |
| Thereof Security Printing | 20.1 | 17.4 | 18.4 | –1.0 | –12.9 |
| Thereof Book Retailing | 1.8 | 1.5 | 1.8 | 2.4 | 3.3 |
| Thereof Publishing | –0.1 | –0.6 | –0.4 | –0.4 | –0.1 |
| **Special items** | –5.3 | –1.8 | –3.9 | 1.0 | –14.9 |
| **EBIT** | **12.6** | **18.5** | **17.6** | **4.0** | **–20.7** |
| Thereof Atlantic Zeiser | –6.7 | 2.0 | 0.4 | 2.6 | 4.2 |
| Thereof Security Printing | 20.1 | 17.4 | 17.5 | –0.6 | –25.0 |
| Thereof Book Retailing | 1.6 | 2.0 | 1.8 | 3.1 | 0.5 |
| Thereof Publishing | –0.1 | –0.9 | –0.4 | –0.4 | –0.1 |
| *in % Net revenue* | *4.4%* | *6.2%* | *6.3%* | *1.4%* | *–7.6%* |
| **Net income for the period** | **6.4** | **12.3** | **12.8** | **1.7** | **–17.0** |
| Thereof minority interests | 1.6 | 1.5 | 1.8 | 2.2 | 1.2 |
| **Net income for the period after minority interests** | **4.8** | **10.8** | **11.0** | **–0.5** | **–18.2** |
| *Net income in % Net revenue* | *2.2%* | *4.1%* | *4.6%* | *0.6%* | *–6.3%* |

**NET REVENUE**
*in CHF million*
288.5

**EBIT**
*in CHF million*
12.6

## BALANCE SHEET

| *in CHF million* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Tangible assets | 75.2 | 77.0 | 86.9 | 100.5 | 103.8 |
| Total assets | 229.5 | 235.9 | 240.1 | 256.2 | 262.1 |
| **Total equity** | **156.2** | **160.4** | **159.1** | **145.8** | **144.3** |
| Thereof minority interests | 10.8 | 13.8 | 15.2 | 14.1 | 12.6 |
| **Equity financing ratio** | 68.1% | 68.0% | 66.3% | 56.9% | 55.1% |

**EQUITY FINANCING RATIO**
68.1%

## ADDITIONAL KEY FIGURES

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Cash flow from operating activities adjusted [1] | 21.4 | 25.8 | 32.8 | 12.6 | 1.8 |
| Investment | 9.5 | 8.2 | 12.0 | 16.7 | 11.9 |
| **Free Cash flow** | **11.9** | **17.6** | **20.8** | **–4.1** | **–10.1** |
| Full time equivalents FTE | 867.0 | 881.0 | 893.0 | 982.0 | 1,041.0 |
| **ROCE (NOPAT/Capital Employed) [2]** | **3.5%** | **7.1%** | **8.1%** | **1.4%** | **–9.5%** |

**ROCE**
3.5%

## SHARE FIGURES

| *in CHF* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Year-end share price** | **112.80** | **125.00** | **112.10** | **92.75** | **89.50** |
| **Profit/Loss per share** | **2.44** | **5.51** | **5.63** | **–0.27** | **–9.30** |
| Dividend per share | 4.00 | 4.00 | 4.00 | 0.00 | 0.00 |
| Yield on shares | 3.5% | 3.2% | 3.6% | 0.0% | 0.0% |
| Dividend payout ratio | 164.3% | 72.6% | 71.1% | 0.0% | 0.0% |
| **Price earnings ratio** | **46.3** | **22.7** | **19.9** | **–345.0** | **–9.6** |

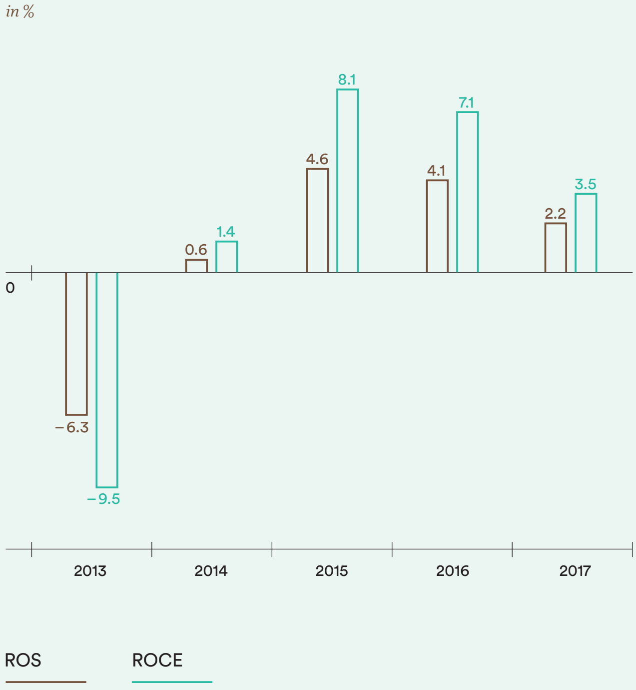
**EARNINGS PER SHARE 2017**
*in CHF*
2.44

[1] Cash flow from operating activities minus net current assets minus net income for the period minority interests
[2] Capital Employed: Average equity plus average interest-bearing liabilities plus average pension fund liabilities

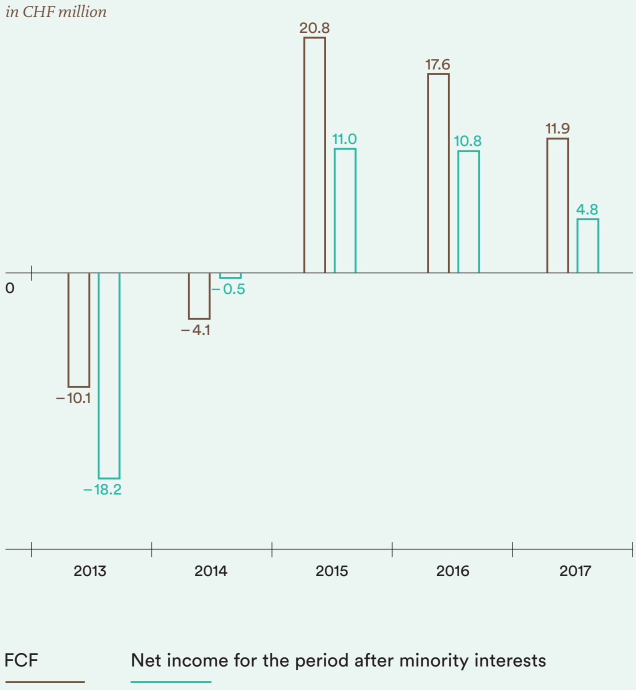
## SHARE PRICE DEVELOPMENT


## SEGMENTAL RESULTS


## RETURN ON SALES (ROS)
## RETURN ON CAPITAL EMPLOYED (ROCE)




## FREE CASH FLOW (FCF)
## NET INCOME FOR THE PERIOD AFTER MINORITY INTERESTS



# Business in 2017

*In 2017 both net revenue and operating earnings (EBIT)at Orell Füssli declined compared to the previous year's outcome. This was attributable mainly to the Atlantic Zeiser Division, with lower net revenue compared to the previous year and the resulting loss as well as impairments to net assets.*

Orell Füssli reported net revenue of CHF 288.5 million in 2017, equivalent to a decline of 4% compared to the previous year (CHF 298.9 million). Operating earnings (EBIT) were 32% lower at CHF 12.6 million (CHF 18.5 million in 2016). This figure included special items amounting to CHF –5.3 million (CHF –1.8 million in 2016).

Shareholders' equity including minority interests decreased from CHF 160.4 million to CHF 156.2 million. The equity ratio was 68.1% (68.0% in 2016)

**SEGMENT RESULTS**

| *in CHF thousand* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Division Atlantic Zeiser** | | | | | |
| Net revenue from sales to customers | 55,850 | 72,198 | 52,670 | 73,929 | 78,578 |
| Operating earnings before special items | –2,062 | 3,892 | 3,369 | 2,234 | 4,196 |
| Operating earnings (EBIT) | –6,723 | 1,958 | 369 | 2,598 | 4,196 |
| **Division Security Printing** | | | | | |
| Net revenue from sales to customers | 129,845 | 121,183 | 117,446 | 92,689 | 75,095 |
| Operating earnings before special items | 20,145 | 17,432 | 18,427 | –992 | –12,866 |
| Operating earnings (EBIT) | 20,145 | 17,432 | 17,514 | –643 | –24,980 |
| **Division Book Retailing** | | | | | |
| Net revenue from sales to customers | 91,673 | 94,776 | 98,832 | 110,366 | 109,465 |
| Operating earnings before special items | 1,791 | 1,550 | 1,820 | 2,384 | 3,294 |
| Operating earnings (EBIT) | 1,587 | 2,022 | 1,820 | 3,080 | 508 |

### Atlantic Zeiser Division

Atlantic Zeiser reported net revenue of EUR 50.2 million in 2017, significantly lower than the previous year's figure (EUR 66.2 million). Sales revenues declined in all business segments. Operating earnings (EBIT) amounted to EUR –6.0 million (EUR 1.8 million in 2016). This figure includes special items amounting to EUR –4.2 million arising from impairments to net assets.

**NET REVENUE ATLANTIC ZEISER**

*in EUR million*

50.2

Atlantic Zeiser concentrates on the three strategic business segments of banknote serialisation, card personalisation systems and packaging. In the banknote serialisation segment it was unable to sustain the level of net revenue following an exceptionally successful year in 2016. The decline in this business segment reflects the general market trend. In the second half of the year several important projects were acquired in the fields of numbering systems and camera verification systems.

Net revenue in the card personalisation systems business segment also declined. Due to the small order backlog at the beginning of 2017 net revenue in the first six months was low, but in the second half of the year the previous year's level was exceeded. Orders in hand at the end of 2017 were slightly higher than a year earlier. In the financial card personalisation market segment the product range was complemented further by the ongoing development of the PERSOMASTER system and corresponding software solutions for personalising smaller printing orders, thus addressing new customer target groups. Atlantic Zeiser has thus created the preconditions for sustained growth of sales levels in the field of financial card personalisation.

The packaging business segment focuses on the two product fields of track & trace solutions for serialising pharmaceutical products as well as printing systems for late-stage-customisation of pharmaceuticals and cosmetics packaging. Net revenue in the packaging business segment fell sharply in 2017. Business development in this segment in the second half of the year failed to meet expectations by a wide margin. Due to the low order backlog at the beginning of the year, net revenue was already at a very low level in the first half of 2017. In cooperative ventures with manufacturers of integrated packaging lines there were delays in qualification processes and consequently also in machine sales. The segment of track & trace solutions for serialising pharmaceutical products also failed to fulfil expectations in 2017. However, order intake increased strongly, especially in the final quarter of 2017, due to the framework agreements concluded with customers in the first six months for the delivery of machinery and systems.

One priority of research and development activities in 2017 was the further development of the new, modular OMEGA Pro drop-on-demand printer family for single- and multi-colour printing in applications calling for the highest standards of printing quality and resolution. The software for this new printer family has been optimised for the efficient processing of very small orders, thus substantially enhancing the advantages of digital printing compared to conventional printing technologies and securing Atlantic Zeiser a unique selling proposition on the market.

Due to the persistently unsatisfactory business trend, especially in the packaging business segment, a start has been made on drawing up a concept for the future focus of the Atlantic Zeiser Division. The decision on implementing the relevant steps will be taken in the first half of 2018.

### Security Printing Division

The Security Printing Division posted net revenue of CHF 129.8 million in 2017, an increase of 7% compared to the previous year (CHF 121.2 million). Operating earnings (EBIT) increased by 16% to CHF 20.1 million compared to CHF 17.4 million in 2016. As in the previous year, operating earnings were unaffected by special items. The increased volume achieved while at the same time improving productivity more than compensated for higher personnel expenses due to expansion of the sales organisation and increased costs incurred to improve machine availability.

In 2017 the Security Printing Division was again able to produce on schedule with high capacity utilisation and higher output than in 2016. This resulted in a new record net revenue outcome. As well as orders for new series of banknotes for two key customers, Orell Füssli was able to secure and deliver initial additional orders for international customers. Experience acquired in recent years in connection with high-quality production of new series of banknotes featuring faultless security technology has been successfully incorporated in the production of further denominations. The launch of the new 20-Swiss franc note in spring and the 10-Swiss franc note in autumn represented further milestones for Orell Füssli. All denominations of the Swiss National Bank's new series of banknotes issued to date have fulfilled the customer's high qualitative standards. Despite this positive development, the efficient production of the new banknotes at a reproducibly high level of quality and security continues to be challenging for the issue of the remaining denominations. Two new denominations were also produced for another key customer and successfully brought into circulation in 2017 to conclude the relevant new issue.

**NET REVENUE SECURITY PRINTING**

*in CHF million*

129.8

In spring the world's two most prestigious industry awards for design and functional features, including the "Banknote of the Year Award 2016" of the International Bank Note Society, were presented for the Swiss National Bank's new 50-Swiss franc note. On the basis of the positive market response to the new series of banknotes produced, Orell Füssli has intensified its efforts to acquire new customers. The development of an international sales organisation has continued, thus further enhancing the company's market presence. As a result, initial orders from new customers were acquired in 2017 and the customer portfolio was expanded after years of focusing exclusively on two anchor customers. Greater presence at trade conferences has significantly improved market awareness. Orell Füssli aims in this way to further develop its positioning as a strong and trustworthy partner for challenging banknote projects as well as a pioneer for innovative technologies. Accreditation as a member of the Banknote Ethics Initiative provides confirmation by an independent body of its conformity to high ethical standards.

Work on the optimisation of process technologies continued successfully. Organisation, procedures and processes are governed systematically by the Lean philosophy. The continuous improvement of quality enables considerable optimisation potential to be exploited also in future. A further process was raised to the latest state of the technological art with the investment in a new system for packaging and quality control of finished banknotes. Further investments in infrastructure and building services complement Orell Füssli's technological claim to be a leading supplier in the security printing industry. In the context of cultural change, work undertaken in 2017 focused on management culture. Securing and communicating experience and know-how as well as training and coaching personnel continue to be a high-priority objective of personnel development..

### Book Retailing Division

The Book Retailing Division posted net revenue of CHF 91.7 million in 2017, 3% lower than the previous year's figure (CHF 94.8 million). Operating earnings (EBIT) amounted to CHF 1.6 million (CHF 2.0 million in 2016). This figure includes special items amounting to CHF –0.2 million net (CHF 0.5 million in 2016), which arose mainly from expenses in the context of the transformation programme.

**NET REVENUE BOOK RETAILING**

*in CHF million*

91.7

In 2017 the Swiss book trade again suffered a decline in sales of some 3% on a comparable basis. The main reason for the persistently downward market trend continues to be customers' high price sensitivity and the shopping tourism to neighbouring countries resulting from this. The Book Retailing Division took numerous steps to counteract this general trend in 2017 and expanded its market share slightly. On the basis of comparable selling space, net revenue was 2% lower than in the previous year. The digital and online sales business again achieved slight growth in 2017. Successful cooperative ventures in the digital business made a significant contribution to this.

In response to the persistently difficult market conditions the transformation programme launched in 2015 was also pursued resolutely in the year under review. Activities continue to centre on steps to stabilise sales and reinforce the company's market position. This concerns both bricks-and-mortar sales and the digital and online business. High-quality customer advice combined with an expansion of the customer loyalty programme are cornerstones of the initiatives as well as the continuous review of the product range and branch formats. Orell Füssli therefore continued to adapt its bricks-and-mortar presence to market conditions in 2017, with investments focusing on the refurbishment of selling space. The branches in Visp and at Zurich's main and Stadelhofen railway stations have been completely renovated, and the branch in Frauenfeld was also relocated. Contracts for new selling spaces enabling a significant reduction in operating costs in equally attractive locations were concluded for 2018 in the inner cities of Basle and St. Gall. The high-frequency branch at Zurich-Oerlikon railway station which was opened in November 2016 fulfilled the expectations placed in this newly developed branch format. Brand migration in the online sales business was successfully completed in the second half of 2017, thus achieving the objective of a uniform platform and repositioning under the "Orell Füssli" brand and creating an important basis for pursuing the comprehensive omni-channel strategy.

The Book Retailing Division's pursuit of its long-term positioning as market leader on the Swiss book market will continue unabated via all sales channels alongside a flexible response to changes in consumer behaviour. The further implementation of the steps already initiated will therefore focus not only on the systematic reinforcement of the bricks-and-mortar platform, but also on the continuous expansion of a presence covering all sales channels.

### Publishing

Net revenue at Orell Füssli Publishing in 2017 was 3% higher than the previous year's figure. The segments of children's books, legal media and educational media were at the previous year's level overall. There was considerable growth in the non-fiction segment, driven primarily by various special productions for the Swiss market. Export sales were stable, and the recent strengthening of the euro exchange rate reduced the currency-related margin risk.

Important non-fiction publications included "Du kannst alles, wenn Du es nur willst" by Jean-Claude Biver, "Der Zerfall" by William Drozdiak and "Türkei, die unfertige Nation" by Inga Rogg. The great majority of new titles were in the children's books segment, where for example "Globi und die verrückte Maschine" and "Papa Moll und der fliegende Hund" were successful. This last title was also the basis for a movie launched in December. "Rigo und Rosa" by Lorenz Pauli and Kathrin Schärer was awarded the Swiss Children's and Youth Book Prize. Educational media consolidated their position in the field of mathematics with the new publication entitled "Geometrie 1", which was offered in a printed edition including an e-book. The publishing house also succeeded in increasing sales of digitally presented content in the legal media segment.

**NET REVENUE PUBLISHING**

*in CHF million*

11.1

### Changes in the Board of Directors

Heinrich Fischer did not stand for re-election at the 2017 Annual General Meeting. Dr Anton Bleikolm was elected as the new Chairman of the Board. Dr Beat Lüthi was elected as a new member of the board.

### Personnel

Dr Daniel Broger was appointed a member of the Executive Board of Orell Füssli Holding on August 1, 2017, with responsibility within this body for business development. Manfred Minich, Head of the Atlantic Zeiser Division, left the company in August 2017.

# Financial Report
# 2017

## 1 Financial statements of the Orell Füssli Group

### 1.1 Consolidated income statement

| *in CHF thousand* | Notes | 2017 | 2016 |
|---|---|---|---|
| Net revenue from sales to customers | 4.1 / 4.3 / 4.4 | 288,502 | 298,877 |
| Other operating income | 4.4 | 4,599 | 5,126 |
| Changes in inventories of semi-finished and finished products, capitalised costs | 4.4 | −2,071 | −4,565 |
| **Total operating income** | 4.4 | 291,030 | 299,438 |
| | | | |
| Cost of materials | | −119,792 | −121,120 |
| External production costs | | −10,065 | −12,765 |
| Personnel expenditure | 4.5 / 4.6 | −83,189 | −81,623 |
| Other operating expenses | 4.7 | −49,478 | −50,799 |
| Depreciation and impairment on tangible assets | 4.16 | −15,086 | −13,824 |
| Depreciation and impairment on intangible assets | 4.17 | −777 | −777 |
| **Earnings before interest and taxes (EBIT)** | 4.1 | 12,643 | 18,530 |
| | | | |
| Financial income | | 1,764 | 1,432 |
| Financial expenses | | −1,022 | −705 |
| **Financial result** | 4.8 | 742 | 727 |
| **Earnings before income taxes (EBT)** | | 13,385 | 19,257 |
| | | | |
| Income tax expenses | 4.9 | −6,989 | −6,926 |
| **Net income for the period** | | 6,396 | 12,331 |
| Attributable to the shareholders of Orell Füssli Holding Ltd | | 4,771 | 10,806 |
| Attributable to minority interests | | 1,625 | 1,525 |

| *in CHF* | Notes | 2017 | 2016 |
|---|---|---|---|
| Earnings per share | 4.10 | 2.44 | 5.51 |
| Diluted earnings per share | 4.10 | 2.43 | 5.51 |

The disclosures on pages 14 to 35 form an integral part of the financial report.

## 1.2 Consolidated balance sheet

| *in CHF thousand* | Notes | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4.11 | 85,961 | 69,957 |
| Marketable securities | 4.12 | 358 | 328 |
| Trade accounts receivable | 4.13 | 19,843 | 25,416 |
| Other receivables | 4.14 | 11,329 | 22,236 |
| Inventories | 4.15 | 32,250 | 37,553 |
| Current income tax receivables | | 1,530 | 427 |
| Accrued income and deferred expenses | | 3,032 | 2,971 |
| **Total current assets** | | 154,303 | 158,888 |
| | | | |
| Tangible assets | 4.16 / 4.18 | 64,560 | 67,003 |
| Intangible assets | 4.17 | 2,199 | 1,441 |
| Financial assets | 4.19 | 2,535 | 385 |
| Deferred tax assets | 4.25 | 5 | 2,696 |
| Other non-current financial assets | 4.20 | 5,869 | 5,465 |
| **Total non-current assets** | | 75,168 | 76,990 |
| | | | |
| **Total assets** | | 229,471 | 235,878 |
| | | | |
| **Liabilities and equity** | | | |
| Trade payables | | 9,282 | 18,535 |
| Other current liabilities | 4.21 | 36,346 | 33,489 |
| Current income tax liabilities | | 4,423 | 3,617 |
| Accrued expenses and deferred income | 4.22 | 16,171 | 12,469 |
| Current financial liabilities | 4.23 | 1,170 | 1,073 |
| Current provisions | 4.24 | 1,025 | 1,239 |
| **Total current liabilities** | | 68,417 | 70,422 |
| | | | |
| Non-current financial liabilities | 4.23 | 2,455 | 2,577 |
| Pension fund liabilities | | 316 | 326 |
| Non-current provisions | 4.24 | 305 | 243 |
| Deferred tax liabilities | 4.25 | 1,780 | 1,954 |
| **Total non-current liabilities** | | 4,856 | 5,100 |
| | | | |
| Share capital | | 1,960 | 1,960 |
| Capital reserves | | 4,212 | 4,250 |
| Own shares | 4.26 | –124 | –56 |
| Retained earnings | | 155,226 | 158,291 |
| Translation differences | | –15,842 | –17,903 |
| **Total equity before minority interests** | | 145,432 | 146,542 |
| **Minority interests** | | 10,766 | 13,814 |
| **Total equity** | | 156,198 | 160,356 |
| | | | |
| **Total liabilities and equity** | | 229,471 | 235,878 |

The disclosures on pages 14 to 35 form an integral part of the financial report.

**1.3 Consolidated cash flow statement**

| *in CHF thousand* | Notes | 2017 | 2016 |
|---|---|---|---|
| Net income for the period | | 6,396 | 12,331 |
| Change in employee equity incentive plans | | −38 | 90 |
| Depreciation | 4.16 / 4.17 | 14,930 | 14,389 |
| Impairment and amortisation | 4.16 / 4.17 | 933 | 213 |
| Other non-cash related income and expenses | | −1,546 | 1,380 |
| Change in trade accounts receivable | | 6,332 | −6,146 |
| Change in inventories | | 6,238 | −403 |
| Change in other receivables | | 10,024 | −3,644 |
| Change in trade payables | | −9,413 | 8,324 |
| Change in other liabilities | | 3,163 | −9,754 |
| Change in accrued income and deferred expenses | | −30 | 272 |
| Change in accrued expenses and deferred income | | 36 | −3,410 |
| Change in provisions and deferred income tax | | 2,373 | 2,094 |
| **Cash flow from operating activities** | | 39,398 | 15,736 |
| | | | |
| Purchase of tangible assets | 4.16 | −8,246 | −7,385 |
| Proceeds from disposals of tangible assets | | 323 | 23 |
| Purchase of intangible assets | 4.17 | −1,187 | −723 |
| Purchase of other financial assets | | −2,150 | – |
| Proceeds from other financial assets | | – | 12 |
| Purchase of other non-current assets | | −56 | −51 |
| Proceeds from disposals of other non-current assets | | 9 | 151 |
| Consolidation of insignificant subsidiaries (Cash and cash equivalents) | | – | 109 |
| **Cash flow from investing activities** | | −11,307 | −7,864 |
| | | | |
| Increase of financial liabilities | | 47 | 47 |
| Repayment of financial liabilities | | – | −25 |
| Purchase of company's own shares | 4.26 | −125 | −56 |
| Reduction of share capital (Orell Füssli Buchhandlungs Ltd, minority interest) | | −2,401 | – |
| Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, Tritron GmbH) | | −2,679 | −2,881 |
| Dividends paid | 4.28 | −7,836 | −7,840 |
| **Cash flow from financing activities** | | −12,994 | −10,755 |
| | | | |
| Translation effects | | 907 | −279 |
| | | | |
| **Increase in cash and cash equivalents** | | 16,004 | −3,162 |
| | | | |
| **Cash and cash equivalents at 1 January** | | 69,957 | 73,119 |
| **Cash and cash equivalents at 31 December** | | 85,961 | 69,957 |

The disclosures on pages 14 to 35 form an integral part of the financial report.

### 1.4 Consolidated statement of changes in equity

| *in CHF thousand* | Share capital | Capital reserves | Own shares | Retained earnings and net income | Goodwill offset with equity | Translation differences | Equity before minority interests | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 January 2016** | 1,960 | 4,160 | – | 225,508 | –70,183 | –17,512 | 143,933 | 15,208 | 159,141 |
| Dividends paid | – | – | – | –7,840 | – | – | –7,840 | –2,881 | –10,721 |
| Employee equity incentive plans | – | 90 | –56 | – | – | – | 34 | – | 34 |
| Currency translation effects | – | – | – | – | – | –391 | –391 | –38 | –429 |
| Net income for the period | – | – | – | 10,806 | – | | 10,806 | 1,525 | 12,331 |
| **Total equity at 31 December 2016** | 1,960 | 4,250 | –56 | 228,474 | –70,183 | –17,903 | 146,542 | 13,814 | 160,356 |
| | | | | | | | | | |
| **Equity at 1 January 2017** | 1,960 | 4,250 | –56 | 228,474 | –70,183 | –17,903 | 146,542 | 13,814 | 160,356 |
| Dividends paid | – | – | – | –7,836 | – | – | –7,836 | –2,679 | –10,515 |
| Reduction of share capital | – | – | – | – | – | – | – | –2,401 | –2,401 |
| Employee equity incentive plans | – | –38 | –68 | – | – | – | –106 | – | –106 |
| Currency translation effects | – | – | – | – | – | 2,061 | 2,061 | 407 | 2,468 |
| Net income for the period | – | – | – | 4,771 | – | – | 4,771 | 1,625 | 6,396 |
| **Total Equity at 31 December 2017** | 1,960 | 4,212 | –124 | 225,409 | –70,183 | –15,842 | 145,432 | 10,766 | 156,198 |

The share capital as at 31 December 2017 and 31 December 2016 consisted of 1,960,000 registered shares with a par value of CHF 1.00 each.

The amount of accumulated non-distributable reserves stands at CHF 13,743,000 (2016: CHF 12,167,000).

In the event of the disposal or partial disposal of entities or in the event of the full or partial reimbursement of loans with equity character granted to consolidated companies, goodwill and currency translation differences have to be fully or partially written down via the consolidated income statement in accordance with Swiss GAAP FER 30 (17). This has no impact on the consolidated shareholders' equity as such a write-down would lead, on the one hand, to an increase in the consolidated shareholders' equity, but the related loss would then represent a decrease of the same amount ('recycling of goodwill and currency translation differences').

In contrast, a reorganisation of the business (even if significant) that does not involve the disposal or partial disposal of entities would have no impact on these two items of the consolidated shareholders' equity.

Of the total amount of goodwill and currency translation differecnces, CHF 84,511,000 (2016: CHF 86,573,000) relates to the Industrial Systems business unit, where the potential for write-downs in the event of (partial) disposals (possibly accompanied by a decrease in loans to group companies) is consequently significant.

The disclosures on pages 14 to 35 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 new rules for revenue recognition under Swiss GAAP FER did not require any adjustments to be made in the balance sheet or in the income statement.

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. 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.

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. Orell Füssli Holding Ltd continues to hold 51% of the capital of Orell Füssli Buchhandlungs Ltd, as before, while the Hugendubel Holding Ltd 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.

Using the equity method, 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. In the event of the disposal of a foreign subsidiary, the related accumulated translation differences booked on the income statement are de-recognised and disclosed as part of the profit or loss from the disposal.

The Orell Füssli Group used the following currency exchange rates for the 2017 and 2016 financial years:

**CURRENCY EXCHANGE RATES**

| | Market rate | | Annual average rate | |
|---|---|---|---|---|
| | **31.12.2017** | **31.12.2016** | **2017** | **2016** |
| EUR at a rate of CHF | 1.1696 | 1.0725 | 1.1116 | 1.0903 |
| USD at a rate of CHF | 0.9763 | 1.0195 | 0.9849 | 0.9853 |
| GBP at a rate of CHF | 1.3174 | 1.2586 | 1.2684 | 1.3359 |
| HKD at a rate of CHF | 0.1249 | 0.1315 | 0.1264 | 0.1270 |
| CNY at a rate of CHF | 0.1501 | 0.1468 | 0.1458 | 0.1484 |

**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 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. 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 (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 | 28 – 50 |
| Fixed facilities and renovations | 10 – 28 |
| Movable properties, leasehold improvements, vehicles | 4 – 10 |
| IT systems (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. In the event of disposal, the goodwill offset with equity at an earlier date shall be charged at its original cost to the result of the period.

### 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 nominal value. 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 for which, essentially, the lessor effectively has and benefits from all of the risks and rewards incidental to ownership are classified as operating leases. The costs under an operating lease are recorded in the income statement.

### 2.22 Employee equity incentive plans

Under an equity participation plan, the Board of Directors can grant entitlements for employee shares to members of the Group Management. If the employee remains with the company for the duration of the three-year vesting period, the participants in the plan are entitled to receive one employee share per entitlement. If the employee leaves the firm before the end of the vesting period, any entitlement for employee shares is usually extinguished. When the entitlements for employee shares are allocated, they are valued on the basis of the share price and taking into account the likelihood that the employee remains with the company until the end of the vesting period. The personnel expenditure is distributed linearly over the vesting period and an accrual is recognized directly in equity. Changes in the estimates of employees granted entitlements remaining at the company are included, in aggregate form, in the calculation of the expenditure to be recorded.

As part of the equity bonus plan, the members of the Group Management and the senior management can elect, on a voluntary basis, to receive a portion of their annual bonus in the form of restricted shares at a preferential price set by the Board of Directors. The Board of Directors determines each year the portion of the bonus that can be awarded in shares, the duration of the vesting period and the preferential price. This share-based compensation is valued at the average share price for the month of December and charged to personnel expenditure. The voting rights and dividend rights are transferred with the transfer of the shares to the beneficiary. With regard to the 2017 equity bonus plan, the Board of Directors has determined that the members of the Group Management and the senior management may receive 1/3 of their bonus in the form of shares with a vesting period of 3 years and at an equivalent price of +20% of that part of the bonus they are entitled to receive in shares.

### 2.23 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.

The foreign pension funds have either become independent or they are not significant. 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.

### 2.24 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.

### 2.25 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.

Purchases of own shares are deducted from equity. The sale or purchase of own shares is not recognised in the income statement. If resold at a later date, any increase or decrease in value is recorded as an addition or a reduction to the capital reserves.

The earnings per share is calculated on the basis of the portion of the group's results allocated to Orell Füssli Holding Ltd's shareholders, divided by the weighted average number of outstanding shares during the reporting period. The diluted earnings per share includes all of the shares that could be issued as part of the equity participation plan.

# 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 2017, 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 the book Retailing 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 thousand* | Notes | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Cash and cash equivalents | 4.11 | 85,961 | 69,957 |
| Prepayments PoC / from customers | 4.21 | −31,628 | −29,433 |
| Other financial assets / liabilities | 4.14 / 4.23 | −3,625 | −1,086 |
| **Cash and cash equivalents net** | | 50,708 | 39,438 |
| | | | |
| Thereof assigned to other shareholders | | 11,315 | 19,560 |
| **Disposable cash and cash equivalents** | | 39,393 | 19,878 |
| | | | |
| Available lines of credit | | 83,200 | 80,620 |
| ./. Secured guarantees by banks (without prepayment guarantees) | | −3,258 | −2,625 |
| ./. Lines of credit used | | −1,170 | −1,073 |
| **Total disposable cash and cash equivalents and unused lines of credit** | | 118,165 | 96,800 |

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 2017, the credit facilities in the local currencies are unchanged compared with the prior year; however, they slightly increase 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, installations and systems for encoding and personalising printed products as well as providing related services.

**Security Printing**
Production and marketing of banknotes, security documents, identity cards and other documents with high security requirements. The net revenue of this segment includes revenues from production orders calculated using the percentage of completion method.

**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 2016 and 2015, this segment consisted primarily of the publishing business.

**Unallocated**
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 2017**

| *in CHF thousand* | Industrial Systems | Security Printing | Book Retailing | Other | Total segments | Un-allocated | Total Group |
|---|---|---|---|---|---|---|---|
| **Net revenues from segment sales** | 55,715 | 129,845 | 91,673 | 11,019 | 288,252 | 250 | 288,502 |
| Inter-segment sales | 135 | – | – | 58 | 193 | –193 | – |
| **Net revenue from sales to customers** | 55,850 | 129,845 | 91,673 | 11,077 | 288,445 | 57 | 288,502 |
| | | | | | | | |
| **Earnings before interest and taxes (EBIT)** | –6,723 | 20,145 | 1,587 | –126 | 14,883 | –2,240 | 12,643 |

**SEGMENT RESULTS 2016**

| *in CHF thousand* | Industrial Systems | Security Printing | Book Retailing | Other | Total segments | Un-allocated | Total Group |
|---|---|---|---|---|---|---|---|
| Net revenues from segment sales | 71,947 | 121,183 | 94,776 | 10,721 | 298,627 | 250 | 298,877 |
| Inter-segment sales | 251 | – | – | 79 | 330 | –330 | – |
| **Net revenue from sales to customers** | 72,198 | 121,183 | 94,776 | 10,800 | 298,957 | –80 | 298,877 |
| | | | | | | | |
| **Earnings before interest and taxes (EBIT)** | 1,958 | 17,432 | 2,022 | –867 | 20,545 | –2,015 | 18,530 |

### 4.2 Impairment recorded by Industrial Systems segment

After conducting an assessment of the business development for Atlantic Zeiser, a need to recognise an impairment of net assets was identified. The impairment of the book value was allocated to the following items of the consolidated income statement and balance sheet:

**IMPAIRMENT RECORDED BY INDUSTRIAL SYSTEMS SEGMENT**

| *in CHF thousand at 31 December* | in EUR thousand | Income statement in CHF thousand | Balance sheet in CHF thousand |
|---|---|---|---|
| Impairment of semi-finishes and finished products | 2,390 | 2,657 | 2,795 |
| Impairment of inventories | 1,134 | 1,261 | 1,327 |
| Impairment of tangible assets | 667 | 742 | 781 |
| **Impairment affecting the operating result** | 4,191 | 4,660 | – |
| Impairment of deferred tax assets | 2,484 | 2,761 | 2,905 |
| **Total impairment** | 6,675 | 7,421 | 7,808 |
| Exchange differences in equity | | | –387 |

### 4.3 Net revenue from sales and services by country and region

The Industrial Systems and Security Printing segments market their offerings worldwide and do not focus 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 thousand* | 2017 | 2016 |
|---|---|---|
| Switzerland | 190,527 | 194,137 |
| Germany | 14,506 | 13,464 |
| The rest of Europe and Africa | 22,839 | 29,480 |
| North and South America | 13,118 | 18,623 |
| Asia and Oceania | 47,512 | 43,173 |
| **Total net revenue from sales to customers by region** | 288,502 | 298,877 |

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

### 4.4 Operating income

| *in CHF thousand* | 2017 | 2016 |
|---|---|---|
| **Net revenue from sales to customers** | | |
| Sales of goods and products | 268,610 | 278,506 |
| Revenue from services rendered | 18,963 | 19,524 |
| Revenue from license fees | 929 | 847 |
| **Total net revenue from sales to customers** | 288,502 | 298,877 |
| **Other operating income** | | |
| Rental income from operating leases | 683 | 663 |
| Gain from sales of non-current assets | 207 | 8 |
| Other income | 3,709 | 4,455 |
| **Total operating income** | 4,599 | 5,126 |
| **Changes in inventories of semi-finished and finished products, capitalised costs** | | |
| Changes in inventories of semi-finished and finished products | −2,657 | −4,661 |
| Capitalised costs | 586 | 96 |
| **Total changes in inventories of semi-finished and finished products, capitalised costs** | −2,071 | −4,565 |
| **Total operating income** | 291,030 | 299,438 |

In the 2017 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 117,953,000 (2016: CHF 105,642,000). The changes in inventories of semi-finished and finished products include write-downs amounting to CHF 2,657,000 relating to the Industrial Systems segment. See also note 4.2.

### 4.5 Personnel expenditure

| *in CHF thousand* | Notes | 2017 | 2016 |
|---|---|---|---|
| Wages and salaries | | 69,752 | 68,462 |
| Social security costs | | 5,935 | 5,965 |
| Pension costs | 4.6 | 5,089 | 4,777 |
| Other personnel expenditure | | 2,413 | 2,419 |
| **Total personnel expenditure** | | 83,189 | 81,623 |

'Personnel expenditure' includes charges in the amount of CHF 33,000 (2016: CHF 90,000) relating to the employee equity incentive plans.

### 4.6 Pension funds

The Orell Füssli Foundation has used the 2015 BVG (OPA) mortality table since 2016. The actuarial interest rate is 1.50% (2016: 1.50%).

**EMPLOYER'S CONTRIBUTION RESERVES**

| *in CHF thousand* | 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 |
|---|---|---|---|---|---|---|---|---|
| | **31.12.2017** | **31.12.2017** | **31.12.2017** | **2016** | **31.12.2017** | **31.12.2016** | **2017** | **2016** |
| **Pension schemes without funding surplus / deficit (Switzerland)** | 3,623 | – | – | – | 3,623 | 3,623 | – | – |

**FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS**

| *in CHF thousand* | 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 |
|---|---|---|---|---|---|---|---|---|
| | **31.12.2017** | **31.12.2017** | **31.12.2016** | **2016** | **31.12.2017** | **31.12.2017** | **2017** | **2016** |
| Pension schemes without funding surplus / deficit (Switzerland) | – | – | – | – | – | – | 3,435 | 3,154 |
| Unfunded pension schemes (abroad) | – | – | – | – | – | – | 1,654 | 1,623 |
| **Total** | – | – | – | – | – | – | 5,089 | 4,777 |

### 4.7 Other operating expenses

| *in CHF thousand* | Notes | 2017 | 2016 |
|---|---|---|---|
| Marketing and distribution expenses | | 12,157 | 13,473 |
| Operating lease expenses | 4.18 | 10,739 | 10,960 |
| Repairs and maintenance | | 8,101 | 6,585 |
| Administration expenses | | 6,295 | 6,766 |
| Losses on bad debts | | 70 | 2,158 |
| Losses from sales of fixed assets | | 29 | – |
| Impairment of provisions and loans | | – | 776 |
| Energy | | 2,603 | 2,525 |
| IT | | 3,159 | 2,964 |
| Other operating expenses | | 6,325 | 4,592 |
| **Total other operating expenses** | | 49,478 | 50,799 |

Other operating expenses include CHF 650,000 relating to the restructuring of the Book Retailing division's branch network. In the prior year, losses on bad debts included losses from the operational business as well as provisions in conjunction with the first-time consolidation of insignificant subsidiaries of the Atlantic Zeiser division.

### 4.8 Financial result

| *in CHF thousand* | Expenses | Income | Balance 2017 | Expenses | Income | Balance 2016 |
|---|---|---|---|---|---|---|
| **Interest result** | | | | | | |
| Interest expense and income | –34 | 664 | 630 | –54 | 83 | 29 |
| **Total interest result** | –34 | 664 | 630 | –54 | 83 | 29 |
| **Other financial income and expense** | | | | | | |
| Dividend income | – | – | – | – | 938 | 938 |
| Foreign exchange result | –474 | 970 | 496 | –436 | 390 | –46 |
| Bank charges and other finance results | –514 | 130 | –384 | –215 | 21 | –194 |
| **Total other financial income and expense** | –988 | 1,100 | 112 | –651 | 1,349 | 698 |
| **Total financial result** | –1,022 | 1,764 | 742 | –705 | 1,432 | 727 |

### 4.9 Income tax expenses

| *in CHF thousand* | 2017 | 2016 |
|---|---|---|
| Current income tax | 4,401 | 3,903 |
| Deferred income tax | 2,588 | 3,023 |
| **Total income tax expenses** | 6,989 | 6,926 |

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 thousand* | 2017 | 2016 |
|---|---|---|
| Earnings before income taxes | 13,385 | 19,257 |
| Weighted average group tax rate | 16.7% | 21.7% |
| **Expected income tax** | 2,231 | 4,170 |
| Effect of change in local income tax rates | – | 60 |
| Non tax-deductible expenses | 266 | 163 |
| Tax-exempt income | – | −149 |
| Use of tax losses carried forward | −679 | – |
| Effect of tax loss carry-forwards not capitalized | 2,533 | 1,056 |
| Capitalization of previously not recognized tax loss carry-forwards | −5 | – |
| Impairment of capitalized tax loss carry-forwards | 2,761 | 84 |
| Tax effects relating to other periods and other tax effects | −118 | 1,542 |
| **Effective income tax expense** | 6,989 | 6,926 |

Non-capitalized tax loss carry-forwards and impairment of tax loss carry-forwards primarily concern the Industrial Systems segment. See also note 4.2.

### 4.10 Earnings per share

| *at 31 December* | 2017 | 2016 |
|---|---|---|
| Net income for the period in CHF thousand | 4,771 | 10,806 |
| Weighted average numbers of shares in issue (in thousands) | 1,959 | 1,960 |
| **Earnings per share in CHF** | 2.44 | 5.51 |

In the year under review, there was a minimal dilution of profit of CHF 0.01 per share, resulting in a diluted profit of CHF 2.43 per share.

### 4.11 Cash and cash equivalents

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| Cash in bank accounts and in hand | 83,826 | 66,627 |
| Short-term bank deposits | 2,135 | 3,330 |
| **Total cash and cash equivalents** | 85,961 | 69,957 |

### 4.12 Marketable securities and derivative financial instruments

As of 31 December 2017, 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 48,000 (2016: CHF -69,000). Foreign currencies in the notional amount of total CHF 3,028,000 (2016: CHF 7,222,000) have been hedged.

### 4.13 Trade accounts receivable

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| **Trade accounts receivable gross** | 20,290 | 28,652 |
| ./. provisions for doubtful trade accounts receivable | –447 | –3,236 |
| **Total trade accounts receivable net** | 19,843 | 25,416 |

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 thousand* | 2017 | 2016 |
|---|---|---|
| At 1 January | –3,236 | –1,443 |
| Change in scope of consolidation | – | 5 |
| Increase in provisions for doubtful trade accounts receivable | –289 | –2,033 |
| Utilisation of provisions | 2,994 | 192 |
| Reversal of provisions | 208 | 2 |
| Exchange differences | –124 | 41 |
| **At 31 December** | –447 | –3,236 |

There is no forfaiting on the receivables portfolio.

### 4.14 Other receivables

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| **Construction contracts gross** | 48,635 | 63,991 |
| ./. deductible customer advances received | –45,389 | –52,160 |
| **Total construction contracts net** | 3,246 | 11,831 |
| Prepayments to suppliers | 3,948 | 3,659 |
| Current financial assets | – | 2,564 |
| Other receivables | 4,135 | 4,182 |
| **Total other receivables** | 11,329 | 22,236 |

### 4.15 Inventories

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| Raw materials, auxiliary materials and supplies | 15,262 | 16,550 |
| Semi-finished and finished products | 15,914 | 14,246 |
| Trading goods | 14,595 | 16,216 |
| Work-in-progress | 418 | 496 |
| **Total inventories gross** | 46,189 | 47,508 |
| ./. allowance on inventories | –13,939 | –9,955 |
| **Total inventories net** | 32,250 | 37,553 |

The allowance on inventories includes additional write-downs amounting to CHF 4,122,000 relating to the Industrial Systems segment. See also note 4.2.

## 4.16 Tangible assets

**TANGIBLE ASSETS IN 2017**

| *in CHF thousand* | Developed property and buildings | Undeveloped property | Investment property | Machinery and equipment | Other tangible assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost at 1 January** | 85,686 | 322 | 265 | 128,870 | 28,690 | 3,014 | 246,847 |
| Additions | 1,005 | – | – | 1,318 | 2,331 | 7,678 | 12,332 |
| Disposals | –91 | – | – | –2,193 | –295 | –73 | –2,652 |
| Reclassification | 1,723 | – | – | 214 | 417 | –2,673 | –319 |
| Exchange differences | 922 | 29 | 13 | 695 | 1,240 | 7 | 2,906 |
| **Cost at 31 December** | 89,245 | 351 | 278 | 128,904 | 32,383 | 7,953 | 259,114 |
| | | | | | | | |
| **Accumulated depreciation and impairment at 1 January** | –60,946 | – | –265 | –95,817 | –22,816 | – | –179,844 |
| Depreciation on disposals | 91 | – | – | 2,150 | 266 | – | 2,507 |
| Depreciation | –3,880 | – | – | –8,154 | –2,152 | – | –14,186 |
| Impairment | –52 | – | – | –65 | –783 | – | –900 |
| Exchange differences | –502 | – | –13 | –511 | –1,105 | – | –2,131 |
| **Accumulated depreciation and impairment at 31 December** | –65,289 | – | –278 | –102,397 | –26,590 | – | –194,554 |
| | | | | | | | |
| **Net carrying amount at 1 January** | 24,740 | 322 | – | 33,053 | 5,874 | 3,014 | 67,003 |
| **Net carrying amount at 31 December** | 23,956 | 351 | – | 26,507 | 5,793 | 7,953 | 64,560 |
| | | | | | | | |
| Net carrying amount of tangible assets under finance lease | 2,112 | – | – | – | – | – | 2,112 |

**TANGIBLE ASSETS IN 2016**

| *in CHF thousand* | Developed property and buildings | Undeveloped property | Investment property | Machinery and equipment | Other tangible assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost at 1 January** | 85,020 | 325 | 310 | 128,190 | 28,002 | 220 | 242,067 |
| Change in scope of consolidation | – | – | – | – | – | – | – |
| Additions | 831 | – | – | 1,752 | 1,924 | 2,974 | 7,481 |
| Disposals | –100 | – | – | –866 | –1,114 | –3 | –2,083 |
| Reclassification | 50 | – | – | – | – | –176 | –126 |
| Exchange differences | –115 | –3 | –45 | –206 | –122 | –1 | –492 |
| **Cost at 31 December** | 85,686 | 322 | 265 | 128,870 | 28,690 | 3,014 | 246,847 |
| | | | | | | | |
| **Accumulated depreciation and impairment at 1 January** | –57,618 | – | –310 | –88,743 | –21,807 | – | –168,478 |
| Change in scope of consolidation | – | – | – | – | – | – | – |
| Depreciation on disposals | 100 | – | – | 860 | 1,108 | – | 2,068 |
| Depreciation | –3,493 | – | – | –8,075 | –2,078 | – | –13,646 |
| Impairment | –11 | – | – | –23 | –144 | – | –178 |
| Exchange differences | 76 | – | 45 | 164 | 105 | – | 390 |
| **Accumulated depreciation and impairment at 31 December** | –60,946 | – | –265 | –95,817 | –22,816 | – | –179,844 |
| | | | | | | | |
| **Net carrying amount at 1 January** | 27,402 | 325 | – | 39,447 | 6,195 | 220 | 73,589 |
| **Net carrying amount at 31 December** | 24,740 | 322 | – | 33,053 | 5,874 | 3,014 | 67,003 |
| | | | | | | | |
| Net carrying amount of tangible assets under finance lease | 2,026 | – | – | – | – | – | 2,026 |

Additions to tangible assets in the 2017 financial year include CHF 3,500,000 of not yet invoiced fixed assets relating to the Security Printing division. The remaining difference compared with the cash flow statement is due to capitalised internal services. For more information on tangible assets, please see note 4.18.

## 4.17 Intangible assets

INTANGIBLE ASSETS IN 2017

| *in CHF thousand* | Software and developments | Rights and licenses | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost at 1 January** | 11,203 | 1,094 | 600 | 12,897 |
| Additions | 426 | – | 761 | 1,187 |
| Reclassification | 705 | –22 | –364 | 319 |
| Exchange differences | 293 | – | 54 | 347 |
| **Cost at 31 December** | 12,627 | 1,072 | 1,051 | 14,750 |
| | | | | |
| **Accumulated depreciation and impairment at 1 January** | –9,762 | –1,094 | –600 | –11,456 |
| Depreciation | –741 | –3 | – | –744 |
| Impairment | –33 | – | – | –33 |
| Reclassification | –43 | 43 | – | – |
| Exchange differences | –263 | – | –55 | –318 |
| **Accumulated depreciation and impairment at 31 December** | –10,842 | –1,054 | –655 | –12,551 |
| | | | | |
| **Net carrying amount at 1 January** | 1,441 | – | – | 1,441 |
| **Net carrying amount at 31 December** | 1,785 | 18 | 396 | 2,199 |

INTANGIBLE ASSETS IN 2016

| *in CHF thousand* | Software and developments | Rights and licenses | Other intangible assets | Total |
|---|---|---|---|---|
| **Cost at 1 January** | 10,898 | 1,094 | 624 | 12,616 |
| Additions | 721 | – | 2 | 723 |
| Disposals | –529 | – | – | –529 |
| Reclassification | 146 | – | –20 | 126 |
| Exchange differences | –33 | – | –6 | –39 |
| **Cost at 31 December** | 11,203 | 1,094 | 600 | 12,897 |
| | | | | |
| **Accumulated depreciation and impairment at 1 January** | –9,747 | –889 | –606 | –11,242 |
| Depreciation on disposals | 529 | – | – | 529 |
| Depreciation | –537 | –205 | – | –742 |
| Impairment | –35 | – | – | –35 |
| Reclassification | – | – | – | – |
| Exchange differences | 28 | – | 6 | 34 |
| **Accumulated depreciation and impairment at 31 December** | –9,762 | –1,094 | –600 | –11,456 |
| | | | | |
| **Net carrying amount at 1 January** | 1,151 | 205 | 18 | 1,374 |
| **Net carrying amount at 31 December** | 1,441 | – | – | 1,441 |

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

### 4.18 Further details of tangible and intangible assets

The remaining tangible fixed assets stated at cost as of 31 December 2017 in note 4.16 consist mainly of furniture and fixtures in the amount of CHF 19,475,000 (2016: CHF 17,185,000) and IT systems (hardware) in the amount of CHF 12,299,000 (2016: CHF 10,960,000).

As at 31 December 2017, there were no commitments to purchase property, plant and equipment (2016: CHF 4,627,000). The commitment in the prior year concerned the replacement of a production machine in the Security Printing division.

Other tangible fixed assets include a write-down of CHF 781,000 as part of the impairment made for the Atlantic Zeiser Group. See also note 4.2.

In the 2017 and 2016 financial years, no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 10,056,000 (2016: CHF 10,254,000), while CHF 683,000 (2016: CHF 706,000) was related to other leased tangible assets.

### 4.19 Financial assets

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| Participation in associated entities | 50 | 50 |
| Other financial assets | 2,485 | 335 |
| **Total financial assets** | 2,535 | 385 |

Other financial assets include the 10% shareholding in Landqart AG and the 10% shareholding in landqart management and services acquired by Orell Füssli Holding on 21 December 2017. The transaction was executed in collaboration with the Swiss National Bank, which acquired 90% of the shares.

### 4.20 Other non-current financial assets

| *in CHF thousand at 31 December* | Notes | 2017 | 2016 |
|---|---|---|---|
| Loan assets | | 1,111 | 836 |
| Pension fund assets | 4.6 | 3,623 | 3,623 |
| Other non-current financial assets | | 1,135 | 1,006 |
| **Total other non-current financial assets** | | 5,869 | 5,465 |

### 4.21 Other current liabilities

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| **Prepayments from customers on construction contracts gross** | 67,286 | 59,952 |
| ./. deductible customer advances received | −45,389 | −52,160 |
| **Prepayments from customers on construction contracts net** | 21,897 | 7,792 |
| Prepayments from customers | 9,731 | 21,641 |
| Liabilities to employees | 512 | 320 |
| VAT and similar taxes payable | 1,918 | 762 |
| Dividends payable | 4 | 3 |
| Other current payables | 2,284 | 2,971 |
| **Total other current liabilities** | 36,346 | 33,489 |

### 4.22 Accrued expenses and deferred income

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| Accrued expenses and deferred income for cost of materials | 4,208 | 4,385 |
| Accrued expenses and deferred income for personnel expenditure | 5,811 | 5,700 |
| Other accrued expenses and deferred income | 6,152 | 2,384 |
| **Total accrued expenses and deferred income** | 16,171 | 12,469 |

The accruals relating to personnel expenditure include primarily the amounts for bonuses, vacation and overtime payments. Other accrued expenses and deferred income include CHF 3,500,000 for not yet invoiced asset acquisitions by the Security Printing division.

### 4.23 Financial liabilities

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

**MATURITIES OF FINANCIAL LIABILITIES**

| *in CHF thousand at 31 December* | From borrowings | Liabilities from finance lease | Total 2017 | From borrowings | Liabilities from finance lease | Total 2016 |
|---|---|---|---|---|---|---|
| Current financial liabilities | 1,170 | – | 1,170 | 1,073 | – | 1,073 |
| Non-current financial liabilities | 1,635 | 820 | 2,455 | 1,875 | 702 | 2,577 |
| **Total financial liabilities** | 2,805 | 820 | 3,625 | 2,948 | 702 | 3,650 |

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.

### 4.24 Provisions

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

In the 2016 financial year, the provisions relating to personnel could be adjusted and released. The remaining provisions for personnel primarily concern employees' entitlements to long-service awards.

The Book Retailing division created restructuring provisions relating to the relocation of three branches. The changes of location will be completed by the middle of 2018.

Warranty provisions are created in connection with the 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 relating to Security Printing.

**MOVEMENT IN PROVISIONS 2017**

| *in CHF thousand* | Personnel | Provisions for restructuring | Warranty provisions | Other provisions | Total |
|---|---|---|---|---|---|
| **At 1 January** | 491 | 28 | 307 | 656 | 1,482 |
| Additions (charged to income statement) | 77 | 650 | 284 | 545 | 1,556 |
| Reversals (charged to income statement) | –107 | –28 | –49 | –835 | –1,019 |
| Utilisation during the year | –79 | –176 | –270 | –191 | –716 |
| Exchange differences | – | – | 27 | – | 27 |
| **At 31 December** | 382 | 474 | 299 | 175 | 1,330 |
| | | | | | |
| **Provisions maturing within 12 months** | 77 | 474 | 299 | 175 | 1,025 |
| **Provisions maturing over 1 year** | 305 | – | – | – | 305 |

**MOVEMENT IN PROVISIONS 2016**

| *in CHF thousand* | Personnel | Provisions for restructuring | Warranty provisions | Other provisions | Total |
|---|---|---|---|---|---|
| **At 1 January** | 1,163 | 205 | 340 | 729 | 2,437 |
| Additions (charged to income statement) | 146 | 68 | 312 | 623 | 1,149 |
| Reversals (charged to income statement) | –426 | –245 | –172 | –696 | –1,539 |
| Utilisation during the year | –392 | – | –170 | – | –562 |
| Exchange differences | – | – | –3 | – | –3 |
| **At 31 December** | 491 | 28 | 307 | 656 | 1,482 |
| | | | | | |
| **Provisions maturing within 12 months** | 248 | 28 | 307 | 656 | 1,239 |
| **Provisions maturing over 1 year** | 243 | – | – | – | 243 |

### 4.25 Deferred income tax

Deferred income tax assets and liabilities were as follows:

**DEFERRED INCOME TAX ASSETS AND LIABILITIES**

| *in CHF thousand* | Deferred tax assets | Deferred tax liabilities | Balance 2017 | Deferred tax assets | Deferred tax liabilities | Balance 2016 |
|---|---|---|---|---|---|---|
| **At 1 January** | 2,696 | −1,954 | 742 | 5,269 | −1,476 | 3,793 |
| Charges to income statement | −2,779 | 191 | −2,588 | −2,547 | −477 | −3,024 |
| Exchange differences | 88 | −17 | 71 | −26 | −1 | −27 |
| **At 31 December** | 5 | −1,780 | −1,775 | 2,696 | −1,954 | 742 |

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

The net expense of the changing of deferred income taxes recognised in the income statement in 2017 primarily concerns the Industrial Systems segment. See also note 4.2.

Deferred taxes include the following capitalised losses carried forward:

**DEFERRED INCOME TAX ASSETS FROM LOSSES CARRIED FORWARD:**

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| **Deferred income tax assets on loss carry-forward gross** | 11,643 | 8,664 |
| ./. Allowance | −11,641 | −6,343 |
| **Deferred income tax assets on loss carry-forward net** | 2 | 2,321 |

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. Deferred tax assets on tax loss carry-forwards correspond to accumulated taxable losses in the amount of CHF 41,240,000 (2016: CHF 31,745,000), thereof are CHF 41,218,000 (2016: CHF 23,450,000) impaired. Tax loss carry-forwards primarily concern the Atlantic Zeiser GmbH.

### 4.26 Own shares

As at 31 December 2017, Orell Füssli Holding Ltd held 964 (2016: 448) of its own shares at a nominal value of CHF 1.00 per share. All of these own shares are reserved for use in connection with the equity participation plan of Group Management. During the reporting period, 972 (2016: 448) own shares were purchased at an average transaction price of CHF 128.37 (2016: CHF 123.95) per share.

In the year under review, 456 of the company's own shares were issued in connection with the equity participation plan.

### 4.27 Employee equity incentive plans

In the year under review, the members of the Group Management and the senior management were allocated 407 (2016: 738) entitlements to employee shares and shares in Orell Füssli Holding Ltd. Personnel expenditure relating to the employee equity incentive plans amounts to CHF 33,000 (2016: CHF 90,000). The related accruals are recorded in the capital reserves.

### 4.28 Dividend per share

In the current financial year, a dividend for the 2016 financial year in the amount of CHF 7,836,000 (CHF 4.00 per share) was paid out. The theoretical dividend from the company's own shares of CHF 4,000 (CHF 4.00 per share) is included in the retained earnings carried forward.

At the ordinary general meeting held on 8 May 2018, 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.

### 4.29 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 thousand* | 2017 | 2016 |
|---|---|---|
| **Cost at 1 January** | 1,544 | 1,544 |
| De-recognition of fully amortised goodwill | –135 | – |
| **Cost at 31 December** | 1,409 | 1,544 |
| | | |
| **Accumulated amortisation at 1 January** | –1,262 | –967 |
| Depreciation and impairment | –282 | –295 |
| De-recognition of fully amortised goodwill | 135 | – |
| **Accumulated amortisation at 31 December** | –1,409 | –1,262 |
| | – | – |
| **Theoretical net book value at 1 January** | 282 | 577 |
| **Theoretical net book value at 31 December** | – | 282 |

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.

Following the amortisation of the full theoretical amount, goodwill will no longer be listed in a theoretical statement. Retained earnings include CHF 68,774,000 (2106: CHF 68,639,000) of fully amortised theoretical goodwill.

**THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD**

| *in CHF thousand* | 2017 | 2016 |
|---|---|---|
| **Earnings before interest and taxes (EBIT) according to consolidated income statement** | 12,643 | 18,530 |
| Goodwill amortisation | –282 | –295 |
| **Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation** | 12,361 | 18,235 |
| | | |
| **Net income for the period after minority interests** | 4,771 | 10,806 |
| Goodwill amortisation | –282 | –295 |
| **Net income for the period after minority interests including goodwill amortisation** | 4,489 | 10,511 |

**THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY**

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| **Equity before minority interests according to the consolidated balance sheet** | 145,432 | 146,542 |
| Theoretical capitalisation of goodwill (net book value) | – | 282 |
| **Theoretical equity before minority interests including goodwill (net book value)** | 145,432 | 146,824 |

### 4.30 Contingent liabilities and other commitments not included in the balance sheet

In the 2017 financial year and in the prior year, there were no contingent liabilities and no other unrecognised liabilities.

### 4.31 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 thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| No later than 1 year | 8,690 | 10,363 |
| Later than 1 year and no later than 5 years | 19,924 | 26,008 |
| Later than 5 years | 8,306 | 6,542 |
| **Total future aggregate minimum lease payments** | 36,920 | 42,913 |

### 4.32 Changes in the scope of consolidation in the 2016 financial year

*Orell Füssli Verlag Ltd:* With retroactive effect as of 31 December 2016, Orell Füssli Verlag Ltd was merged with Orell Füssli Security Printing Ltd.
*OF IP Sicherheitsdruck Ltd:* In January, Orell Füssli Technology Ltd was renamed OF IP Sicherheitsdruck Ltd.

**In the 2016 financial year**

*Orell Füssli Banknote Engineering Ltd:* Effective 1 January 2016, Orell Füssli Banknote Engineering Ltd merged with Orell Füssli Security Printing Ltd.
*Atlantic Zeiser SA:* Atlantic Zeiser SA in Spain was liquidated in January 2016. As of the 2016 financial year, the Spanish business is handled by Atlantic Zeiser GmbH in Germany.
*OF IP Verlag Ltd:* At the end of December, OF IP Verlag Ltd was founded. The firm is a 100%-owned subsidiary of Orell Füssli Holding Ltd. Its business purpose is to manage and market licences.

**Consolidation of insignificant subsidiaries**

As of the end of 2016, all of the subsidiaries were consolidated. This concerns the following companies:
*Atlantic Zeiser Ltd, Hong Kong*
*Atlantic Zeiser Beijing Technology Co. Ltd, Beijing*
*Tritron ASIA Ltd., Hong Kong*

The subsidiaries that were consolidated for the first time made a negative contribution to earnings before income taxes in the amount of CHF 1,501,000 in 2016.

### 4.33 Related party transactions

All transactions with related parties are included in the consolidated annual financial statements for 2016 and 2015.

**RELATED PARTY TRANSACTIONS**

| *in CHF thousand* | with associated entities and joint ventures | with shareholers | with other related parties | Total 2017 | with associated entities and joint ventures | with shareholers | with other related parties | Total 2016 |
|---|---|---|---|---|---|---|---|---|
| Net revenue from sales | 258 | 79,248 | – | 79,506 | 251 | 72,589 | – | 72,840 |
| Other operating income | 323 | – | – | 323 | 407 | – | – | 407 |
| Financial income | 1 | – | – | 1 | 938 | – | 19 | 957 |
| Other operating expenses | 14 | – | 260 | 274 | 24 | – | 260 | 284 |

| *in CHF thousand at 31 December* | with associated entities and joint ventures | with shareholers | with other related parties | Total 2017 | with associated entities and joint ventures | with shareholers | with other related parties | Total 2016 |
|---|---|---|---|---|---|---|---|---|
| Trade accounts receivable | 3 | 221 | – | 224 | 5 | 1,225 | – | 1,230 |
| Other receivables | – | 340 | – | 340 | – | 9,679 | – | 9,679 |
| Financial receivables | 50 | – | – | 50 | 50 | – | – | 50 |
| Financial assets | – | – | – | – | 50 | – | 2,487 | 2,537 |
| Trade payables | 2 | – | – | 2 | 16 | – | – | 16 |
| Other liabilities | – | – | – | – | – | 20,908 | – | 20,908 |
| Financial liabilities | – | – | – | – | 1,875 | – | – | 1,875 |

In 2017 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 50 to 53 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2017 and 2016.

### 4.34 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 19 March 2018. They are subject to approval by the general meeting.

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 19 March 2018.

# 5 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 | |
| OF IP Sicherheitsdruck Ltd | Risch, CH | CHF | 50 | 100 | |
| Orell Füssli Buchhandlungs Ltd | Zurich, CH | CHF | 100 | 51 | |
| OF IP Verlag Ltd | Risch, CH | CHF | 100 | 100 | |
| Orell Füssli Dienstleistungs Ltd | Zurich, CH | CHF | 500 | 100 | |
| Atlantic Zeiser GmbH | Emmingen, DE | EUR | 869 | 100 | |
| Atlantic Zeiser Inc. [4] | West Caldwell, US | USD | 0 | | 100 |
| Atlantic Zeiser (M) SDN BHD [4] | Kuala Lumpur, MY | EUR | 102 | | 100 |
| Atlantic Zeiser Ltd [4] | Andover, GB | GBP | 0 | | 100 |
| Atlantic Zeiser SAS [4] | Créteil Cedex, FR | EUR | 38 | | 100 |
| Atlantic Zeiser SRL [4] | Milano, IT | EUR | 100 | | 100 |
| Atlantic Zeiser Ltd [4] | Hong Kong, HK | HKD | 10 | | 100 |
| Atlantic Zeiser Beijing Technology Co. Ltd. [5] | Beijing, CN | CYN | 5,000 | | 100 |
| Tritron GmbH [4] | Battenberg, DE | EUR | 200 | | 51 |
| Tritron USA inc. [6] | Chester VA, US | USD | 0 | | 51 |
| Tritron ASIA Ltd. [6] | Hong Kong, HK | EUR | 50 | | 51 |
| | | | | | |
| **Pro rata consolidated participation** | | | | | |
| Orell Füssli Thalia Ltd [3] | Zurich, CH | CHF | 9,500 | | 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 Atlantic Zeiser Ltd, Hong Kong
6) Held through Tritron GmbH

# 6 Report of the statutory auditor of the consolidated financial statements

## *Report of the statutory auditor*

### *to the General Meeting of Orell Füssli Holding Ltd*

### *Zurich*

## *Report on the audit of the consolidated financial statements*

***Opinion***

We have audited the consolidated financial statements of Orell Füssli Holding Ltd and its subsidiaries (the Group) which comprise the consolidated income statement, the consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements (pages 10 to 35) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

***Basis for opinion***

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. 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 the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Our audit approach***

***Overview***


Overall Group materiality: CHF 2,300,000

We concluded full scope audit work and selected audit procedures at four Group companies in two countries.

These Group companies contributed 90% of the Group's net sales to customers.

As key audit matters, the following areas of focus were identified:

- Revenue recognition relating to long-term production orders of Orell Füssli Security Printing Ldt (percentage-of-completion method)
- Impairments of Atlantic Zeiser

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***Audit scope***
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We tailored the scope of our audit in order to cover the significant subsidiaries with a full scope audit or selected audit procedures. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement included, for example, meetings and telephone conferences during the audit planning stage and after completion of the local audits. For the remaining companies, we referred to the results of the completed statutory audits and analyses of significant changes.

***Materiality***
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

| | |
|---|---|
| *Overall Group materiality* | CHF 2,300,000 |
| *How we determined it* | 0.8% of net sales to customers |
| *Rationale for the materiality benchmark applied* | We chose the net sales to customers as the benchmark because, in our view, it is a key benchmark against which the main business activities can be assessed. |

We agreed with the Audit Committee that we would report to them misstatements above CHF 230,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

***Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority***
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

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**Revenue recognition relating to long-term production orders of Orell Füssli Security Printing Ldt (percentage-of-completion method)**

| *Key audit matter* | *How our audit addressed the key audit matter* |
| --- | --- |
| As can be seen in note 4.4 to the consolidated financial statements, income from production orders accounted for using the percentage-of-completion (PoC) method amounted to CHF 117.95 million. This represents about 40% of net sales to customers.<br><br>We consider revenue recognition as a key audit matter due to the size of the net sales to customers accounted for using the PoC method, the complexity of the underlying contracts and the significant scope for judgement by Management involved in recognising revenue from the individual elements of a contract in the appropriate period. We identified the following risk relating to proper revenue recognition: the contractually defined payments comprise different elements depending on the contract with the customer. There is a risk that some elements are not recognised in the appropriate period.<br><br>Management has defined the principles for recording revenue from different contractual elements. For significant customer orders, Management specifies in memoranda how revenue is to be recognised for the individual contractual elements. The memoranda are submitted to the Audit Committee for approval. | In order to test the recognition of these contractual elements, we performed the following:<br><br>• Inspected a sample of the underlying contracts.<br>• Reconciled a sample of the elements recognised in revenue to the underlying contracts.<br>• Inspected the Management memoranda regarding revenue recognition of specific elements in the appropriate period and assessed whether revenue recognition in relation to these elements was done in accordance with Swiss GAAP FER.<br>• Checked whether the memoranda were approved by the Audit Committee.<br><br>On the basis of our audit procedures, we addressed the risk relating to revenue recognition in the appropriate period of the various contractual elements and obtained adequate assurance. |

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**Impairments of Atlantic Zeiser**

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| After conducting an assessment of the business development for Atlantic Zeiser, impairments amounting to CHF 7,808k were recorded.<br><br>The impairments were deemed necessary on the basis of Management's comparison of the recoverable amount (which corresponds to the higher of net selling price and value in use) with the net assets of the Atlantic Zeiser Group. Detailed information regarding the impairments can be found in note 4.2 of the notes to the consolidated financial statements.<br><br>We consider this to be a key audit matter because of the scope for judgement in making estimates used to determine the fair value and the value in use and because of the amount of the recorded impairments. The following risks exist:<br><br>• The identification of the smallest group of assets for which the recoverable amount has to be determined is not performed correctly. In this case, the impairments might be determined at the wrong level with the resulting impairments being too high or too low.<br><br>• Assumptions used to determine the net selling price and/or the value in use; particularly the discount rates applied, expected future results, estimated sales prices and the related costs of disposal, are not appropriate and could result in significantly different valuations.<br><br>Management and the Audit Committee have discussed and conducted a critical examination of the determination of the impairments. The approach, the calculations and the deliberations have been documented in a memorandum. The memorandum has been approved by the Board of Directors. | In order to test the recorded impairments, we performed the following:<br><br>• Held discussions with Management and the Audit Committee.<br><br>• Reviewed and assessed the memorandum on the impairments in terms of compliance with the requirements of Swiss GAAP FER 20 (Impairments); in particular, whether the identification of the smallest group of assets used in the calculation was performed correctly.<br><br>• Tested the mathematical correctness of the calculation.<br><br>We tested the key assumptions used as follows:<br><br>• Checked the plausibility of the assumptions concerning the applied discount rates.<br><br>• Compared the expected sustainable results with the company's own documents and analyses.<br><br>• Checked the estimated sale prices and the related costs of disposal on the basis of the documents provided to us.<br><br>Our audit results support the assumptions used by Management with regard to the recorded impairments. |

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***Responsibilities of the Board of Directors for the consolidated financial statements***
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***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 Swiss law and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

## *Report on other legal and regulatory requirements*

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 AG

| | |
|---|---|
| Thomas Wallmer | Martin Bettinaglio |
| Audit expert<br>Auditor in charge | Audit expert |

Zurich, 19 March 2018

# 7 Financial statements of Orell Füssli Holding Ltd

### 7.1 Income statement

| *in CHF thousand* | Notes | 2017 | 2016 |
|---|---|---|---|
| Income from participations | 8.3 | 12,938 | 12,887 |
| Other operating income | | 3,298 | 3,295 |
| **Total operating income** | | 16,236 | 16,182 |
| | | | |
| Personnel expenditure | 8.4 | −2,182 | −2,376 |
| Operating lease expenses | | −69 | −66 |
| Administration expenses | 8.5 | −2,353 | −1,834 |
| Other operating expenses | | −54 | −53 |
| Depreciation and impairment | | −81 | −86 |
| **Earnings before interest and taxes** | | 11,497 | 11,767 |
| | | | |
| Financial income | | 1,254 | 1,186 |
| Financial expenses | | −141 | −415 |
| **Financial result** | 8.6 | 1,113 | 771 |
| **Net operating income before extraordinary income and expenses** | | 12,610 | 12,538 |
| | | | |
| Extraordinary expenses | 8.7 | −7,634 | −148 |
| **Earnings before taxes (EBT)** | | 4,976 | 12,390 |
| | | | |
| Income tax expenses | | – | – |
| **Net income for the period** | | 4,976 | 12,390 |

### 7.2 Balance sheet

| *in CHF thousand* | Notes | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 15,612 | 20,198 |
| Trade receivables from consolidated companies | | 1,220 | 1,424 |
| Other current receivables from third parties | | 10 | 5 |
| Other current receivables from consolidated companies | 8.8 | 37,945 | 32,863 |
| Accrued income and deferred expenses | | 24 | 25 |
| **Total current assets** | | 54,811 | 54,515 |
| | | | |
| Loans to consolidated companies | 8.9 | 30,292 | 28,791 |
| Other financial assets | 8.10 | 2,150 | – |
| Participations in related companies | | 50 | 50 |
| Participations in consolidated companies | 8.11 | 58,468 | 68,450 |
| Tangible assets | | 51 | 69 |
| Intangible assets | | – | 58 |
| **Total non-current assets** | | 91,011 | 97,418 |
| | | | |
| **Total assets** | | 145,822 | 151,933 |
| | | | |
| **Liabilities and equity** | | | |
| Trade payables to third parties | | 273 | 164 |
| Trade payables to consolidated companies | | 15 | 183 |
| Short term interest-bearing liabilities to consolidated companies | 8.12 | 805 | 4,056 |
| Other current liabilities | | 122 | 74 |
| Accrued expenses and deferred income | | 1,125 | 1,047 |
| **Total current liabilities** | | 2,340 | 5,524 |
| | | | |
| Provisions for restructuring | | 130 | 130 |
| **Total non-current liabilities** | | 130 | 130 |
| | | | |
| Share capital | | 1,960 | 1,960 |
| ./. Own shares | 8.16 | −124 | −56 |
| Legal profit reserve | | 11,142 | 11,140 |
| Retained earnings | | 125,398 | 120,845 |
| Net income for the period | | 4,976 | 12,390 |
| **Total equity** | | 143,352 | 146,279 |
| | | | |
| **Total liabilities and equity** | | 145,822 | 151,933 |

# 8 Notes to the financial statements of the Orell Füssli Holding Ltd

### 8.1 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 10 as an annual average.

### 8.2 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. The 'Overview of significant participations' can be found under 'Notes to the consolidated financial statements', note 5.

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.

### 8.3 Income from participations

The income from equity participations comprises dividend payments from subsidiaries during the year and from the retained earnings as of 31 December 2017. These dividend payments have already been approved by the general meetings of the subsidiaries.

### 8.4 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.

### 8.5 Administration expenses

The increase of CHF 519,000 in administration expenses compared with the 2016 financial year is largely due to higher expenditure on external research relating to strategic projects.

### 8.6 Financial result

The financial result is primarily due to the interest earned on loans to group companies and on current accounts.

### 8.7 Extraordinary expenses

Extraordinary expenses in 2017 mainly comprise the impairment of the investment in Atlantic Zeiser GmbH in the amount of CHF 7,483,000. In addition, in the 2017 financial year as in the prior year, payments of over CHF 151,000 (2016: CHF 148,000) were made to the pension fund of the Orell Füssli Group.

### 8.8 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 2017, this also includes the dividend receivable with Orell Füssli Security Printing Ltd of CHF 11,000,000 (2016: CHF 11,000,000).

### 8.9 Loans to group companies

As part of cash management, a further loan was granted to Atlantic Zeiser GmbH. This loan allowed external bank loans to be reduced to the minimum.

### 8.10 Other financial assets

In December 2017, Orell Füssli Holding AG acquired 10% of Landqart AG and 10% of landqart management and services for CHF 2,150,000.

### 8.11 Participations in group companies

In the 2017 financial year, a share capital reduction in the amount of CHF 2,499,000 was undertaken in relation to the shareholding in Orell Füssli Buchhandlungs Ltd. Owing to the current results of the Industrial Systems segment, the investment in Atlantic Zeiser GmbH was impaired in the amount of CHF 7,483,000.

### 8.12 Short-term interest-bearing liabilities with group companies

Generally, the excess liquidity of the subsidiaries is made available to the holding company for its use. For cash management purposes, the money is allocated interest-free to the accounts of the group companies, within the limits at which negative interest has to be paid.

### 8.13 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* | 2017 | | 2016 | |
|---|---|---|---|---|
| | 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 |
| Peter Stiefenhofer | 1,000 | 1,000 | 1,000 | 1,000 |
| Dieter Widmer | 800 | 800 | 800 | 800 |

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* | 2017 | | 2016 | |
|---|---|---|---|---|
| | 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 |
| Peter Crottogini | 108 | 108 | – | – |

In the current financial year, 407 (2016: 448) entitlements for employee shares in Orell Füssli Holding Ltd. were allocated to the Group Management for a total amount of CHF 50,672 (2016: CHF 51,072).

### 8.14 Major shareholders

| *at 31 December 2017* | Total registered shares | Participation |
|---|---|---|
| Swiss National Bank (SNB), Berne (CH) | 653,460 | 33.34% |
| Dieter Meier, Hong Kong (HK) (held by Capdem Development SA) | 301,565 | 15.39% |
| Fam. Siegert, Meerbusch (DE) | 182,988 | 9.34% |
| Veraison SICAV, Zurich (CH) | 174,009 | 8.88% |
| J. Safra Sarasin Investmentfonds, Basel (CH) (SaraSelect) | 98,250 | 5.01% |

### 8.15 Contingent liabilities

| *in CHF thousand at 31 December* | 2017 | 2016 |
|---|---|---|
| Contingent liabilities in favour of consolidated companies | 34,869 | 9,859 |

The increase in contingent liabilities arises from the hedging of advance payments by the Security Printing division.

### 8.16 Own shares

As at 31 December 2017, Orell Füssli Holding AG held 964 of its own shares (2016: 448 own shares), which were acquired in connection with the equity participation plan of Group Management. In the 2017 financial year, 972 (2016: 448) of the company's own shares were acquired at an average transaction price of CHF 128.37 (2016: CHF 123.95) and 456 were sold at an average transaction price of CHF 124.08 per share.

### 8.17 Proposed appropriation of retained earnings and unrestricted reserves

The Board of Director's proposes to the Annual General Meeting on 8 May 2018 the payment of a dividend of CHF 4.00 per share. The company's own shares do not entitle to a dividend.

**PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES**

| *in CHF thousand* | 2017 |
|---|---|
| Retained earnings at the beginning of the period | 125,398 |
| Net income for the period 2017 | 4,976 |
| **Retained earnings available to the annual general meeting** | 130,374 |
| Dividend of CHF 4.00 per share | –7,840 |
| **Carried forward** | 122,534 |

# 9 Report of the statutory auditor of the financial statements

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## *Report of the statutory auditor*

***to the General Meeting of Orell Füssli Holding Ltd***

***Zurich***

### *Report on the audit of the financial statements*

***Opinion***
We have audited the financial statements of Orell Füssli Holding Ltd which comprise the income statement, the balance sheet as at 31 December 2017 and the notes, including a summary of significant accounting policies

In our opinion, the accompanying financial statements (pages 41 to 45) as at 31 December 2017 comply with Swiss law and the articles of incorporation.

***Basis for opinion***
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Our audit approach***

***Overview***


Overall materiality: CHF 1,450,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Impairment of equity investments

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***Audit scope***
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

***Materiality***
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

| | |
|---|---|
| *Overall materiality* | CHF 1,450,000 |
| *How we determined it* | 1% of total assets |
| *Rationale for the materiality benchmark applied* | We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which the performance of the entity can be assessed. |

We agreed with the Audit Committee that we would report to them misstatements above CHF 145,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

***Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority***
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Impairment of equity investments**

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| As at 31 December 2017, the investments in Group companies ('participations') amount to CHF 49,577k. We consider the valuation of investments in Group companies to be a key audit matter owning to their size. Investments in Group companies are recorded individually at the lower of acquisition cost and net asset value or the value of capitalised earnings.<br><br>There is a risk that investments are not recoverable.<br><br>Further details about the investments in Group companies can be found in notes 8.2 and 8.11 in the notes to the financial statements. | In order to test the valuation of investments in Group companies, we performed the following:<br><br>• Compared the book value of the investments with their net asset values.<br>• Checked the calculation of the value of capitalised earnings including used assumptions.<br>• Checked that impairments were booked correctly.<br><br>On the basis of the audit procedures we performed, we addressed the risk that investments in Group companies might be significantly over-valued and obtained adequate assurance. |

***Responsibilities of the Board of Directors for the financial statements***

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the 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 Swiss law and Swiss Auditing Standards 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

pwc

## *Report on other legal and regulatory requirements*

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 instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

| | |
|---|---|
| Thomas Wallmer | Martin Bettinaglio |
| Audit expert<br>Auditor in charge | Audit expert |

Zurich, 19 March 2018

# Compensation Report 2017

*This report is issued in accordance with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO/VegüV) of 20 November 2013 and the Directive on Information relating to Corporate Governance dated 13 December 2016 of SIX Exchange Regulation. Unless indicated otherwise, all of the information provided is as of 31 December 2017.*

## Compensation of the board of directors and the executive board

**Principles**

The provisions applicable to voting at the general meeting of shareholders regarding the compensation of the members of the Board of Directors and the Executive Board are set out in article 18c of the articles of incorporation, and those regarding any additional amounts in article 18b thereof (www.orellfuessli.com/articles_of_incorporation).

Based on the Board of Director's proposal, the Annual General Meeting approves the maximum compensation of the Board of Directors for the period until the next Annual General Meeting as well as the maximum compensation of the Executive Board for the next year.

The provisions applicable to variable compensation and share allocations are set out in article 18d + e of the articles of incorporation (www.orellfuessli.com/articles_of_incorporation).

The compensation of the Board of Directors is made up entirely of a fixed component, whereas the Executive Board's compensation comprises a fixed and a variable component. External specialists are consulted only in the case of a fundamental redesign of the compensation structure. At group level, compensation is determined for new hires or promotions based on function-specific benchmarks.

The Board of Directors can allocate entitlements for employee shares to members of the Group Management as part of an equity participation plan. If they remain with the company for the duration of the vesting period, the participants in the plan are entitled to receive one employee share per entitlement. If the employee leaves the firm before the end of the vesting period, any entitlement for employee shares is usually extinguished.

The members of the Group Management can elect, on a voluntary basis, to receive a portion of their annual bonus in the form of restricted shares at a preferential price set by the Board of Directors as part of the equity bonus plan. The Board of Directors determines each year the portion of the bonus that can be awarded in shares and the duration of the vesting period. The voting rights and dividend rights are transferred with the transfer of the shares to the beneficiary.

Apart from the contributions to the pension fund, which are limited to a maximum of CHF 846,000 (maximum insured salary) by the Occupational Pensions Act (OPA/BVG), the Orell Füssli Group does not provide any special old-age benefit schemes.

The fixed compensation of the Executive Board and the Chairman of the Board of Directors includes individually agreed additional benefits, such as the provision of a company vehicle at no charge or the reimbursement of the cost of a rail season ticket (GA).

No severance payments ('golden parachutes') have been agreed with any of the members of the Board of Directors and the Executive Board. The members of the Executive Board do not have long-duration contracts (maximum period of notice of nine months).

**Compensation of the Board of Directors**

The Compensation Committee of the Board of Directors reviews annually the regulations applicable to the determination of the compensation of the Board of Directors. The Compensation Committee proposes to the Board of Directors any changes it deems necessary. The Board of Directors approves the compensation, which will take effect as of the subsequent term of office. Final approval of the compensation for the subsequent year is given only after the Annual General Meeting gives its approval. Board members receive a fixed amount of compensation.

**Compensation of the Executive Board**

Final approval of the amount of the fixed and variable components of the compensation for the subsequent financial year is given by the Annual General Meeting. Within this range, the Compensation Committee of the Board of Directors reviews the fixed compensation as proposed by the CEO. The amount of the fixed compensation is defined according to the function, duties, qualifications, experience and the market environment. The CEO (when it concerns his own compensation) and the members of the Executive Board are not present during the discussions to determine the compensation. The Compensation Committee adjusts the compensation, where necessary, and passes on its recommendation to the attention of the Board of Directors. The Board makes the final decision and approves the fixed compensation component.

The variable component of the Executive Board's compensation is based on the bonus regulations as approved by the Board of Directors. The maximum value (for achieving or overachieving all of the targets) of the variable component is determined individually and amounts to between 45 percent and 75 percent of the basic salary. It is calculated according to a predefined formula based on the EBIT as well as the achievement of agreed annual goals (weightings: EBIT 60 percent and individual goals 40 percent). The Executive Board members are assessed against the group's results in addition to the

EBIT. The individually determined goals, which have a three- to five-year horizon, comprise quantitative and qualitative components; such goals must also be specific, measurable, challenging, relevant and time-certain. They may concern, for example, the implementation of a project, adherence to a project budget or the further development of expertise. With the involvement of the Executive Board members, the CEO elaborates the goals of the individuals, the measurement criteria and the range of values. Lastly, he agrees on the proposed goals with the Chairman of the Board of Directors. After their approval by the Chairman of the Board of Directors, the proposed goals are reviewed by the Compensation Committee of the Board of Directors. The Compensation Committee adjusts them, if necessary, and passes on its recommendation to the attention of the Board of Directors. The Board then makes the final decision and approves the goals.

**Compensation 2017**
(audited from this point until the end of page 52 by the external auditor)

With regard to the 2017 equity bonus plan, the Board of Directors has determined that the members of the Executive Board may receive 1/3 of their bonus in the form of shares with a vesting period of three years and at a preferential price of +20% of that part of the bonus they are entitled to receive in shares.

The entitlements for employee shares allocated under the equity participation plan are subject to a three-year vesting period.

The disclosed compensation amounts are for the services rendered in the year under review. Thus, the following tables comprise all compensation claims relating to the 2017 financial year. Compensation that has not yet been disbursed is accrued in the financial year concerned, even when the disbursement is made in the subsequent year.

**COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2017**

| *in CHF* | Fixed compensation | Variable compensation | | Other payments | Total 2017 |
|---|---|---|---|---|---|
| | in cash | in cash | Special allowances | Social security expenses | |
| Dr Anton Bleikolm, Member of the Board of Directors (until 12.05.2017)<br>Chairman (as of 13.05.2017) [1] | 126,185 | – | – | 5,885 | 132,070 |
| Heinrich Fischer, Chairman (until 12.05.2017)<br>Compensation Committee (Member) | 62,152 | | | 3,531 | 65,683 |
| Dr Caren Genthner-Kappesz, Member of the Board of Directors | 55,000 | – | – | – | 55,000 |
| Dieter Widmer, Audit Committee (Chairman) | 75,000 | – | – | 5,445 | 80,445 |
| Dr Thomas Moser, Compensation Committee (Chairman) | 55,000 | – | – | 3,993 | 58,993 |
| Peter Stiefenhofer, Audit Committee (Member) | 60,000 | – | – | 4,356 | 64,356 |
| Dr Beat Lüthi, Vice Chairman (as of 13.05.2017)<br>Compensation Committee (Member) | 36,667 | – | – | 2,648 | 39,315 |
| **Total** | 470,004 | – | – | 25,858 | 495,862 |

[1] Until 12.05.2017 Member of the Board of Directors. Compensation paid against invoice excl. VAT.

**COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2016**

| *in CHF* | Fixed Compensation | Variable compensation | | Other payments | Total 2016 |
|---|---|---|---|---|---|
| | in cash | in cash | Special allowances | Social security expenses | |
| Heinrich Fischer, Chairman<br>Compensation Committee (Member) | 163,336 | – | – | 9,279 | 172,615 |
| Dr Caren Genthner-Kappesz (as of 29.04.2016)<br>Member of the Board to Directors | 36,667 | – | – | 2,691 | 39,358 |
| Gonpo Tsering, Vice Chairman (until 28.04.2016)<br>Compensation Committee (Chairman) | 15,000 | – | – | 1,101 | 16,101 |
| Dieter Widmer, Audit Committee (Chairman) | 70,000 | – | – | 5,137 | 75,137 |
| Dr Thomas Moser, Compensation Committee (Chairman) | 51,667 | – | – | 3,791 | 55,458 |
| Peter Stiefenhofer, Audit Committee (Member) | 55,000 | – | – | 4,036 | 59,036 |
| Dr Anton Bleikolm, Member of the Board of Directors [1] | 51,667 | – | – | – | 51,667 |
| **Total** | 443,337 | – | – | 26,035 | 469,372 |

[1] Compensation paid against invoice excl. VAT

The social security expenses include the mandatory employer's contributions. No pension fund contributions were made.

### COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR 2017

| *in CHF* | Fixed compensation | Short term variable compensation incl. bonus share plan [2] | | Long term variable compensation (vested benefits) | Other payments | Social security and penson fund expenses | Total 2017 |
|---|---|---|---|---|---|---|---|
| | in cash (CHF) | in cash (CHF) | in shares (CHF) | in shares (CHF) [3] | | | |
| Martin Buyle, CEO Orell Füssli Group [1] | 350,000 | 135,450 | - | 50,672 | 29,275 | 91,621 | 657,018 |
| Other members of the Executive Board [1] | 386,009 | 71,703 | - | - | 43,480 | 99,814 | 601,006 |
| **Total** | 736,009 | 207,153 | - | 50,672 | 72,755 | 191,435 | 1,258,024 |

1) The Executive Board consisted of four members as of 31 December 2017 (incl. CEO). The fourth Member of the Executive Board started his work on 01.08.2017.
2) The short-term variable compensation component is paid out in the following year. With regard to variable compensation components, the members of the Group Management can choose to receive it entirely in cash or 2/3 in cash and 1/3 in shares. No bonus shares were allocated for the financial year 2017.
3) Valued in accordance with the market price on the day of allocation (01.01.2017) at CHF 124.50.

### COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR 2016

| *in CHF* | Fixed compensation | Short term variable compensation incl. bonus share plan [2] | | Long term variable compensation (vested benefits) | Other payments | Social security and pension fund expenses | Total 2016 |
|---|---|---|---|---|---|---|---|
| | in cash (CHF) | in cash (CHF) | in shares (CHF) [3] | in shares (CHF) [4] | | | |
| Martin Buyle, CEO Orell Füssli Group [1] | 350,000 | 208,250 | - | 51,072 | 29,633 | 103,539 | 742,494 |
| Other members of the Executive Board [1] | 311,004 | 110,760 | 12,667 | - | 48,976 | 87,268 | 570,675 |
| **Total** | 661,004 | 319,010 | 12,667 | 51,072 | 78,609 | 190,807 | 1,313,169 |

1) The Executive Board consisted of three members as of December 12 2016 (incl. CEO)
2) The short-term variable compensation component is paid out in the following year. With regard to variable componsation components, the members of the Group Management can choose to receive it entirely in cash of 2/3 in cash and 1/3 in shares.
3) 3-year vesting period, valued in accordance with the market price at the time of allocation (December 2016) at CHF 122.98. The transfer took place on 10.04.2017.
4) Valued in accordance with the market price on the day of allocation (1.1.2016) at CHF 114.00.

The social security and pension fund expenses include the mandatory and voluntary employer's contributions. The pension fund contributions are made jointly by the employer and the employee.

**Loans and other payments**

The provisions applicable to loans and other payments are set out in article 18i of the articles of incorporation (www.orellfuessli.com/articles_of_incorporation).

In the 2017 and 2016 financial years, no loans were granted to the current or past members of the Board of Directors and the Executive Board. Additionally, no guarantees were given on behalf of the members of these bodies for loans granted by third parties. As of 31 December 2017, no such loan receivables were disclosed on the balance sheet.

**Further disclosure**

The Orell Füssli Group did not make any other payments to current or previous members of the Board of Directors, the Executive Board or any related parties thereof and did not waive any claims that it had against such persons.

# Report of the statutory auditor on the compensation report

## *Report of the statutory auditor*

### *to the General Meeting of Orell Füssli Holding Ldt*

### *Zurich*

We have audited the remuneration report of Orell Füssli Holding Ldt for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the paragraphs labelled 'audited by the external auditor' on pages 51 to 52 of the remuneration report.

***Board of Directors' responsibility***

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

***Auditor's responsibility***

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

***Opinion***

In our opinion, the remuneration report of Orell Füssli Holding Ldt for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

| | |
|---|---|
| Thomas Wallmer | Martin Bettinaglio |
| Audit expert<br>Auditor in charge | Audit expert |

Zürich, 19 March 2018

*PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland*
*Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch*

# Corporate Governance

*This report complies with the requirements of the SIX Swiss Exchange's guidelines regarding information on corporate governance. Unless stated otherwise, the data refer to 31 December 2017.*

All relevant corporate governance documents (articles of incorporation, organizational regulations, risk management and internal control system, code of conduct, regulations regarding the registration of shares and maintenance of the share register) can be assessed online (www.orellfuessli.com/en/investors/corporate-governance-d).

## 1. Group structure and shareholders

**Operating structure of the group**
In management terms, the Orell Füssli Group is structured into three divisions and the publishing companies.

Strategic and operating management is largely autonomous within the Atlantic Zeiser, Security Printing and Book Retailing divisions, as well as the publishing companies. Orell Füssli Holding Ltd operates as a financial holding company and exerts influence on the strategic direction of the individual divisions.

**Companies included in the scope of consolidation**
The registered office of the parent company, Orell Füssli Holding Ltd, is in Zurich. The company is listed on the SIX Swiss Exchange under Security Number (Valorennummer) 342 080 and the ISIN CH0003420806. The Legal Entity Identifier (LEI) No. is 5067005U9Z97T4PWVC13. Its market capitalization as of 31 December 2017 was CHF 221 million.

Orell Füssli Holding Ltd has no investments in listed companies. An overview of its main investment holdings is included in the financial report.

**Major shareholders**
In the year under review there were no significant changes in the shareholder structure and consequently no disclosure notifications were published. Any disclosure notifications can be consulted at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. Please refer to the financial report for a list of major shareholders (Note 8.14).

**Cross-shareholdings**
There are no cross-shareholdings with other public limited companies.

## 2. Capital structure

**Capital**

The share capital of Orell Füssli Holding Ltd consists of 1,960,000 registered shares with a par value of CHF 1.00 each and is fully paid-in. Each share entitles the holder to one vote. Orell Füssli Holding Ltd has not issued any profit-sharing certificates or participation certificates.

As of 31 December 2017, Orell Füssli Holding Ltd had neither contingent nor authorized capital at its disposal, and no convertible bonds or options were outstanding.

**Changes in capital**

The share capital of Orell Füssli Holding Ltd was unchanged in the year under review and the two preceding years.

**Treasury shares**

Orell Füssli Holding Ltd acquired 972 and issued 456 treasury shares in the context of the equity participation plan for the members of management and other participants in the year under review.

**Transfer restrictions**

The articles of incorporation of Orell Füssli Holding Ltd include no restrictions on the transfer of shares. Voting rights are registered only for shareholders who fulfil point no. 3 of the regulations regarding the registration of shares and maintenance of the shares.

## 3. Board of directors

| *Members of the Board of Directors* | Year of birth | Nationality | Member since |
|---|---|---|---|
| Dr Anton Bleikolm | 1949 | Switzerland, Austria | 07.05.2014 |
| Dr Caren Genthner-Kappesz | 1970 | Germany | 28.04.2016 |
| Dr Beat Lüthi | 1962 | Switzerland | 12.05.2017 |
| Dr Thomas Moser | 1967 | Switzerland | 07.05.2014 |
| Peter Stiefenhofer | 1953 | Switzerland | 07.05.2014 |
| Dieter Widmer | 1963 | Switzerland | 10.05.2011 |

**Biographical details of the members of the Board of Directors**

No member of the Board of Directors performs executive activities within the Orell Füssli group and no member did so in the three financial years prior to the year under review. Dr. Thomas Moser represents the Swiss National Bank (SNB), the company's largest shareholder. The SNB has its bank notes produced by Orell Füssli. All other directors are independent and have no material business relationships with Orell Füssli Holding Ltd or any other company in the Orell Füssli Group besides their directorship.

**Regulations in the articles of association regarding the number of permissible mandates**

According to the articles of incorporation, article 18h, the members of the Board of Directors are permitted to hold a maximum of five additional mandates for exchange-listed firms, a maximum of ten mandates for non-listed firms and a maximum of ten mandates for associations, family foundations and pension funds.

Dr Anton Bleikolm / Peter Stiefenhofer / Dr Caren Genthner-Kappesz / Dr Beat Lüthi / Dr Thomas Moser / Dieter Widmer

**CHAIRMAN**
*Member of the Board of Directors since 2014*
*Chairman of the Board since 2017*

## Dr Anton Bleikolm

*Swiss and Austrian, born 1949*

Studies of Organic Chemistry at the Technical University in Graz, Master's Degree and PhD

**STATIONS**

*1973–1976* Technical University Graz, Institute for Organic Chemistry, Assistant Professor

*1976–1980* Hoechst Ltd, Graz, Research Chemist, synthetic polymers and automotive coatings

*1980–1991* SICPA S.A., Research

*1991–2000* SICPA S.A., Technical Director

*2000–2010* SICPA S.A., Managing Director

*2010–2012* SICPA Group, Chief Operating Officer and Head Security Ink Division

*2012–2014* SICPA Group, Strategic Advisor to the CEO and Chairman

*Since 2014* Owner and Chairman AFB-Engineering & Services, Ecublens

**OTHER BOARD APPOINTMENTS**

*Member of the Board of Directors* Landqart Ltd, Landquart

**VICE CHAIRMAN**
*Member of the Compensation Committee*
*Member of the Board of Directors since 2017*

## Dr Beat Lüthi

*Swiss, born 1962*

Dr. sc. techn. ETH Zurich, Executive MBA INSEAD Fontainebleau

**STATIONS**

*1987–1990* Zellweger Uster Ltd, Uster, Assistant and Product Manager

*1990–1994* Mettler-Toledo International Inc., Greifensee, Manager LAB System Business

*1994–1998* Mettler-Toledo (Switzerland) Ltd, Greifensee, General Manager

*1998–2002* Feintool International Holding Ltd, Lyss, CEO and Member of the Board of Directors

*2003–2007* Mettler-Toledo International Inc., Greifensee, CEO Laboratory Division

*Since 2008* CTC Analytics Ltd, Zwingen, CEO and Member of the Board of Directors

**OTHER BOARD APPOINTMENTS**

*Chairman of the Board of Directors* Inficon Holding Ltd, Bad Ragaz, *Chairman of the Board of Directors* Apaco Ltd, Grellingen, *Member of the Board of Directors and Chairman Audit Committee* Straumann Holding Ltd, Basel

**MEMBER OF THE BOARD**
*Member of the Board of Directors since 2016*

## Dr Caren Genthner-Kappesz

*German, born 1970*

PHD Mathematics, University of Würzburg (Germany), Diploma Mathematics and Computer Science, University of Würzburg

**STATIONS**

*1999–2000* Boston Consulting Group, Munich, Strategy Consultant

*2000–2002* The Launch Group/Sapient, Düsseldorf and Munich, Founding Member and Strategy Consultant

*2003–2006* eBay, Berlin, finally as Department Head Formats & Solutions

*2007* eBay Express and eBay Advertising, Berlin, Director

*2007–2009* shopping.com GmbH Germany (eBay), Berlin, CEO and Country Manager

*2010* Shopping.com International, Berlin, Head Strategic Projects

*2011–2012* Brands4friends (eBay), Berlin, COO

*2013–2015* Kalahari.com, Naspers, Cape Town, South Africa, CEO

*2015* MIH IA, Naspers Africa Internet Holding, Cape Town, South Africa, CEO

*Since December 2015* Glossybox Group/Beauty Trend Holding GmbH, Berlin, CEO

**OTHER BOARD APPOINTMENTS**

*Member of the Board of Directors* Qliro Group AB, Stockholm, Sweden *Member of the Board of Directors* Main Street 1477 Proprietary Ltd, Johannesburg, South Africa

**MEMBER OF THE BOARD**
*Chairman of the Compensation Committee*
*Member of the Board of Directors since 2014*

## Dr Thomas Moser

*Swiss, born 1967*

Dr.oec.publ., University of Zurich

**STATIONS**

*1996–1999* KOF Swiss Economic Institute ETH Zurich, Economist

*1999–2001* Swiss National Bank, Zurich, Economist

*2001–2004* International Monetary Fund (IMF), Washington, USA, Advisor, *from 2002* Senior Advisor to the Swiss Executive Director at the IMF

*2004–2006* Swiss National Bank, Zurich, Assistant Director

*2006–2009* International Monetary Fund, Washington, USA, Executive Director of the IMF constituency headed by Switzerland

*Since 2015* Member of the KOF Executive Committee

*Since 2015* Member of the Managing Committee of the Swiss Institute of Banking and Finance, University of St. Gallen

*Since 2017* Member of the Advisory Board Swiss International Finance Forum

*Since 2010* Swiss National Bank, Zurich, Alternate Member of the Governing Board

**OTHER BOARD APPOINTMENTS**

None

**MEMBER OF THE BOARD**
*Member of the Audit Committee*
*Member of the Board of Directors since 2014*

## Peter Stiefenhofer

*Swiss, born 1953*

Master in Economy and Business Administration, University of Zurich, Swiss Certified Accountant, Advanced Executive Program, Northwestern University, Kellogg School of Management, Evanston IL/USA

**STATIONS**

*1980–1990* Fides Revision (KPMG), Zurich, Public Auditor, Consultant for IT projects

*1990–1993* Zellweger Luwa, Uster, Group Controller

*1993–2001* Zellweger Analytics, Inc., Lincolnshire, IL/USA, CFO and COO

*2001–2007* Saurer Ltd, Arbon, CFO and Secretary to the Board of Directors

*Since 2008* Owner and Chairman of Alovista Ltd and *since 2011* of invest-in-Europe GmbH, Schaffhausen (Executive Consulting)

**OTHER BOARD APPOINTMENTS**

*Member of the Board of Directors* Abbestate Holding Inc., Charlotte, NC/USA, *General Manager* Sea Dynamic GmbH, Baar, *Member of the Board of Directors* Sea Dynamic Immobilien AG, Horgen

**MEMBER OF THE BOARD**
*Chairman of the Audit Committee*
*Member of the Board of Directors since 2011*

## Dieter Widmer

*Swiss, born 1963*

Swiss certified public accountant (CPA) and auditor

**STATIONS**

*1986–2010* KPMG, Zurich, Vancouver, Berne, Auditor and Management Consultant, *as of 1997* Head of KPMG Berne, *as of 1998* Partner and as of 2002 Member of the Executive Committee of KPMG Switzerland, *as of 2007* Member of the Non-Executive Board and Member of the Audit Committee of KPMG Europe LLP

*Since 2010* Entrepreneur and independent member of various Boards of Directors

**OTHER BOARD APPOINTMENTS**

*Member of the Red Cross Council* Swiss Red Cross, Berne, *Co-owner and Member of the Board of Directors* EquityNova Ltd, Zug, *Co-owner and Member of the Board of Directors* EnergyOn Holding Ltd, Zug, *Co-owner and Member of the Board of Directors* Kelag Systems AG, Sennwald, *Co-owner and Member of the Board of Directors* Blattmann Switzerland Ltd, Wädenswil, *Co-owner and Member of the Board of Directors* RP Invest Ltd, Zug, *Member of the Foundation Council* Kuoni and Hugentobler Foundation, Stans, *Chairman of the Board of Directors* Curena Ltd, Zurich, *Member of the Board of Directors* Mühle Walther Ltd, Bolligen, *Member of the Board of Directors* e+p holding ag (former Dr. Eicher + Pauli Ltd), Liestal

**Election and term of office**
The Board of Directors consists of at least three members elected by the Annual General Meeting of shareholders. Directors are elected for a one-year term of office by an absolute majority of the votes represented at the Annual General Meeting of shareholders. Directors are elected individually. Every year, the General Meeting elects the Chairman of the Board of Directors and each individual member of the Compensation Committee. The restrictions on age and duration of office are stipulated in the business and organization regulations of the company.

**Internal organization**
The Board of Directors has the following functions: Chairman and Vice-Chairman.

The principal duties of the Board of Directors are as defined by the Swiss Code of Obligations, in particular art. 716a, and the business and organization regulations of the company. Management of the business is delegated to the CEO and the Executive Board of Orell Füssli Holding Ltd. The CEO chairs the Executive Board.

The Board of Directors meets as often as business requires, but at least once a quarter. Members of the executive management may also be invited to attend the Board of Directors meetings. The Board of Directors can also call in external consultants in order to deal with specific issues. The Board of Directors is assisted in its work by the Audit Committee and the Compensation Committee. In the year under review, the Board of Directors met for a full day on four separate occasions, twice for half a day and also for a constituent meeting following the Annual General Meeting and held one telephone conference. In addition, the Board of Directors held a two-day strategy workshop with the top management.

**Audit Committee**
The Board of Directors has appointed an Audit Committee, which assesses the annual and interim financial statements, risk management, the internal controls and the external auditors. The duties of the Audit Committee are defined in specific regulations. The Audit Committee has decision-making authority subject to the approval of the Board of Directors as a whole, which also receives the minutes of the Audit Committee meetings. The Audit Committee consists of two members of the Board of Directors. The CEO, the CFO, the Head of Internal Audit/Risk Officer as well as a representative of the auditors also attend the meetings of the Audit Committee in a consultative capacity. The Audit Committee meets at least twice a year, usually in the first and third quarters. The Audit Committee held four half-day meetings and several telephone conferences in the year under review. The Chairman of the Audit Committee holds regular meetings with the Head of Internal Audit, who is subordinate to him.

**Compensation Committee**
The Board of Directors has appointed a Compensation Committee, which determines the salary of the members of the Executive Board and management, subject to corporate profits and performance. The duties of the Compensation Committee are defined in specific regulations. The Compensation Committee has decision-making authority within the bounds of the overall compensation approved by the General Meeting (effective as of the 2016 financial year). The other members of the Board of Directors are informed of the business dealt with and the main decisions taken after each meeting. The Compensation Committee consists of two members of the Board of Directors. The Group CEO and the Head Human Resources (responsible for the meeting minutes) also attend the meetings both in a non-voting capacity. The Compensation Committee meets at least once a year. The Compensation Committee met for two meetings lasting about four hours in the year under review.

The Members of the Board of Directors and of the Committees were present at all meetings with two exceptions.

**Allocation of authority between the Board of Directors and the Executive Board**
The allocation of authority between the Board of Directors and the Executive Board is defined by the business and organization regulations of the company. The Board of Directors determines business policy and the organizational structure, appoints the CEO, approves the budget and decides on proposals that are within its authority. The Board of Directors has entrusted the management of the business to the Executive Board under the chairmanship of the CEO.

**Information and control instruments of the Board of Directors**
The CEO briefs the Board of Directors at its meetings about the current course of business and important business transactions. Financial reporting to the Board of Directors consists of the monthly management cockpit, the interim report and the annual report comprising the annual financial statements at the end of the financial year.

The Chairman of the Board of Directors regularly meets with the CEO, who informs him of the most important current business events.

The Board of Directors and the Audit Committee, in particular, monitor risk management and the implementation of the internal control system. The Audit Committee determines its own audit areas and is informed at its meetings by the Head of Internal Audit and the Risk Officer about the results of audits conducted by independent internal or external units. The description of the Risk Management and Internal Control System can be accessed online (www.orellfuessli.com/en/investors/corporate-governance-d). Please also refer to the details of the risk management in the Notes to the consolidated financial statements of Orell Füssli Holding Ltd.

**Internal audit**
The principal task of the Internal Audit (IA) unit, which was set up in 2013 by the Board of Directors, is to assess the effectiveness and the efficiency of risk management, the internal management and control systems, and the governance processes and to make improvements, where necessary. In addition, IA reviews compliance with standards and provides independent, objective assurance and consulting services. The Head of IA reports directly to the Chairman of the Audit Committee. In the year under review four audits/reviews focusing on the Security Printing Division, four audits/reviews focusing on the Atlantic Zeiser Division and one further audit focusing on Orell Füssli Dienstleistungs Ltd were conducted. Other activities were performed in risk review and coordination, in financial assurance and in the context of group-wide security conferences. Further audits/reviews and assurance activities will be conducted at the group level and within the divisions in 2018.

### 4. Executive board

**Regulations in the articles of association regarding the number of permissible mandates**

According to the articles of incorporation, article 18h, the members of the Executive Board are permitted to hold a maximum of two additional mandates for exchange-listed firms or non-listed firms and a maximum of three mandates for associations, family foundations and pension funds (in total five mandates).

**CEO ORELL FÜSSLI HOLDING LTD**

*Member of the Executive Board*
*Orell Füssli Holding Ltd*

## Martin Buyle

*Austrian, born 1974*

Diploma in Mechanical Engineering, Technical University of Vienna; MBA Master of Business Administration, IESE Business School Barcelona

**STATIONS**

*1997–2000* MTU Friedrichshafen GmbH, Friedrichshafen, Development Engineer

*2002–2005* Roland Berger Strategy Consultants, Munich, Senior Consultant

*2005–2009* Kramer-Werke GmbH, Überlingen, Managing Director

*2009–2014* Jakob Müller Ltd, Frick, Member of the Group Management, finally as CEO and Chairman of the Group Management

*Since 1 October 2014* CEO Orell Füssli Group

**OTHER BOARD APPOINTMENTS**

*Vice Chairman* of the Board of Directors of Orell Füssli Thalia Ltd, *Various directorships* with other companies in the Orell Füssli Group

**CFO ORELL FÜSSLI HOLDING LTD**

*Member of the Executive Board*
*Orell Füssli Holding Ltd*

## Beat Müller

*Swiss, born 1956*

Business Economist (lic.oec.publ. Zurich University), EMBA Executive Master of Business Administration GSBA, Zurich/Albany

**STATIONS**

*1983–1985* Limmat Insurance, Zurich, Controller

*1987–1989* Swissôtel, Zurich, Country Controller Switzerland

*1989–1992* Swissair, Zurich, Controller Operations and Information Technology

*1993–1995* Swissair, Zurich, Head of Business Administration and Strategic Planning Operations

*1996–2000* Swissair, Zurich, Vice President Planning and Business Administration Operations, Member of the Management Board Operations

*2000–2009* Swiss Post, Berne, Post Offices and Sales, CFO, Member of the Management Board

*2010–2011* Swiss Post, Berne, Swiss Post International Management Ltd, CFO, Member of the Management Board

*2012–2013* Orell Füssli Holding Ltd, Head Group Controlling

*Since 1 April 2013* CFO Orell Füssli Group

**OTHER BOARD APPOINTMENTS**

*Member of the Foundation Council* cb-Foundation, Zurich, *Various directorships* with companies in the Orell Füssli Group

**HEAD HUMAN RESOURCES ORELL FÜSSLI HOLDING LTD**

*Member of the Executive Board*
*Orell Füssli Holding Ltd*

## Peter Crottogini

*Swiss, born 1959*

Trainer in Further Education (Swiss Federal Certificate), Manager in Adult Education (Swiss Diploma)

**STATIONS**

*1995–2001* Swissair, Instructor & Manager of Training Ground Services worldwide

*2001–2002* ESEC Management Ldt, Manager Education & Training

*2002–2003* Swiss International Air Lines, General Manager Sales & Marketing and Airport Training

*2003–2009* Sunrise Communication Ltd, Manager Training & Development

*2010* Orell Füssli Holding Ltd, Head Personnel & Organisational Development

*Since 1 January 2011* Head Human Resources Orell Füssli Group

**OTHER BOARD APPOINTMENTS**

None

**HEAD CORPORATE DEVELOPMENT**

*Member of the Executive Board*
*Orell Füssli Holding Ltd*

## Dr Daniel Broger

*Swiss, born 1977*

Dr.oec. HSG/lic.iur. HSG (University of St. Gallen)

**STATIONS**

*2003–2005* Capvis Equity Partners, Zurich, Analyst

*2005–2015* Broger & Partners, Strategy and M&A Advisory (Owner)

*2009–2011* Altium Capital AG, Munich, Senior Associate with focus on technology, media and telecom (TMT) and renewable energy

*2002–2015* Founder of the collaborative marketplace software company Genuine & Lasting Inc. in North Carolina, USA

*2016–2017* Head Strategic Projects Orell Füssli Holding Group

*Since August 2017* Head Corporate Development Orell Füssli Group

**OTHER BOARD APPOINTMENTS**

None


**Martin Buyle / Philipp Seewer / Dr. Dieter Sauter / Dr. Daniel Broger / Peter Crottogini / Beat Müller / Dr. Matti Schüsseler (Pascal Schneebeli not in the picture)**

HEAD SECURITY PRINTING DIVISION

## Philipp Seewer

*Swiss, born 1971*

Mechanical Engineering Swiss Federal Institute of Technology Zurich, Executive MBA University Zurich

**STATIONS**

*1996–1997* Swiss Federal Institute of Technology Zurich, Measurement and Control Laboratory, Research Assistant

*1997–2001* Alusuisse Airex Composites, Sins/Altenrhein, Project Manager

*2001–2004* Alcan Composites USA, Development Engineer

*2004–2007* Alcan Airex AG, Sins, Head of Production

*2008–2013* Airex AG, Sins, Director Operations

*2013–2014* Orell Füssli Security Printing Ltd, Chief Operating Officer

*Since 1 April 2014* Head Security Printing Division

**OTHER BOARD APPOINTMENTS**

None

HEAD PUBLISHING DIVISION

## Dr Matti Schüsseler

*German, born 1959*

Studies in literature and linguistics at the Universities of Göttingen, Rennes (France), Munich and Constance

**STATIONS**

*1988–1991* Bertelsmann AG, Gütersloh, various functions, finally Head of the Representative Office in Berlin

*1991–1993* FNAC Deutschland GmbH, Berlin, Division Manager Books

*1993–1996* Klett AG, Stuttgart, General Manager Ernst Klett Distribution Company

*1996–2010* Langenscheidt KG, Munich, Director Marketing & Distribution and Member of the Management Board; in addition CEO Langenscheidt Poland, Warsaw (as of 2000) and Langenscheidt Ibérica, Madrid (as of 2008)

*Since 1 March 2011* Head of the Publishing Division

**OTHER BOARD APPOINTMENTS**

None

HEAD SECURITY PRINTING DIVISION

## Dr Dieter Sauter

*German, born 1968*

Studies in Physics at the Universities of Tübingen and Stuttgart

**STATIONS**

*1996–2000* University of Stuttgart, Institute for Nonmetallic Inorganic Materials, Scientific Assistant

*2000–2002* Bundesdruckerei GmbH, Berlin, Project Manager Research & Development Division

*2002–2005* Robert Bosch GmbH, Reutlingen, Product Manager Process Engineering

*2005–2006* Giesecke & Devrient GmbH, Munich, Patent Coordinator Banknote Printing Division

*2007–2011* Giesecke & Devrient GmbH, Munich, Regional Sales Director Southern & Eastern Africa Banknote Printing Division

*2011–2014* Orell Füssli Security Printing Ltd, Head Research & Development

*Since 1 April 2014* Head Security Printing Division

**OTHER BOARD APPOINTMENTS**

None

HEAD ATLANTIC ZEISER DIVISION

*(until August 2017)*

## Manfred Minich

*German, born 1958*

Industrial Business Administrator, Study "Corporate Management" Hochschule Pinneberg

**STATIONS**

*1976–1997* Metabowerke GmbH & Co, Nürtingen, various functions in Sales and Marketing, finally Director Sales Region DACH

*1997–1999* Black & Decker Germany, Idstein, Director Marketing German-Alpine (DACH) and Member of the Extended Executive Board

1999–2000 Loewe AG (Loewe Opta GmbH), Kronach, Director Marketing CE

*2001–2006* Herma GmbH, Stuttgart, Managing Director Label Division and Machinery Division, Member of Executive Boards in various subsidiaries, finally Chairman of the Executive Board of the Herma Group

*2006–2011* Binder GmbH & Co., KG, Oppenweiler, Director Sales, Marketing and Service, Member of Executive Boards in various subsidiaries, Spokesman of the Executive Board of the MBO Group

*2012–August 2017* Head of the Atlantic Zeiser Division

**OTHER BOARD APPOINTMENTS**

None

CEO ORELL FÜSSLI THALIA AG

*(since January 2018)*

## Pascal Schneebeli

*Swiss, born 1973*

Business Economist, ZHAW Zurich University of Applied Sciences, Export Specialist (Swiss Diploma), European Institute for Foreign Trade, Basle

**STATIONS**

*1992–1997* Lamprecht Transport Ltd, Embrach, Head Import Overseas

*1996–2006* www.buch.ch, Winterthur, Co-Founder and Chairman

*2006–2013* Thalia Bücher AG, Basle, Managing Director

*2013–2017* Orell Füssli Thalia AG, Zurich, Managing Director/CFO

*Since January 2018* Managing Director/CEO Orell Füssli Thalia Ltd

**OTHER BOARD APPOINTMENTS**

None

CEO ORELL FÜSSLI THALIA AG

*(until January 2018)*

## Frank Egholm

*Dane, born 1971*

Business Economist, Syddansk Universitet/ University of Southern Denmark, Kolding (BA in Business Administration and BA in International Business Administration), MBA Bangkok/Thailand

**STATIONS**

*1993–2002* ECCO Sko A/S, DK & Asia (various Management functions Purchasing/ Sales/Supply Chain Management, *as of 2000* Group Sales Director EMEA at the headquarters in Bredebro/DK)

*2002–2004* LEGO Group, Billund/DK, Group Sourcing Director

*2004–2011* Aldi Denmark, Karlslunde/DK, Managing Director & Chief Procurement Officer

*2011–2014* Maxi Zoo/Fressnapf Sandinavia, Ballerup/DK, Managing Director

*2014–2016* Staples Germany, Hamburg, Managing Director

*2016–January 2018* CEO Orell Füssli Thalia Ltd

**OTHER BOARD APPOINTMENTS**

None

### 5. Shareholders' participation rights

Only those persons listed in the shareholders' register are recognized as shareholders of the company. Entry in the shareholders' register presupposes evidence of beneficial ownership of the shares to be registered. The conditions are stipulated in the regulations of the Board of Directors regarding the registration of shares and maintenance of the shareholders' register, which together with the company's articles of incorporation can be accessed online.

In order to attend the Annual General Meeting, each shareholder must provide the offices designated by the Board of Directors with evidence of his or her shareholding no less than five days prior to the date of the meeting. He or she will then receive an admission card issued in his or her name. Notwithstanding the relevant legal provision (art. 689, para. 2 of the Swiss Code of Obligations) the articles of incorporation provide that a shareholder can only be represented by another shareholder and therefore not by any third party at the Annual General Meeting. The only exceptions to this requirement are senior officers of companies listed in the Commercial Register. Shareholders representing at least 5% of the share capital may request the inclusion of an item on the agenda.

Shareholders may participate in voting and elections at General Meetings by granting power of attorney or providing instructions to the independent proxy; power of attorney may also be granted and instructions issued to the independent proxy by electronic means. The independent proxy is elected by the General Assembly for a term of office of one year.

### 6. Change in control and defensive measures

There are no provisions in the articles of incorporation relating to "opting out" or "opting up".

Orell Füssli Holding Ltd does not have any clauses that, in the event of a change in control, would apply to members of the Board of Directors and the Executive Board.

### 7. Auditors

**Duration of the mandate and term of office of the lead auditor**

The external auditors are elected by the Annual General Meeting of shareholders for a term of office of one year.

PricewaterhouseCoopers have served as external auditors of the consolidated financial statements and those of the holding company since 2003. Following a public tender and as proposed by the Board of Directors, PricewaterhouseCoopers were re-elected by the Annual General Meeting on 28 April 2016. Thomas Wallmer, auditor in charge of the mandate, has officiated as lead auditor since the 2015 financial year.

Audit fees of CHF 257,240 (2016: CHF 298,142) to PricewaterhouseCoopers were incurred in 2017.

Additional fees totaling CHF 51,661 (2016: CHF 97,589) were charged by PricewaterhouseCoopers in the year under review.

**Audit supervision and control instruments**

The Audit Committee is responsible for supervising and controlling the external auditors. A representative of the auditors is also invited to attend meetings of the Audit Committee to provide information. The Audit Committee assesses the performance, fees and independence of the external auditors based on criteria such as professional expertise, scope and quality of written reports and oral comments, practical feasibility of recommendations, transparent and effective communication and coordination, as well as compliance with deadlines. The Audit Committee examines annually the scope of the external audit, audit planning and the relevant processes, and discusses the audit results with the external auditors. The reporting by the external auditors includes the reports of the statutory auditors and the comprehensive report by the auditors to the Audit Committee and the Board of Directors on the financial year just ended.

### 8. Information policy

Detailed annual figures are published in the context of a press release in the second half of March, after the close of the financial year; the Annual Report is accessible online at www.orellfuessli.com immediately after release. A presentation for financial analysts is held on the same day.

The Annual General Meeting of shareholders is held in April or May.

The group issues a press release with the half-year figures in about mid-August. The planned publication dates can be accessed online (www.orellfuessli.com/en/investors/events).

Shareholders receive the annual financial statements (short report) and the interim report. Press releases can also be accessed online (www.orellfuessli.com/en/media/messages).

Information on exceptional events of relevance to the stock market is published in ad hoc press releases. Shareholders can register online (www.orellfuessli.com/en/investors/ad-hoc-publicity) to have these forwarded to them automatically.

**Note regarding forward-looking statements**
No statements relating to the future imply any guarantee whatsoever with regard to future performance. They are subject to risks and uncertainties including but not confined to future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control, which can lead to actual developments and results differing significantly from the statements made in this document. Orell Füssli is under no obligation whatsoever to adjust or amend forward-looking statements on the basis of new information, future events or for other reasons.

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