
Annual Report 2019

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Orell Füssli is a pioneer in the fields of security and education. With its expertise in security solutions for governments and citizens and as a leading Swiss book retailer, Orell Füssli supports its customers with a unique and customer-specific offering.

As a leading systems supplier for security technologies and identification systems and a long-standing partner of governments, Orell Füssli sets technological standards. In the fields of security printing and serialisation Orell Füssli provides innovative printing processes, systems and services for the successful creation and protection of banknotes, securities and identity documents.

With its attractive large-format and specialist bookstores Orell Füssli offers a wide-ranging book-related shopping experience. In book retailing Orell Füssli has a 50% interest in Orell Füssli Thalia AG, a company that provides an extensive offering by means of 36 branches within the German-speaking part of Switzerland and various e-commerce services. Orell Füssli provides logistical and service facilities for libraries and companies.

Orell Füssli was founded more than 500 years ago. Today, it generates revenues of some CHF 250 million with around 600 employees at locations in five countries. Orell Füssli is listed on the SIX Swiss Exchange.

Editorial

Dear shareholder,

Security and education are key cornerstones of our modern society. They are important preconditions for progress and for preserving core values, including freedom and economic, social and personal development. The security and protection of personal values and data are an essential element in this context. In a rapidly changing world in which misuse of data, currencies or security documents is continually increasing, the need for security and solutions that can be trusted is also growing.

NET REVENUE

in CHF million

237.4

Our comprehensive expertise in serving the security of governments and citizens enables us to offer solutions for protecting values and identities of government and the public. As long-standing partners of government and leading specialists in security technologies and the individualisation of security documents, we set standards and guarantee technologically secure solutions for banknotes, security documents and individual identity documents. We combine technologically highly complex security features with unique expertise in security printing. In the field of education, we are leaders in Switzerland in the world of books. Our range of programmes encompasses a wide assortment of books, educational media and legal specialist media. With forward-looking shopping experiences in our own bookshops and on our digital channels, we provide our customers with access to the world of relaxation, knowledge and education.

The market for banknotes and security documents remained stable in 2019, but pressure on margins increased further due to existing excess capacities in banknote printing. Encouragingly, book retailing in Switzerland grew slightly in 2019. Books therefore held their own well – despite changing leisure habits and media consumption – compared to other classical media such as newspapers, music or the cinema.

At the operating level, Orell Füssli can look back on a solid financial year in 2019. It was characterised by a number of structural changes. The course of business was in line with expectations and we generated net revenue of CHF 237.4 million and operating earnings (EBIT) of CHF 18.2 million (CHF 19.7 million from operations). Against the backdrop of a challenging market, the Orell Füssli Group maintained its operating profitability and continued to reinforce its position of technological leadership. The equity ratio is a comfortable 66.8%.

In the security printing sector the successful presentation of the jubilee note at the Intergraf Conference in Copenhagen and the completion of printing the 9th banknote series for the Swiss National Bank (SNB), together with the acquisition of new orders in the export business, were among the highlights of the year under review. The export business now accounts for 58% of total volume. The current series of Swiss banknotes is now complete with the new 1000-Swiss franc note and 100-Swiss franc note, which were issued in March and September 2019, respectively. The acquisition of various new customers abroad could only partially compensate for the resulting decline in the volume of printing for the SNB. With the objective of being able to offset future fluctuations in printing volumes more efficiently, the Security Printing Division has decided to make further adjustments to its operational and organisational structure while at the same time intensifying its efforts in the field of innovation in order to be able to respond to market demand more flexibly and with new products.

EBIT BEFORE SPECIAL ITEMS

in CHF million

19.7

At the Zeiser Division, the reorientation and the associated structural changes have proved to be correct. The steps taken in this context already had an impact in 2019. Following the sale of parts of the business in 2018, operating processes were also optimised and simplified, foreign subsidiaries were closed and work on a new corporate culture was undertaken with employees. Now, as a clearly focused division with a strong brand identity and a large market share in the field of serialising security documents such as banknotes and passports, Zeiser was able to report very good profitability in the past financial year. Orders on hand at year-end were at a high level and Zeiser can look forward with confidence to the year 2020. As to the future, strategic options for the further development of banknote serialisation and the individualisation of security documents are also being examined.

The trend in book retailing was again encouraging in 2019. The business is profitable and growing. Now with 36 sales outlets in 23 towns and cities, Orell Füssli is the largest operator in bricks-and-mortar book retailing in Switzerland. Its market share was further expanded and its position as market leader in Switzerland reinforced by the opening of new branches on Europaallee near Zurich's main railway station and in the Seedamm-Center in Pfäffikon, as well as a strong presence in e-commerce channels. Orell Füssli Book Retailing has established itself successfully and continues to develop positively on the basis of its multi-channel strategy.

In contrast, Orell Füssli Publishing did not fulfil expectations in the past financial year. After a change in management in August, a transformation programme was drawn up in autumn aimed at giving publishing activities a clearer focus and streamlining the organisation. This programme is currently being implemented.

Another major feature of the past year was the celebration of Orell Füssli's 500th anniversary. As one of Switzerland's oldest companies, the book and card-printing house laid the foundation for an enterprise, which is known up to the present day as a leading specialist in complex and high-quality printing processes. The jubilee year featured many activities in which customers, employees, shareholders and guests took part.

Daniel Link took over operational management of Orell Füssli Holding from Martin Buyle on November 1. Our new CEO has many years of extensive management experience with Swiss industrial companies operating on an international scale.

The Board of Directors and the Executive Board continued to pursue the process of strategic analysis in the past financial year. Here it became apparent from the analysis of the «Security and Government» business sector that the demand for online services among the population as well as from companies is high and only partially covered by the existing offering. This was also confirmed by the national e-government survey conducted in 2019 by the State Secretariat for Economic Affairs. In Switzerland only few government agencies, cantons and local authorities provide information and services electronically. Orell Füssli sees potential here for becoming involved. Successful digitisation in the public domain presupposes a secure and widely accepted digital identity. Trustworthiness is the highest priority in this business. For Orell Füssli such involvement represents a logical further development of its expertise in the field of security solutions for government and the public, such as Orell Füssli has provided for almost 100 years in Switzerland as a partner of the SNB in the field of banknotes or of the federal government for Swiss passports and driving licences.

We have therefore decided to invest as a strategic partner in Procivis AG, a Zurich-based company. Procivis provides us with an entry into a steadily growing ecosystem of digital services based on a secure digital identity solution. Interesting synergies with the Security Printing Division also arise, and Procivis can benefit from Orell Füssli's experience with government agencies and its strong brand. The e-government technology of Procivis provides the public with direct and trustworthy access to official and private services. The Procivis system is already successfully in use in Canton Schaffhausen, which is the first Swiss canton to have officially introduced a digital identity for its inhabitants.

EBIT*in CHF million***18.2**

**NET INCOME
FOR THE PERIOD***in CHF million***10.9**

For the 2020 financial year, we foresee results at a comparable level with 2019 at Zeiser and Book Retailing. At Security Printing, we expect – based on the current product mix in the order backlog – a good first half and markedly weaker earnings in the second half of 2020. For the Orell Füssli Group as a whole we therefore expect net revenue in the current year to be slightly lower than in 2019, with an EBIT margin in the mid-single-digit range. We shall provide information on medium-term planning and targets in the second half of 2020.

Based on the good result for 2019 we shall recommend to the Annual General Meeting on May 20, 2020, that our shareholders approve a dividend amounting to CHF 6.00 per share. We seek to offer our shareholders a regular share in company profits. We are therefore planning to distribute about 75% of free cash flow in the form of dividends also in the future.

In order to simplify the group structure and for the purpose of operational optimization in the administrative area, as well as due to the new legal framework, Orell Füssli Holding Ltd and its wholly owned subsidiaries in Switzerland will merge to form the new Orell Füssli Ltd. Subject to the approval of this year's Annual General Meeting regarding the amendments to the Articles of Association, this change will come into effect retrospectively on January 1, 2020. The management team of the Orell Füssli Group will be restructured and complemented by the divisional heads of security printing and Zeiser.

We wish to thank our employees in all companies most sincerely for their day-to-day commitment, our customers and partners for their continued loyalty and you, our valued shareholders, for your confidence in the Orell Füssli Group and us.

Zurich, March 2020



DR. ANTON BLEIKOLM
Chairman of the Board of Directors



DANIEL LINK
CEO

Key figures 2019

INCOME STATEMENT

<i>in CHF million</i>	2019	2018	2017	2016	2015
Net revenue	237.4	264.9	288.5	298.9	279.4
Thereof Security Printing	101.2	112.3	129.8	121.2	117.4
Thereof Zeiser	29.2	50.7	55.9	72.2	52.7
Thereof Book Retailing	97.4	92.2	91.7	94.8	98.8
Thereof Publishing	9.8	10.1	11.1	10.8	10.3
EBITDA (EBIT + Depreciation / Impairment)	29.2	26.5	28.5	33.1	37.4
<i>in % Net revenue</i>	12.3%	10.0%	9.9%	11.1%	13.4%
Depreciation and Impairment	-11.0	-14.5	-15.9	-14.6	-19.8
EBIT	18.2	12.0	12.6	18.5	17.6
Thereof Security Printing	9.2	18.0	20.1	17.4	17.5
Thereof Zeiser	6.4	-8.5	-6.7	2.0	0.4
Thereof Book Retailing	6.5	5.0	1.6	2.0	1.8
Thereof Publishing	-1.2	-0.3	-0.1	-0.9	-0.4
<i>in % Net revenue</i>	7.7%	4.5%	4.4%	6.2%	6.3%
Special items	-1.5	-8.1	-5.3	-1.8	-3.9
Thereof Security Printing	-2.1	-0.8	-	-	-0.9
Cost for restructuring	-1.4	-	-	-	-
Impairment	-0.7	-	-	-	-0.9
Strategy consulting	-	-0.8	-	-	-
Thereof Zeiser	1.6	-7.3	-4.6	-1.9	-3.0
Cost for restructuring	2.8	-7.3	-	-	-
Impairment	-1.2	-	-4.6	-1.9	-3.0
Thereof Book Retailing	-	-	-0.2	0.5	-
Cost for restructuring	-	-	-0.7	0.5	-
Impairment	-	-	0.5	-	-
Thereof Publishing	-1.0	-	-	-0.3	-
Cost for restructuring	-0.4	-	-	-	-
Impairment	-0.6	-	-	-0.3	-
Thereof Holding	-	-	-0.5	-0.1	-
Cost for restructuring	-	-	-0.5	-0.1	-
EBIT before special items	19.7	20.1	17.9	20.3	21.5
Thereof Security Printing	11.3	18.8	20.1	17.4	18.4
Thereof Zeiser	4.8	-1.2	-2.1	3.9	3.4
Thereof Book Retailing	6.5	5.0	1.8	1.5	1.8
Thereof Publishing	-0.1	-0.3	-0.1	-0.6	-0.4
Net income for the period	10.9	-47.2	6.4	12.3	12.8
<i>Net income in % Net revenue</i>	4.6%	-17.8%	2.2%	4.1%	4.6%
Net income for the period before extraordinary result	10.9	6.9	6.4	12.3	12.8
<i>Net income before extraordinary result in % Net revenue</i>	4.6%	2.6%	2.2%	4.1%	4.6%
Minority interests of net income for the periode	2.4	2.9	1.6	1.5	1.8
Net income for the period after minority interests before extraordinary result	8.5	4.0	4.8	10.8	11.0
Net income for the period after minority interests	8.5	-50.1	4.8	10.8	11.0

NET REVENUE

in CHF million

237.4

EBIT BEFORE SPECIAL ITEMS

in CHF million

19.7

EQUITY FINANCING RATIO

66.8%

BALANCE SHEET

<i>in CHF million</i>	2019	2018	2017	2016	2015
Tangible assets	50.8	58.6	75.2	77.0	86.9
Total assets	221.1	223.5	229.5	235.9	240.1
Total equity	147.8	148.5	156.2	160.4	159.1
Thereof minority interests	9.6	6.9	10.8	13.8	15.2
Equity financing ratio	66.8%	66.5%	68.1%	68.0%	66.3%

ROCE

10.4%

ADDITIONAL KEY FIGURES

	2019	2018	2017	2016	2015
Cash flow from operating activities	20.8	16.5	39.4	15.7	27.7
Change in net working capital	2.4	9.7	-16.3	11.6	6.9
Minority interests of net income for the periode	-2.4	-2.9	-1.6	-1.5	-1.8
Cash flow from operating activities adjusted	20.8	23.3	21.4	25.8	32.8
Investment	5.4	10.0	9.5	8.2	12.0
in tangible assets	4.6	9.0	8.2	7.4	11.3
in intangible assets	0.8	1.0	1.2	0.7	0.6
in other non-current assets	-	-	0.1	0.1	0.1
Free Cash flow adjusted	15.4	13.3	11.9	17.6	20.8
Full time equivalents FTE (annual average)	639.0	807.0	867.0	881.0	897.0
Full time equivalents FTE (at 31.12.)	627.0	691.0	884.0	910.0	893.0
ROCE (NOPAT/Capital Employed)¹⁾	10.4%	4.9%	3.5%	7.1%	8.1%

EARNINGS PER SHARE

in CHF

4.33

SHARE FIGURES

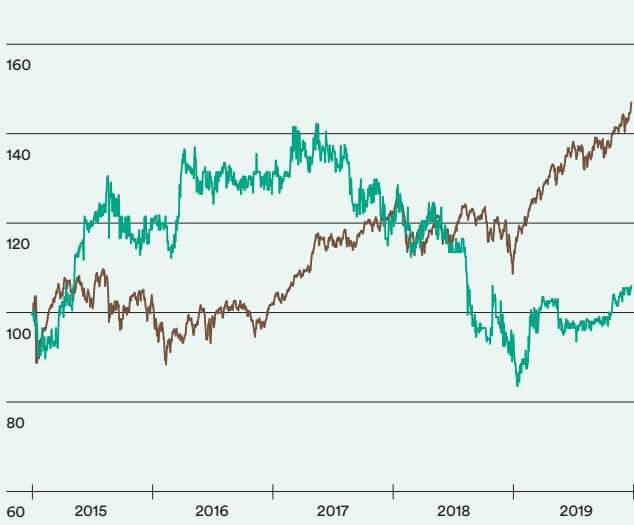
<i>in CHF</i>	2019	2018	2017	2016	2015
Year-end share price	99.50	87.50	112.80	125.00	112.10
Profit/Loss per share	4.33	-25.56	2.44	5.51	5.63
Profit/Loss per share before extraordinary result	4.33	2.03	2.44	5.51	5.63
Dividend per share	6.00	6.00	4.00	4.00	4.00
Yield on shares	6.0%	6.9%	3.5%	3.2%	3.6%
Dividend payout ratio before extraordinary result	138.6%	296.2%	164.3%	72.6%	71.1%
Price earnings ratio before extraordinary result	23.0	43.2	46.3	22.7	19.9

¹⁾ NOPAT: EBIT minus Income tax expenses

Capital Employed: Average equity plus average interest-bearing liabilities plus average pension fund liabilities

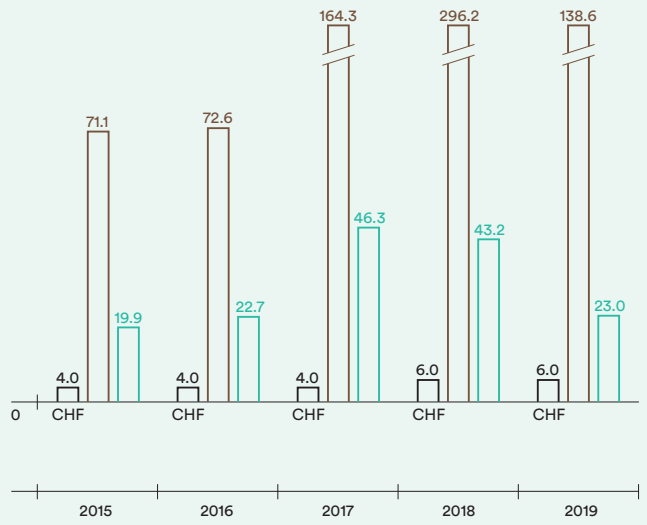
SHARE PRICE DEVELOPMENT

in %



Swiss Performance Index OFN 342 080

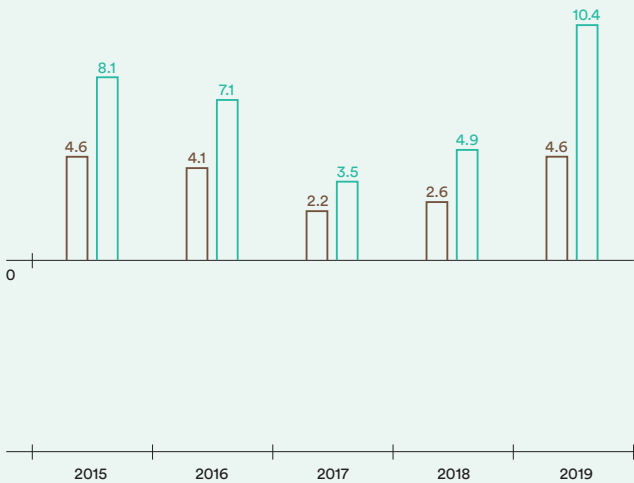
INFORMATION ABOUT DIVIDEND ¹⁾



Dividend per share in CHF Dividend payout ratio in % P/E ratio

RETURN ON SALES (ROS) ¹⁾
RETURN ON CAPITAL EMPLOYED (ROCE)

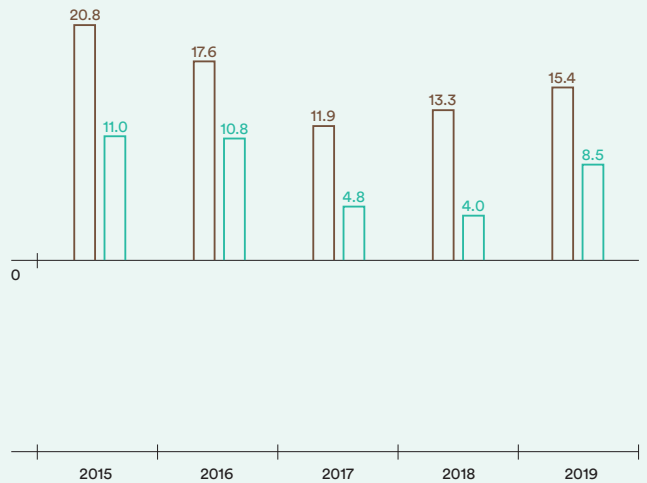
in %



ROS ROCE

FREE CASH FLOW (FCF)
NET INCOME FOR THE PERIOD AFTER MINORITY INTERESTS ¹⁾

in CHF million



FCF Net income for the period after minority interests

¹⁾ In 2018 before extraordinary result

Business in 2019

Net revenue posted by the Orell Füssli Group in 2019 was some 10% lower than the previous year's figure. The majority of this decline was attributable to the sale of parts of Atlantic Zeiser's operations in 2018 as well as lower volumes at Security Printing. The operating result (EBIT) before special items was maintained at the previous year's level despite the reduction in revenue. Both, EBIT and net income were well above the previous year's figures.

Orell Füssli reported net revenue of CHF 237.4 million in the 2019 financial year (CHF 264.9 million in 2018). Earnings from operations (EBIT) before special items amounted to CHF 19.7 million in 2019, a minimal reduction compared to the previous year (CHF 20.1 million). Operating earnings (EBIT) were CHF 18.1 million (CHF 12.0 million in 2018). This figure includes special items amounting to CHF -1.5 Mio. (CHF -8.1 million in 2018), which originate mainly from diverse expenditure and income in the Security Printing, Zeiser and Publishing divisions. Net income at Orell Füssli amounted to CHF 10.8 million. In 2018 this figure was depressed by non-recurring, non-cash expenditure in the amount of CHF 54.0 million relating to the sale of parts of Atlantic Zeiser's business and amounted to CHF -47.2 million.

Shareholders' equity including minority interests remained stable at CHF 147.8 million (CHF 148.5 million in 2018). The equity ratio was practically unchanged at 66.8%.

SEGMENTAL RESULTS

<i>in CHF thousand</i>	2019	2018	2017	2016	2015
Division Security Printing					
Net revenue from sales to customers	101,175	112,318	129,845	121,183	117,446
Operating earnings before special items	11,275	18,767	20,145	17,432	18,427
Operating earnings (EBIT)	9,209	18,020	20,145	17,432	17,514
Division Zeiser (until 2017 Atlantic Zeiser)					
Net revenue from sales to customers	29,186	50,708	55,850	72,198	52,670
Operating earnings before special items	4,804	-1,162	-2,062	3,892	3,369
Operating earnings (EBIT)	6,416	-8,524	-6,723	1,958	369
Division Book Retailing					
Net revenue from sales to customers	97,353	92,171	91,673	94,776	98,832
Operating earnings before special items	6,508	4,970	1,971	1,550	1,820
Operating earnings (EBIT)	6,508	4,970	1,587	2,022	1,820

Security Printing Division

The Security Printing Division posted net revenue of CHF 101.2 million in 2019, equivalent to a reduction of 10% compared to the previous year (CHF 112.3 million). The decline in net revenue was attributable to the conclusion of orders from anchor customers and changes in the product mix with an increase in export business (58% of total sales volume). The operating result (EBIT) before special costs for action taken to make banknote production more flexible amounting to CHF -1.4 million and the value adjustment of a minority interest totalling CHF -2.1 million amounted to CHF 11.3 million (CHF 18.8 million in 2018). As expected, a significant reduction in fixed costs compared to the previous year was insufficient to offset the decline in gross profit. Operating earnings (EBIT) were CHF 9.2 million (CHF 18.0 million in 2018).

The Security Printing Division reported a slight increase in sales volumes (+5%) in 2019 compared to the previous year. Production volumes for the export market were higher than for long-standing anchor customers for the first time since 2013. The final denomination of the Swiss National Bank's 9th banknote series was issued in September 2019 in the shape of the 100-Swiss franc note. The division's successful positioning as a supplier of high-quality and at the same time economically attractive banknotes was maintained in an intensely competitive market environment in 2019, but remains a challenging task in the medium term.

No major investments were made in production systems in the year under review. The focus in 2019 was on selective updating and the implementation of improvements in security, installations, infrastructure and buildings.

For the Security Printing Division 2020 will feature increased investment activity, intensified innovation efforts, a further increase in orders from the international market as well as the economically optimal orientation of the division towards shifting the product mix further in the direction of less complex notes. Security Printing therefore foresees substantially lower earnings in the current financial year.

Zeiser Division

In the past financial year the Zeiser Division exceeded expectations in respect of both net revenue and operating earnings. Net revenue amounted to CHF 29.2 million, representing an increase of 41% compared to the previous year on a comparable basis. The operating result (EBIT) before special items amounted to CHF 4.8 million (EBIT margin of 16%) compared to an outcome of CHF -1.2 million in 2018. The realignment of the Zeiser Division was optimally realised, so that it was possible to release several provisions for possible special effects at year-end. Operating earnings (EBIT) were CHF 6.4 million (CHF -8.5 million in 2018).

When comparing the financial statistics with the previous year's figures it should be borne in mind that the Zeiser Division's business activities underwent fundamental changes in the previous year due to the sale of parts of the business. At the end of May 2019 the production site in Paderborn (DE) was sold to the CMH Group, i.e. its majority shareholder Silver Investment Partners GmbH & Co. KG, based in Königstein (DE).

The restructuring launched in 2018 was thus completed successfully in the year under review. Focusing on the selected segment in the field of security printing was successfully implemented. In products for the serialisation of banknotes, passports and security documents, such as revenue stamps or lottery tickets, Zeiser was thus able to expand its leading market position further. Alongside the adjustment of all business processes, a new management group was established and the responsibilities redefined.

In the course of 2019 an exceptionally large number of new orders for banknote serialisation were acquired. Zeiser was also awarded more projects than forecast in the field of passport personalisation, both for the supply of new machines and for the overhaul of systems already installed. This resulted in a constantly large order backlog in 2019, which contributed to the good annual results, but also ensured solid capacity utilisation for the first half of 2020.

NET REVENUE SECURITY PRINTING

in CHF million

101.2

NET REVENUE ZEISER

in CHF million

29.2

The focus in the current year will be on the consolidation and expansion of the division's leading market position as well as the development of new opportunities in and related to existing business sectors. The closure of the production site in Andover (UK) and the resulting centralisation of manufacturing at headquarters in Emmingen (DE) will lead to further optimisation in production. Preparations for merging the two production facilities in Emmingen are also being pursued.

Sales potential is expected to be slightly reduced in 2020 due to the disposal of the Paderborn production site and the elimination of its share of sales. The optimised cost structure is again expected to result in an outcome in line with that reported in 2019.

Book Retailing Division

In 2019 pro-rata net revenue posted by the Book Retailing Division amounted to CHF 97.4 million, an increase of some 6% compared to the previous year (CHF 92.2 million). Operating earnings (EBIT) increased in the year under review to CHF 6.5 million (CHF 5.0 million in 2018), primarily as a result of the encouraging sales trend.

NET REVENUE BOOK RETAILING

in CHF million

97.4

Net revenue increased despite no less challenging market conditions. The Swiss book trade recorded an increase in sales revenues of 1.5%. Orell Füssli expanded its market share further due to numerous initiatives. On the basis of comparable selling space sales volumes increased by 3.4 % and net revenue by as much as 3.8% (2.1% in 2018). Digital and online mail order business again grew in the double-digit percentage range in the past year. In the business customer segment the merger of the activities of Orell Füssli and Delivros resulted in significant sales growth.

The pleasing trend in net revenue and operating earnings shows that the transformation programme launched in 2015 and resolutely implemented since then is taking effect and bearing lasting fruit. Various steps, such as ongoing work on the bricks-and-mortar product range and the expansion of customer loyalty programmes such as the «Young Circle», a community for young readership, contributed to the sustained positive trend relative to the market environment. With regard to expenditure the main focus of attention was on increasing productivity per unit of space and optimising indirect costs.

The bricks-and-mortar branch portfolio was further reinforced by new openings in the popular Seedamm Center in Pfäffikon and on Europaallee in Zurich. Cooperation with successful outdoor equipment supplier Transa was expanded via a new branch in Berne. Orell Füssli was also able to secure attractive sites for new branches in the Volkiland shopping centre in Volketswil and the Regensdorf Centre which will open in 2020. New, very central and attractive selling space was found in Berne to replace the outlet in the LOEB department store, which will be vacated at the beginning of 2021.

The emphasis for the Book Retailing Division in 2020 will be on the profitable expansion of market share across all sales channels.

Publishing

Net revenue at Orell Füssli Publishing in 2019 was 3% lower than the previous year's figure. While sales of legal media, educational media and children's books were on the order of the previous year's outcome, non-fiction posted a decline due to a reduced autumn publishing programme. An extensive transformation programme in the context of the development of publishing activities was launched and will be implemented in 2020. This resulted in special items in the 2019 financial statements.

Important publications in 2019 were the jubilee volume entitled «500 Years of Printing» and the jubilee volume «150 Years – Zurich Cantonal Bank». Among the numerous new children's book titles, the sales figures of «Globi in Rom» and «Papa Moll in der Werkstatt» in autumn were outstanding. The picture books «Wer schnarcht im 13. Stock?» and «Eine Sternschnuppe im Schnee» also met with a good response. The programme range in educational media was worked on especially in the subject of geometry, with books on problems and solutions with commentaries. Legal media supplemented and updated their «Repetitorien», «Übungsbücher» and «Kommentare» series, such as in the fields of the Swiss civil and obligations codes, migration law and tenancy law.

**NET REVENUE
PUBLISHING**

in CHF million

9.8

Personnel

Martin Buyle, CEO of Orell Füssli Holding Ltd, handed over his operating responsibilities on October 31, 2019, and left the company on December 31, 2019. Daniel Link was appointed as his successor and assumed his duties as CEO on November 1, 2019.

Dr Michael Kasch, Head of the Security Printing Division, assumed his duties on January 1, 2019. Karen Heidl, Head of Publishing, left the company on November 30, 2019. Beat Müller, CFO of Orell Füssli Holding, is heading Publishing activities ad interim.

Financial Report

2019

1 Financial statements of the Orell Füssli Group

1.1 Consolidated income statement

<i>in CHF thousand</i>	Notes	2019	2018
Net revenue from sales to customers	3.1/3.2/3.3	237,423	264,867
Other operating income	3.3	4,121	3,930
Changes in inventories of semi-finished and finished products, capitalised costs	3.3	-134	5,540
Total operating income	3.3	241,410	274,337
Cost of materials		-94,626	-106,648
External production costs		-14,209	-10,781
Personnel expenditure	3.4 / 3.5	-61,711	-82,198
Other operating expenses	3.6	-41,692	-48,165
Depreciation and impairment on tangible assets	3.16	-10,299	-13,677
Depreciation and impairment on intangible assets	3.17	-708	-878
Earnings before interest and taxes (EBIT)	3.1	18,165	11,990
Financial income		214	1,341
Financial expenses		-4,880	-2,014
Financial result	3.7	-4,666	-673
Ordinary result		13,499	11,317
Extraordinary result	3.8	-	-54,035
Earnings before income taxes (EBT)		13,499	-42,718
Income tax expenses	3.9	-2,618	-4,447
Net income for the period		10,881	-47,165
Attributable to the shareholders of Orell Füssli Holding Ltd		8,479	-50,067
Attributable to minority interests		2,402	2,902
<i>in CHF</i>	Notes	2019	2018
Earnings per share	3.10	4.33	-25.56
Diluted earnings per share	3.10	4.33	-25.56

The disclosures on pages 16 to 35 form an integral part of the financial report.

1.2 Consolidated balance sheet

<i>in CHF thousand</i>	Notes	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents	3.11	102,738	99,994
Trade accounts receivable	3.13	13,309	22,573
Other receivables	3.14	26,971	17,518
Inventories	3.15	21,827	21,089
Current income tax receivables		2,596	291
Accrued income and deferred expenses		2,829	3,368
Total current assets		170,270	164,833
Tangible assets	3.16 / 3.18	43,252	49,114
Intangible assets	3.17	2,492	2,391
Financial assets	3.19	150	2,535
Deferred tax assets	3.25	782	16
Other non-current financial assets	3.20	4,157	4,567
Total non-current assets		50,833	58,623
Total assets		221,103	223,456
Liabilities and equity			
Trade payables		11,454	7,261
Other current liabilities	3.21	41,245	42,030
Current income tax liabilities		1,884	4,224
Accrued expenses and deferred income	3.22	10,974	11,369
Current provisions	3.24	3,074	4,306
Total current liabilities		68,631	69,190
Non-current financial liabilities	3.23	1,635	1,635
Pension fund liabilities		29	99
Non-current provisions	3.24	1,667	2,703
Deferred tax liabilities	3.25	1,367	1,326
Total non-current liabilities		4,698	5,763
Share capital		1,960	1,960
Capital reserves		4,215	4,176
Own shares	3.26	-142	-162
Retained earnings		136,096	139,575
Translation differences		-3,921	-3,955
Total equity before minority interests		138,208	141,594
Minority interests		9,566	6,909
Total equity		147,774	148,503
Total liabilities and equity		221,103	223,456

The disclosures on pages 16 to 35 form an integral part of the financial report.

1.3 Consolidated cash flow statement

<i>in CHF thousand</i>	Notes	2019	2018
Net income for the period		10,881	-47,165
Change in employee equity incentive plans		39	-36
Depreciation		10,888	14,237
Impairment and amortisation		2,906	318
Non-cash related result from disposals of part of the Atlantic Zeiser Group		-	52,981
Other non-cash related income and expenses		1,304	1,313
<i>Change in trade accounts receivable</i>		9,161	-11,996
<i>Change in inventories</i>		-739	9
<i>Change in other receivables</i>		-11,806	-6,978
<i>Change in trade payables</i>		4,179	-66
<i>Change in other liabilities</i>		-3,172	9,335
Change in net working capital		-2,377	-9,696
Change in accrued income and deferred expenses		533	-343
Change in accrued expenses and deferred income		-362	-294
Change in provisions and deferred income tax		-3,006	5,176
Cash flow from operating activities		20,806	16,491
Purchase of tangible assets	3.16	-4,655	-9,029
Proceeds from disposals of tangible assets		83	20
Purchase of intangible assets	3.17	-786	-921
Takeover Delivros Orell Füssli Ltd		20	-
Disposals of part of the Atlantic Zeiser Group	3.8	-	18,715
Purchase of other non-current assets		-	-3
Proceeds from disposals of other non-current assets		9	235
Cash flow from investing activities		-5,329	9,017
Repayment of financial liabilities		-	-1,155
Purchase of company's own shares	3.26	-	-38
Dividends paid to minorities (Delvros Orell Füssli Ltd, Orell Füssli Buchhandlungs Ltd, Tritron GmbH)		-62	-1,591
Dividends paid	3.28	-11,753	-7,835
Cash flow from financing activities		-11,815	-10,619
Translation effects		-918	-856
Increase in cash and cash equivalents		2,744	14,033
Cash and cash equivalents at 1 January		99,994	85,961
Cash and cash equivalents at 31 December		102,738	99,994

The disclosures on pages 16 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 2018	1,960	4,212	-124	225,409	-70,183	-15,842	145,432	10,766	156,198
Disposals of Tritron GmbH and Tritron USA	-	-	-	-	-	-	-	-5,169	-5,169
Dividends paid	-	-	-	-7,835	-	-	-7,835	-1,591	-9,426
Disposal of goodwill in equity	-	-	-	-	42,251	-	42,251	-	42,251
Disposal of foreign exchange in equity	-	-	-	-	-	12,255	12,255	-	12,255
Employee equity incentive plans	-	-36	-38	-	-	-	-74	-	-74
Currency translation effects	-	-	-	-	-	-368	-368	1	-367
Net income for the period	-	-	-	-50,067	-	-	-50,067	2,902	-47,165
Total Equity at 31 December 2018	1,960	4,176	-162	167,507	-27,932	-3,955	141,594	6,909	148,503
Equity at 1 January 2019	1,960	4,176	-162	167,507	-27,932	-3,955	141,594	6,909	148,503
Change in scope of consolidation	-	-	-	-143	-	129	-14	376	362
Dividends paid	-	-	-	-11,753	-	-	-11,753	-62	-11,815
Offsetting goodwill against equity	-	-	-	-	-62	-	-62	-59	-121
Employee equity incentive plans	-	39	20	-	-	-	59	-	59
Currency translation effects	-	-	-	-	-	-95	-95	-	-95
Net income for the period	-	-	-	8,479	-	-	8,479	2,402	10,881
Total Equity at 31 December 2019	1,960	4,215	-142	164,090	-27,994	-3,921	138,208	9,566	147,774

The share capital as at 31 December 2019 and 31 December 2018 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 14,280,000 (2018: CHF 13,743,000).

In 2018 in case of Industrial Systems partial disposal of entities and fully reimbursement of loans with equity character granted to consolidated companies, goodwill and currency translation differences are 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').

Of the total amount of goodwill and currency translation differences, CHF 30,339,000 (2018: CHF 30,373,000) relates to the Industrial Systems segment.

The disclosures on pages 16 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 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 hold 51% of the capital of Orell Füssli Buchhandlungs Ltd, 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 value 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 (Market rate and annual average rate) for the 2019 and 2018 financial years:

CURRENCY EXCHANGE RATES

	Market rate		Annual average rate	
	31.12.2019	31.12.2018	2019	2018
EUR at a rate of CHF	1.0855	1.1265	1.1128	1.1549
USD at a rate of CHF	0.9677	0.9842	0.9938	0.9780
GBP at a rate of CHF	1.2761	1.2536	1.2690	1.3056

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 3.1 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 2.13) 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 Extraordinary result

Expenses and income, in rare cases and unforeseen (e.g. in context with external transactions) and essential for the overall result are booked as "Extraordinary result" in accordance with Swiss GAAP FER 3/22.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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

<i>in years</i>	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.

2.17 Other assets

The valuation of Other assets is at face value less any impairment.

2.18 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.

2.19 Trade accounts payable

Trade accounts payable are recognised at face value.

2.20 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.

2.21 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.

2.22 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.

2.23 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 2019 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.

2.24 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.

2.25 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.

2.26 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 Explanations to the consolidated financial statements

3.1 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).

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.

Industrial Systems

Construction, production, installation, sales and distribution and after sales service of equipment for the serialisation of banknotes and security documents.

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 2019 and 2018, 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 2019

<i>in CHF thousand</i>	Security Printing	Industrial Systems	Book Retailing	Other	Total segments	Un-allocated	Total Group
Net revenues from segment sales	101,175	28,828	97,352	9,818	237,173	250	237,423
Inter-segment sales	–	358	1	27	386	–386	–
Net revenue from sales to customers	101,175	29,186	97,353	9,845	237,559	–136	237,423
Earnings before interest and taxes (EBIT)	9,209	6,416	6,508	–1,219	20,914	–2,749	18,165

SEGMENT RESULTS 2018

<i>in CHF thousand</i>	Security Printing	Industrial Systems	Book Retailing	Other	Total segments	Un-allocated	Total Group
Net revenues from segment sales	112,318	50,469	92,171	9,659	264,617	250	264,867
Inter-segment sales	–	239	–	463	702	–702	–
Net revenue from sales to customers	112,318	50,708	92,171	10,122	265,319	–452	264,867
Earnings before interest and taxes (EBIT)	18,020	–8,524	4,970	–311	14,155	–2,165	11,990
Extraordinary result	–	–54,035	–	–	–54,035	–	–54,035

The disposed sections of the segment Industrial Systems to Coesia S.p.A realize until 30 September 2018 net revenue from sales to customer of CHF 30,009,000. The net revenue from sales to customer for the remaining business amounts to CHF 20,699,000.

3.2 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

<i>in CHF thousand</i>	2019	2018
Switzerland	178,928	179,896
Germany	8,944	12,219
The rest of Europe and Africa	30,099	21,503
North and South America	4,268	9,300
Asia and Oceania	15,184	41,949
Total net revenue from sales to customers by region	237,423	264,867

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

3.3 Operating income

<i>in CHF thousand</i>	2019	2018
Net revenue from sales to customers		
Sales of goods and products	235,141	255,427
Revenue from services rendered	1,185	8,467
Revenue from license fees	1,097	973
Total net revenue from sales to customers	237,423	264,867
Other operating income		
Rental income from operating leases	413	562
Gain from sales of non-current assets	27	26
Other income	3,681	3,342
Total operating income	4,121	3,930
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	-147	5,507
Capitalised costs	13	33
Total changes in inventories of semi-finished and finished products, capitalised costs	-134	5,540
Total operating income	241,410	274,337

In the 2019 financial year, the Security Printing Division net proceeds from tradable goods and products includes income from production orders calculated using the PoC method in the amount of CHF 86,291,000 (2018: CHF 102,103,000).

3.4 Personnel expenditure

<i>in CHF thousand</i>	Notes	2019	2018
Wages and salaries		51,978	66,514
Social security costs		4,261	5,393
Pension costs	3.5	5,875	5,066
Other personnel expenditure		-403	5,225
Total personnel expenditure		61,711	82,198

The decrease in personnel expenditure is mainly due to the partial disposal of Atlantic Zeiser GmbH in 2018. Personnel expenditure includes charges in the amount of CHF 56,000 (2018: none) for employee equity incentive plans. The pension expenses include expenditure of CHF 1,431,000 relating to measures in the Security Printing Division to increase flexibility in banknote production. In the year under review, CHF 1,670,000 of the provisions recorded in the previous year by the Zeiser Division were released via the income statement under other personnel expenditure.

3.5 Pension funds

The Orell Füssli Foundation has used the 2015 BVG (OPA) mortality table since 2016. The actuarial interest rate is 1.0% (2018: 1.5%).

EMPLOYER'S CONTRIBUTION RESERVES

<i>in CHF thousand</i>	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
	31.12.2019	31.12.2019	31.12.2019	2019	31.12.2019	31.12.2018	2019	2018
Pension schemes without funding surplus / deficit (Switzerland)	3,623	-	-	-1	3,622	3,623	-1	-

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

<i>in CHF thousand</i>	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
	31.12.2019	31.12.2019	31.12.2018	2019	31.12.2019	31.12.2019	2019	2018
Pension schemes without funding surplus / deficit (Switzerland)	-	-	-	-	-	-	5,089	3,660
Funded pension schemes (abroad)	-	-	-	-	-	-	786	1,406
Total	-	-	-	-	-	-	5,875	5,066

3.6 Other operating expenses

<i>in CHF thousand</i>	Notes	2019	2018
Marketing and distribution expenses		10,662	11,919
Operating lease expenses	3.18	9,186	10,046
Repairs and maintenance		6,096	7,042
Administration expenses		5,409	5,888
Losses on bad debts		245	440
Additions / Reversal provisions PoC		-329	329
Losses from sales of fixed assets		67	51
Impairment of participations and loans	3.19 / 3.20	635	-
Energy		2,043	2,545
IT		2,629	2,791
Other operating expenses		5,049	7,114
Total other operating expenses		41,692	48,165

In the 2019 financial year, CHF 1,308,000 of the Zeiser Division's provisions were released via other operating expenses. In the prior year, other operating expenses included CHF 3,263,000 (CHF 3,093,000 of which were provisions) for the restructuring of the Zeiser Division, CHF 746,000 for the optimisation and strategic analyses of the Security Printing Division and CHF 650,000 for the restructuring of the Book Retailing Division's branch network.

3.7 Financial result

<i>in CHF thousand</i>	Expenses	Income	Balance 2019	Expenses	Income	Balance 2018
Interest result						
Interest expense and income	- 226	24	- 202	- 74	27	- 47
Total interest result	- 226	24	- 202	- 74	27	- 47
Other financial income and expense						
Dividend income	-	-	-	-	1,130	1,130
Foreign exchange result	- 2,328	190	- 2,138	- 734	166	- 568
Bank charges and other finance results	- 2,326	-	- 2,326	- 1,206	18	- 1,188
Total other financial income and expense	- 4,654	190	- 4,464	- 1,940	1,314	- 626
Total financial result	- 4,880	214	- 4,666	- 2,014	1,341	- 673

In the 2019 financial year, a higher net exchange rate loss was booked than in the prior year as the Swiss franc strengthened against the euro. In the year under review, the investment in Landqart Ltd of CHF 2,150,000 was written off in full via other financial income and expense. In the prior year, Orell Füssli Ltd agreed to make a financial contribution in the amount of CHF 1,000,000 to the restructuring of Landqart Ltd. This amount was charged to other financial income and expense in 2018.

3.8 Extraordinary Expenses 2018

<i>in CHF thousand</i>	2018
Disposal of sold trade accounts receivable	- 8,509
Disposal of sold inventories	- 10,223
Disposal of sold other current assets	- 3,705
Disposal of sold tangible assets	- 5,505
Disposal of sold other non-current assets	- 137
Disposal of sold trade payables	5,902
Disposal of sold net assets	- 22,177
Disposal of goodwill in equity	- 42,251
Disposal of foreign exchange in equity	- 12,255
Cost of disposals and consulting	- 1,234
Purchase price and balance of monetary positions	23,882
Extraordinary result	- 54,035

The extraordinary result arises from income and expenditure in connection with the sale of parts of the Industrial Systems Segment to Coesia S.P.A. THE DE-RECOGNITION AMOUNTS CORRESPOND TO THE RESPECTIVE SHARE IN THE INDUSTRIAL SYSTEMS DIVISION OF THE BUSINESS THAT HAVE BEEN SOLD. THIS IS CONSIDERED AN EXTRAORDINARY TRANSACTION ACCORDING TO SWISS GAAP FER 3/22.

3.9 Income tax expenses

<i>in CHF thousand</i>	2019	2018
Current income tax	3,361	4,910
Deferred income tax	- 743	- 463
Total income tax expenses	2,618	4,447

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

<i>in CHF thousand</i>	2019	2018
Earnings before income taxes	13,499	-42,718
Weighted average group tax rate	26.0%	3.0%
Expected income tax	3,511	-1,265
Effect of change in local income tax rates	-	-11
Non tax-deductible expenses	143	152
Effect of tax loss carry-forwards not capitalised	536	1,187
Capitalisation and use of previously unrecognised loss carry forwards	-1,685	-
Effect of disposal of goodwill and foreign exchange and selling Tritron	-	5,193
Tax effects relating to other periods and other tax effects	113	-809
Effective income tax expense	2,618	4,447

The 'capitalisation and use of previously unrecognised loss carry-forwards' line item mainly derives from the operating result of Zeiser GmbH.

3.10 Earnings per share

<i>at 31 December</i>	2019	2018
Net income for the period in CHF thousand	8,479	-50,067
Weighted average numbers of shares in issue (in thousands)	1,959	1,959
Earning per share in CHF	4.33	-25.56
Diluted earnings per share in CHF	4.33	-25.56

3.11 Cash and cash equivalents

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

LIQUIDITY RESERVES AND CREDIT FACILITIES

<i>in CHF thousand</i>	Notes	31.12.2019	31.12.2018
Cash in bank accounts and in hand		102,738	99,994
Prepayments PoC / from customers	3.21	-39,187	-37,741
Other financial assets / liabilities	3.14 / 3.23	-1,635	-1,635
Cash and cash equivalents net		61,916	60,618
Thereof assigned to other shareholders		12,469	8,562
Disposable cash and cash equivalents		49,447	52,056
Available lines of credit		66,011	66,825
./. Secured guarantees by banks (without prepayment guarantees)		-6,091	-1,018
./. Lines of credit used		-	-
Total disposable cash and cash equivalents and unused lines of credit		109,367	117,863

As well as the committed credit facilities in local currencies, sufficient funds should be available to conduct ordinary business activities in the future.

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.

3.12 Marketable securities and derivative financial instruments

As of 31 December 2019, 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 17,000 (2018: CHF -105,000). Foreign currencies in the notional amount of total CHF 25,144,000 (2018: CHF 31,066,000) have been hedged.

3.13 Trade accounts receivable

<i>in CHF thousand at 31 December</i>	2019	2018
Trade accounts receivable gross	13,615	22,775
./. provisions for doubtful trade accounts receivable	-306	-202
Total trade accounts receivable net	13,309	22,573

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

<i>in CHF thousand</i>	2019	2018
At 1 January	-202	-447
Disposals of part of Industrial Systems	-	185
Increase in provisions for doubtful trade accounts receivable	-253	-279
Utilisation of provisions	55	305
Reversal of provisions	89	25
Exchange differences	5	9
At 31 December	-306	-202

There is no forfeiting on the receivables portfolio.

3.14 Other receivables

<i>in CHF thousand at 31 December</i>	2019	2018
Construction contracts gross	44,730	37,250
./. deductible customer advances received	-24,243	-28,359
Total construction contracts net	20,487	8,891
Prepayments to suppliers	3,194	5,235
Other receivables	3,290	3,392
Total other receivables	26,971	17,518

3.15 Inventories

<i>in CHF thousand at 31 December</i>	2019	2018
Raw materials, auxiliary materials and supplies	6,566	5,392
Semi-finished and finished products	9,245	11,384
Trading goods	10,716	12,109
Work-in-progress	274	335
Total inventories gross	26,801	29,220
./. allowance on inventories	-4,974	-8,131
Total inventories net	21,827	21,089

3.16 Tangible assets

TANGIBLE ASSETS IN 2019

<i>in CHF thousand</i>	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	78,713	273	264	133,846	19,139	29	232,264
Additions	838	–	–	2,518	935	377	4,668
Disposals	–1,279	–	–	–12,560	–839	–	–14,678
Reclassification	–	–	–	–	6	–6	–
Exchange differences	–168	–10	5	–194	–166	–	–533
Cost at 31 December	78,104	263	269	123,610	19,075	400	221,721
Accumulated depreciation and impairment at 1 January	–60,956	–	–264	–107,813	–14,117	–	–183,150
Depreciation on disposals	1,279	–	–	12,510	765	–	14,554
Depreciation	–3,432	–	–	–5,210	–1,537	–	–10,179
Impairment	–10	–	–	–123	–48	–	–181
Appreciation in value	–	–	–	61	–	–	61
Exchange differences	132	–	–5	155	144	–	426
Accumulated depreciation and impairment at 31 December	–62,987	–	–269	–100,420	–14,793	–	–178,469
Net carrying amount at 1 January	17,757	273	–	26,033	5,022	29	49,114
Net carrying amount at 31 December	15,117	263	–	23,190	4,282	400	43,252

TANGIBLE ASSETS IN 2018

<i>in CHF thousand</i>	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	89,245	351	278	128,904	32,383	7,953	259,114
Disposals of part of Industrial Systems	–10,709	–65	–	–1,668	–3,704	–952	–17,098
Additions	1,517	–	–	1,461	1,583	968	5,529
Disposals	–1,528	–	–	–1,102	–11,122	–110	–13,862
Reclassification	655	–	–	6,579	403	–7,805	–168
Exchange differences	–467	–13	–14	–328	–404	–25	–1,251
Cost at 31 December	78,713	273	264	133,846	19,139	29	232,264
Accumulated depreciation and impairment at 1 January	–65,289	–	–278	–102,397	–26,590	–	–194,554
Disposals of part of Industrial Systems	6,127	–	–	1,392	2,933	–	10,452
Depreciation on disposals	1,528	–	–	1,102	11,096	–	13,726
Depreciation	–3,551	–	–	–8,040	–1,774	–	–13,365
Impairment	–51	–	–	–130	–131	–	–312
Exchange differences	280	–	14	260	349	–	903
Accumulated depreciation and impairment at 31 December	–60,956	–	–264	–107,813	–14,117	–	–183,150
Net carrying amount at 1 January	23,956	351	–	26,507	5,793	7,953	64,560
Net carrying amount at 31 December	17,757	273	–	26,033	5,022	29	49,114

For more information on tangible assets, please see note 3.18.

3.17 Intangible assets

INTANGIBLE ASSETS IN 2019

<i>in CHF thousand</i>	Software and developments	Rights and licenses	Other intangible assets	Total
Cost at 1 January	12,087	1,072	1,505	14,664
Change in scope of consolidation	260	–	–	260
Additions	648	–	138	786
Disposals	– 1,329	–	–	– 1,329
Reclassification	772	–	– 772	–
Exchange differences	– 98	–	– 22	– 120
Cost at 31 December	12,340	1,072	849	14,261
Accumulated depreciation and impairment at 1 January	– 10,619	– 1,057	– 597	– 12,273
Depreciation on disposals	1,102	–	–	1,102
Depreciation	– 705	– 3	–	– 708
Exchange differences	89	–	21	110
Accumulated depreciation and impairment at 31 December	– 10,133	– 1,060	– 576	– 11,769
Net carrying amount at 1 January	1,468	15	908	2,391
Net carrying amount at 31 December	2,207	12	273	2,492

INTANGIBLE ASSETS IN 2018

<i>in CHF thousand</i>	Software and developments	Rights and licenses	Other intangible assets	Total
Cost at 1 January	12,627	1,072	1,051	14,750
Disposals of part of Industrial Systems	– 72	–	– 34	– 106
Additions	376	–	545	921
Disposals	– 929	–	–	– 929
Reclassification	201	–	– 33	168
Exchange differences	– 116	–	– 24	– 140
Cost at 31 December	12,087	1,072	1,505	14,664
Accumulated depreciation and impairment at 1 January	– 10,842	– 1,054	– 655	– 12,551
Disposals of part of Industrial Systems	64	–	34	98
Depreciation on disposals	929	–	–	929
Depreciation	– 869	– 3	–	– 872
Impairment	– 6	–	–	– 6
Exchange differences	105	–	24	129
Accumulated depreciation and impairment at 31 December	– 10,619	– 1,057	– 597	– 12,273
Net carrying amount at 1 January	1,785	18	396	2,199
Net carrying amount at 31 December	1,468	15	908	2,391

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

3.18 Further details of tangible and intangible assets

The remaining tangible fixed assets stated at cost as of 31 December 2019 in note 3.16 consist mainly of furniture and fixtures in the amount of CHF 10,927,000 (2018: CHF 10,559,000) and IT systems (hardware) in the amount of CHF 7,940,000 (2018: CHF 8,120,000). As of 31 December 2019, commitments entered into for the purchase of tangible fixed assets amount to CHF 834,000 (2018: CHF 1,659,000), relating to the acquisition of a machine in the Industrial Systems Division and the completion of a branch installation in the Book Retailing Division.

In the 2019 and 2018 financial years, no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 8,858,000 (2018: CHF 9,483,000), while CHF 328,000 (2018: CHF 563,000) was related to other leased tangible assets.

3.19 Financial assets

<i>in CHF thousand at 31 December</i>	2019	2018
Participation in associated entities	50	50
Other financial assets	100	2,485
Total financial assets	150	2,535

As a result of the impairment testing, the shares in Landqart Ltd (CHF 2,150,000) and the shares in KXO AG (CHF 235,000) had to be written off in full in the year under review.

3.20 Other non-current financial assets

<i>in CHF thousand at 31 December</i>	Notes	2019	2018
Loan assets		340	740
Pension fund assets	3.5	3,622	3,623
Other non-current financial assets		195	204
Total other non-current financial assets		4,157	4,567

3.21 Other current liabilities

<i>in CHF thousand at 31 December</i>	2019	2018
Prepayments from customers on construction contracts gross	55,645	55,867
./. deductible customer advances received	-24,243	-28,360
Prepayments from customers on construction contracts net	31,402	27,507
Prepayments from customers	7,785	10,234
Liabilities to employees	115	489
VAT and similar taxes payable	549	746
Dividends payable	3	2
Derivative financial instruments	127	-
Other current payables	1,264	3,052
Total other current liabilities	41,245	42,030

3.22 Accrued expenses and deferred income

<i>in CHF thousand at 31 December</i>	2019	2018
Accrued expenses and deferred income for cost of materials	4,793	4,038
Accrued expenses and deferred income for personnel expenditure	3,828	4,831
Other accrued expenses and deferred income	2,353	2,500
Total accrued expenses and deferred income	10,974	11,369

The accruals relating to personnel expenditure include primarily the amounts for bonuses, vacation and overtime payments.

3.23 Financial liabilities

The financial liability in the amount of CHF 1,635,000 (2018: CHF 1,635,000) is an interest-free, non-refundable loan to a related party that will be converted into equity in the near future.

3.24 Provisions

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

In addition to the entitlement to long-service awards for employees, provisions for personnel includes, above all, provisions for early retirement relating to the Security Printing Division.

In the prior year, provisions for personnel expenditure of CHF 3,117,000 and other operating expense of CHF 3,093,000 were created mainly for the optimisation and restructuring of the Zeiser Division. These could be reversed in the current financial year, primarily owing to the unexpected sale of the Paderborn facility, including the transfer of personnel, and the opportunity to sell the building in the United Kingdom, including a land lease. New restructuring provisions were recorded for a possible tax claim from the sale of buildings in the USA.

The Book Retailing Division recorded restructuring provisions for the optimisation of locations.

Other provisions include items relating to the Publishing Division's transformation programme. In contrast to the prior year, no provisions for production orders relating to Security Printing Division had to be taken into account.

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.

MOVEMENT IN PROVISIONS 2019

in CHF thousand

	Personnel	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	470	6,086	80	373	7,009
Additions (charged to income statement)	1,135	908	92	334	2,469
Reversals (charged to income statement)	–	–2,977	–34	–329	–3,340
Utilisation during the year	–103	–1,132	–45	–44	–1,324
Exchange differences	–	–70	–3	–	–73
At 31 December	1,502	2,815	90	334	4,741
Provisions maturing within 12 months	1,206	1,444	90	334	3,074
Provisions maturing over 1 year	296	1,371	–	–	1,667

MOVEMENT IN PROVISIONS 2018

in CHF thousand

	Personnel	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	382	474	299	175	1,330
Disposals of part of Industrial Systems	–	–	–173	–	–173
Additions (charged to income statement)	266	6,235	173	373	7,047
Reversals (charged to income statement)	–	–	–	–146	–146
Utilisation during the year	–178	–457	–209	–29	–873
Exchange differences	–	–166	–10	–	–176
At 31 December	470	6,086	80	373	7,009
Provisions maturing within 12 months	116	3,737	80	373	4,306
Provisions maturing over 1 year	354	2,349	–	–	2,703

3.25 Deferred income tax

Deferred income tax assets and liabilities were as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

<i>in CHF thousand</i>	Deferred tax assets	Deferred tax liabilities	Balance 2019	Deferred tax assets	Deferred tax liabilities	Balance 2018
At 1 January	16	- 1,326	- 1,310	5	- 1,780	- 1,775
Charges to income statement	785	- 41	744	11	452	463
Exchange differences	- 19	-	- 19	-	2	2
At 31 December	782	- 1,367	- 585	16	- 1,326	- 1,310

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

Deferred taxes include the following capitalised losses carried forward:

DEFERRED INCOME TAX ASSETS FROM LOSSES CARRIED FORWARD:

<i>in CHF thousand at 31 December</i>	2019	2018
Deferred income tax assets on loss carry-forward gross	18,335	11,718
./. Allowance	- 17,553	- 11,702
Deferred income tax assets on loss carry-forward net	782	16

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 71,746,000 (2018: CHF 41,339,000), thereof are CHF 68,835,000 (2018: CHF 41,190,000) impaired. The tax loss carry-forwards mainly arise from Zeiser GmbH and Orell Füssli Holding Ltd, which generated tax loss carry-forwards under the new tax law. See also note 3.34 'Events after the balance sheet date'.

3.26 Own shares

As at 31 December 2019, Orell Füssli Holding Ltd held 1136 (2018: 1301) of its own shares. All of these own shares are reserved for use in connection with the equity participation plan of Group Management. During the reporting period, there were no purchases of own shares (2018: 337 own shares were purchased at an average transaction price of CHF 112.69 per share).

In the year under review, 165 of the company's own shares were issued in connection with share-based compensation.

3.27 Employee equity incentive plans

In the year under review, the members of the Group Management and the senior management were not allocated any entitlements to employee shares and shares in Orell Füssli Holding Ltd (2018: 446). Personnel expenditure relating to the employee equity incentive plans amounts to CHF 58,000 (2018: CHF 0). The related accruals are recorded in the capital reserves.

3.28 Dividend per share

In the current financial year, a dividend for the 2018 financial year in the amount of CHF 11,753,000 (CHF 6.00 per share) was paid out. The theoretical dividend from the company's own shares of CHF 7,000 (CHF 6.00 per share) is included in the retained earnings carried forward.

At the ordinary general meeting held on 20 May 2020, a dividend of CHF 11,760,000 (CHF 6.00 per share) will be proposed, which has not yet been recorded as a liability in the consolidated financial statements.

3.29 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 IMPACT OF GOODWILL

in CHF thousand

	2019	2018
Impact on Income statement (Depreciation)	- 22	-
Impact on equity	99	-

A theoretical straight-line amortisation period of five years is applied.

Following the amortisation of the full theoretical amount, goodwill will no longer be listed in a theoretical statement. Retained earnings include CHF 27,932,000 (2018: CHF 27,932,000) of fully amortised theoretical goodwill.

3.30 Contingent liabilities and other commitments not included in the balance sheet

In the 2019 financial year and in the prior year, there were no contingent liabilities and no other unrecognised liabilities.

3.31 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

	2019	2018
No later than 1 year	6,810	7,018
Later than 1 year and no later than 5 years	15,607	15,241
Later than 5 years	5,578	7,244
Total future aggregate minimum lease payments	27,995	29,503

3.32 Changes in the scope of consolidation**In the 2018 financial year**

Delivros Orell Füssli AG: In February 2019, the B2B business of Orell Füssli Thalia Ltd was transferred to the newly founded Delivros Orell Füssli Ltd. The holding in the new company is 70%.

Atlantic Zeiser (M) SDN BHD: In the first half of 2019, Zeiser GmbH sold its subsidiary company in Malaysia.

Atlantic Zeiser SAS: In the third quarter of 2019, the subsidiary of Zeiser GmbH in France was liquidated.

In the 2018 financial year

Zeiser GmbH: In October 2018, Atlantic Zeiser GmbH was renamed Zeiser GmbH.

Tritron GmbH: On 30 September 2018, Tritron GmbH (including its subsidiary Tritron USA Inc.) was sold to Coesia S.p.a.

Tritron ASIA Ltd: In Q3 2018, Tritron Asia Ltd was liquidated.

3.33 Related party transactions

All transactions with related parties are included in the consolidated annual financial statements for 2019 and 2018.

RELATED PARTY TRANSACTIONS

<i>in CHF thousand</i>	with associated entities and joint ventures	with shareholders	with other related parties	Total 2019	with associated entities and joint ventures	with shareholders	with other related parties	Total 2018
Net revenue from sales	266	52,558	–	52,824	258	64,365	–	64,623
Other operating income	355	–	–	355	295	–	–	295
Cost of materials	–	–	13,013	13,013	–	–	8,078	8,078
Other operating expenses	246	–	260	506	31	–	260	291
Financial expenses	–	–	2,150	2,150	–	–	1,000	1,000

<i>in CHF thousand at 31 December</i>	with associated entities and joint ventures	with shareholders	with other related parties	Total 2019	with associated entities and joint ventures	with shareholders	with other related parties	Total 2018
Trade accounts receivable	26	–	–	26	1	10,849	–	10,850
Other receivables	–	–	2,706	2,706	–	628	4,193	4,821
Financial receivables	50	–	–	50	50	–	2,150	2,200
Trade payables	10	–	2,504	2,514	2	–	19	21
Other liabilities	–	25,222	–	25,222	–	–	–	–
Total financial liabilities	1,635	–	–	1,635	1,635	–	–	1,635

In 2019 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 48 to 51 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2019 and 2018.

3.34 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 13 March 2020. They are subject to approval by the general meeting.

For strategic reasons, it was resolved in March 2020 to acquire a stake in Procivis Ltd in Zurich.

In order to simplify the group structure and for the purpose of operational optimization in the administrative area, as well as due to the new legal framework, Orell Füssli Holding Ltd and its wholly owned subsidiaries in Switzerland will merge to form the new Orell Füssli Ltd. Subject to the approval of this year's Annual General Meeting regarding the amendments to the Articles of Association, this change will come into effect retrospectively on January 1, 2020.

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 13 March 2020.

4 Overview of significant participations

SIGNIFICANT PARTICIPATIONS

	City, Country	Currency	Nominal capital		% of capital held ¹⁾	
			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	
Zeiser GmbH	Emmingen, DE	EUR	869		100	
Zeiser Inc. ⁵⁾	West Caldwell, US	USD	0			100
Zeiser Ltd. ⁵⁾	Andover, GB	GBP	0			100
Zeiser SRL ⁵⁾	Milano, IT	EUR	100			100
Pro rata consolidated participation						
Orell Füssli Thalia Ltd ³⁾	Zurich, CH	CHF	9,500			50
Delivros Orell Füssli Ltd ⁴⁾	Zurich, CH	CHF	1,330			70
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 Orell Füssli Thalia Ltd

⁵⁾ Held through Zeiser GmbH

5 Report of the statutory auditor of the consolidated financial statements

Report of the statutory auditor

to the General Meeting of Orell Füssli Holding Ltd

Zürich

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 for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 12 to 35) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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 1,900,000

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

Our audit scope addressed 97% of the Group's net sales to customers

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

Revenue recognition relating to long-term production orders of Orell Füssli Security Printing Ltd using the percentage-of-completion (PoC) method.

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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 Group 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 1,900,000
How we determined it	0.8% of net sales to customers
Rationale for the materiality benchmark applied	We chose 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.

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.

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.



Revenue recognition relating to long-term production orders of Orell Füssli Security Printing Ltd using the percentage-of-completion (PoC) method

Key audit matter	How our audit addressed the key audit matter
<p>As can be seen in note 3.3 to the consolidated financial statements, revenue from production orders accounted for using the percentage-of-completion (PoC) method amounted to CHF 86.3 million in the 2019 financial year. This represents about 36.4% of net sales to customers.</p> <p>We consider revenue recognition as a key audit matter due to the size of the net revenue from 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 individual elements are not recognised in the correct period.</p> <p>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.</p>	<p>In order to test the recognition of these contractual elements, we performed the following:</p> <ul style="list-style-type: none"> • We gained an understanding of the process for recognising and measuring production orders. • We selected various production orders, inspected the underlying contracts and reconciled the elements recognised in revenue. • Inspected the Management memoranda regarding revenue recognition of specific elements in the appropriate period and assessed whether revenue recognition in relation to these elements complies with the requirements of Swiss GAAP FER. • Checked whether the memoranda were approved by the Audit Committee. <p>On the basis of our audit procedures, we addressed the risk of different contractual elements of revenue not being recognised in the appropriate period and obtained adequate assurance.</p>

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
Audit expert
Auditor in charge



Vincenzo Pizzo
Audit expert

Zürich, 13 March 2020

6 Financial statements of Orell Füssli Holding Ltd

6.1 Income statement

<i>in CHF thousand</i>	Notes	2019	2018
Income from participations	7.3	–	11,510
Other operating income		3,617	4,827
Total operating income		3,617	16,337
Personnel expenditure	7.4	–2,836	–2,756
Operating lease expenses		–65	–66
Marketing	7.5	–371	–894
Administration expenses	7.6	–2,073	–2,341
Other operating expenses		–52	–49
Depreciation and impairment		–40	–24
Earnings before interest and taxes		–1,820	10,207
Financial income		677	1,033
Financial expenses		–797	–133
Financial result	7.7	–120	900
Net operating income before extraordinary income and expenses		–1,940	11,107
Extraordinary expenses	7.8	–2,150	–2,700
Earnings before taxes (EBT)		–4,090	8,407
Income tax expenses		–	–
Net income for the period		–4,090	8,407

6.2 Balance sheet

<i>in CHF thousand</i>	Notes	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents		14,485	14,539
Trade receivables from consolidated companies		1,818	2,912
Other current receivables from third parties		–	13
Other current receivables from consolidated companies	7.9	26,260	38,157
Accrued income and deferred expenses	7.10	25	489
Total current assets		42,588	56,110
Loans to consolidated companies	7.11	28,692	28,692
Other financial assets	7.12	–	2,150
Participations in related companies		50	50
Participations in consolidated companies	7.13	58,368	58,368
Tangible assets		6	27
Intangible assets		95	67
Total non-current assets		87,211	89,354
Total assets		129,799	145,464
Liabilities and equity			
Trade payables to third parties		289	178
Trade payables to consolidated companies		7	7
Other current liabilities		117	53
Accrued expenses and deferred income		1,197	1,210
Total current liabilities		1,610	1,448
Provisions for restructuring		130	130
Total non-current liabilities		130	130
Share capital		1,960	1,960
./. Own shares	7.17	–141	–162
Legal profit reserve		11,137	11,142
Retained earnings		119,193	122,539
Net income for the period		–4,090	8,407
Total equity		128,059	143,886
Total liabilities and equity		129,799	145,464

7 Notes to the financial statements of the Orell Füssli Holding Ltd

7.1 General information

The financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations.

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.

7.2 Key accounting policies

Receivables

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

Participations in consolidated and related companies

Long-term investments in the capital of another company are classified as investments in a Group company if the share of voting rights exceeds 50% and as investments in related companies if the share of voting rights exceeds 20%. The 'Overview of significant participations' can be found under 'Notes to the consolidated financial statements', note 4.

Initial recognition is at acquisition cost. If there are actual indicators that the value of a participation is impaired, a value adjustment is recorded. The participations are valued individually.

7.3 Income from participations

The income from equity participations comprises dividend payments from subsidiaries during the year and from the retained earnings as of 31 December. In the year under review, no dividend was paid out.

7.4 Personnel expenditure

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

7.5 Marketing expenses

In the 2019 financial year and in the prior year, expenses arose in connection with the company's 500th anniversary.

7.6 Administration expenses

The expenses relating to the Board of Directors decreased slightly compared with the 2018 financial year. A significant portion of these expenses is due to expenditure on external research in connection with strategic projects.

7.7 Financial result

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

7.8 Extraordinary expenses

In the year under review, the investment in Landqart Ltd of CHF 2,150,000 was written off in full. In the prior year, extraordinary expenses included a financial contribution of CHF 1,000,000 to Landqart AG and an impairment charge for a total amount of CHF 1,700,000 relating to the loan to and the investment in OF IP Verlag Ltd.

7.9 Other short-term receivables with group companies

Orell Füssli Holding Ltd provides its subsidiaries and other related parties with necessary financial resources in the form of loans or short-term current account credit facilities. Per 31 December 2018, this also includes the dividend receivable with Orell Füssli Security Printing Ltd of CHF 11,000,000.

7.10 Accrued income and deferred expenses

Revenues are accrued in the financial year 2018 for the 500 year anniversary publication.

7.11 Loans to group companies

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

7.12 Other financial assets

In the year under review, the investment in Landqart in the amount of CHF 2,150,000 was written off in full via extraordinary expenses as it was not deemed recoverable. In the prior year, Landqart AG took over landqart management und services by way of a merger through absorption. A financial contribution of CHF 1,000,000 was granted to Landqart AG, which has been written off via extraordinary expenses.

7.13 Participations in group companies

The value of the investment in OF IP Verlag Ltd was adjusted by CHF 100,000 in the 2018 financial year

7.14 Shares held by members of the board of directors and the executive board

As of the balance sheet date, the Board of Directors and the members of the Executive Board held the following shares in Orell Füssli Holding Ltd:

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Number of shares at 31 December	2019		2018	
	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	1,180	1,180	1,180	1,180
Peter Stiefenhofer	250	250	250	250
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	2019		2018	
	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
Peter Crottogini	273	273	108	108

In the current financial year, no entitlements to employee shares were allocated (2018: 223 shares in Orell Füssli Holding Ltd were allocated to Group Management for a total amount of CHF 25,868). In accordance with a termination agreement with the CEO of the Orell Füssli Group, his outstanding share entitlements were reduced to reflect the fact that he will not remain in his position for the entire vesting period of the share award. Additionally, the termination agreement stipulates that no shares shall be allocated at the end of the qualifying period. Instead, the equivalent value based on the share value at that time will be paid out in cash.

7.15 Major shareholders

at 31 December 2019	Total registered shares	Participation
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Hong Kong (HK) (held by Capdem Development SA)	296,900	15.15%
Fam. Siegert, Meerbusch (DE)	180,000	9.19%
Veraison SICAV, Zurich (CH)	153,012	7.81%
J. Safra Sarasin Investmentfonds, Basel (CH) (SaraSelect)	98,250	5.01%

7.16 Contingent liabilities*in CHF thousand at 31 December*

	2019	2018
Contingent liabilities in favour of consolidated companies	4,712	23,224

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

7.17 Own shares

As at 31 December 2019, Orell Füssli Holding AG held 1,136 of its own shares (2018: 1,301 own shares), which were acquired in connection with the equity participation plan of Group Management. In the 2019 financial year, no purchases were made of own shares (2018: 337 own shares were purchased at an average transaction price of CHF 112.69).

7.18 Proposed appropriation of retained earnings and unrestricted reserves

The Board of Director's proposes to the Annual General Meeting on 20 May 2020 the payment of a dividend of CHF 6.00 per share.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES*in CHF thousand*

	2019
Retained earnings at the beginning of the period	119,193
Net income for the period 2019	-4,090
Retained earnings available to the annual general meeting	115,103
Dividend of CHF 6.00 per share	-11,760
Carried forward	103,343

8 Report of the statutory auditor of the financial statements

Report of the statutory auditor

to the General Meeting of Orell Füssli Holding Ltd

Zürich

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 for the year ended 31 December 2019, the balance sheet as at 31 December 2019 and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 40 to 44) as at 31 December 2019 comply with Swiss law and the company's 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 1,290,000



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

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

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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 1,290,000
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.

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.

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.

Impairment of equity investments

Key audit matter	How our audit addressed the key audit matter
<p>The investments in Group companies ('participations in consolidated companies') as at 31 December 2019 amount to CHF 58,368 k. We consider the valuation of investments in Group companies to be a key audit matter owing to their size. Investments in Group companies are recorded individually at the lower of acquisition cost and either net asset value or the value of capitalised earnings.</p> <p>There is a risk that the value of investments is not recoverable.</p> <p>Further details about the investments in Group companies can be found in notes 7.2 and 7.13 in the notes to the financial statements.</p>	<p>In order to test the valuation of investments in Group companies, we performed the following:</p> <ul style="list-style-type: none"> • Compared the book value of the investments with their net asset values. • Checked the calculation of the value of capitalised earnings, including the assumptions used, if applicable. • Checked that impairments were booked correctly. <p>On the basis of the audit procedures we performed, we addressed the risk that investments in Group companies might be significantly overstated and obtained adequate assurance.</p>

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 EXPERT-suisse: <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 financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Vincenzo Pizzo
Audit expert

Zürich, 13 March 2020

Compensation Report 2019

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 20 March 2018 of SIX Exchange Regulation. Unless indicated otherwise, all of the information provided is as of 31 December 2019.

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. The Articles of Association are on our homepage under Corporate Governance (www.ofh.ch/en/investors).

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.ofh.ch/en/investors).

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 853,200 (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. The bonus regulations also provide for individual cash bonus payments to be made at the discretion of the Board of Directors to employees of the Orell Füssli Group as a reward for exceptional performance.

Compensation 2019

(audited from this point until the end of page 51 by the external auditor)

Owing to the change of the CEO of the Orell Füssli Group from Martin Buyle to Daniel Link, the CEO compensation is presented in two separate rows in the table below for the last two months in 2019. Martin Buyle was CEO from 01.01.2019 – 31.10.2019 (leaving the company on 31.12.019) and Daniel Link was CEO from 01.11.2019.

With regard to the 2019 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.

In 2019, in accordance with the bonus regulations of the Orell Füssli Group, a one-off, individual cash bonus for extraordinary performance was paid to the three members of the Executive Board of the Orell Füssli Group (not including the CEO). This is disclosed in the table below as part of the variable compensation in cash in 2019.

As a temporary solution, the CFO of the Orell Füssli Group took over the interim management of Orell Füssli Publishing. A supplementary bonus agreement for the period up to the end of 2019 has been concluded to compensate for the additional work involved. This is disclosed in the table below as part of the variable compensation in cash in 2019.

The disclosed compensation amounts are for the services rendered in the year under review. The following tables therefore include all entitlements to compensation relating to the 2018 financial year in full. Compensation that has not yet been paid is accrued in the financial year in question, even when the payment will only be made in the following year.

COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2019

<i>in CHF</i>					
	Fixed compensation	Variable compensation	Other payments		Total 2019
	in cash	in cash	Special allowances	Social security expenses	
Dr Anton Bleikolm, Chairman	170,004	–	–	9,428	179,432
Dr Caren Genthner-Kappesz, Member of the Board of Directors	55,000	–	–	–	55,000
Dieter Widmer, Audit Committee (Chairman)	75,000	–	–	5,441	80,441
Dr Thomas Moser, Compensation Committee (Member)	55,000	–	–	3,990	58,990
Peter Stiefenhofer, Audit Committee (Member)	60,000	–	–	3,037	63,037
Dr Beat Lüthi, Vice Chairman Compensation Committee (Chairman)	55,000	–	–	3,990	58,990
Total	470,004	–	–	25,886	495,890

COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2018

<i>in CHF</i>					
	Fixed Compensation	Variable compensation	Other payments		Total 2018
	in cash	in cash	Special allowances	Social security expenses	
Dr Anton Bleikolm, Chairman	170,004	–	–	9,530	179,534
Dr Caren Genthner-Kappesz, Member of the Board of Directors	55,000	–	–	–	55,000
Dieter Widmer, Audit Committee (Chairman)	75,000	–	–	5,491	80,491
Dr Thomas Moser, Compensation Committee (Member)	55,000	–	–	4,027	59,027
Peter Stiefenhofer, Audit Committee (Member) ¹⁾	60,000	–	34,000	3,824	97,824
Dr Beat Lüthi, Vice Chairman Compensation Committee (Chairman)	55,000	–	–	4,027	59,027
Total	470,004	–	34,000	26,899	530,903

¹⁾ Compensation paid against invoice excl. VAT for special task in the project Atlantic Zeiser.

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 2019

in CHF

2019	Fixed compensation	Short term variable compensation incl. bonus share plan ^{3), 4)}		Long term variable compensation (vested benefits)	Other payments ⁶⁾	Social security and pension fund expenses	Total
	in cash (CHF)	in cash (CHF)	in shares (CHF) ⁵⁾	in shares (CHF)			
Martin Buyle, CEO Orell Füssli Group (until 31.10.2019) ^{1), 2)}	380,002	190,000	–	–	46,786	122,407	739,195
Daniel Link, CEO Orell Füssli Group (as of 01.11.2019) ^{1), 2)}	57,000	17,100	–	–	2,355	14,954	91,409
Other members of the Executive Board ¹⁾	573,408	295,680	14,198	–	14,625	179,301	1,077,212
Total	1,010,410	502,780	14,198	–	63,766	316,662	1,907,816

¹⁾ The Executive Board consisted of four members as of 31 December 2019 (incl. CEO)

²⁾ The new CEO took over as of 01.11.2019. Martin Buyle's compensation is shown for 12 months until his departure on 31.12.2019.

³⁾ The 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.

⁴⁾ Including one-off bonus payment and supplementary bonus agreement for the other members of the Executive Board.

⁵⁾ Three-year vesting period, valued in accordance with the market price as at the allocation periode (December 2019) at CHF 98.60. Planned transfer date: 9 April 2020.

⁶⁾ The other compensation of Martin Buyle includes the transfer of the company car and one-off exceptional expenditures in accordance with the termination agreement.

COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR 2018

in CHF

	Fixed compensation	Short term variable compensation incl. bonus share plan ²⁾		Long term variable compensation (vested benefits)	Other payments ⁵⁾	Social security and pension fund expenses	Total 2018
	in cash (CHF)	in cash (CHF)	in shares (CHF) ³⁾	in shares (CHF) ⁴⁾			
Martin Buyle, CEO Orell Füssli Group ¹⁾	370,002	235,000	–	25,868	30,938	113,811	775,619
Other members of the Executive Board ¹⁾	553,404	154,680	14,240	–	19,625	203,532	945,481
Total	923,406	389,680	14,240	25,868	50,563	317,343	1,721,100

¹⁾ The Executive Board consisted of four members as of 31 December 2018 (incl. CEO)

²⁾ The 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. For the CEO, the disclosed variable compensation in cash for 2018 includes the annual variable compensations payable in the following year and a one-off, individual performance bonus in the amount of CHF 50,000 which was paid in cash during the year.

³⁾ Three-year vesting period, valued in accordance with the market price as at the allocation periode (December 2018) at CHF 86.30. Planned transfer date: 15 April 2019.

⁴⁾ Valued in accordance with the market price as at the transfer date of 1 January 2018 at CHF 116.00. Reduced payment to the CEO in accordance with the termination agreement.

⁵⁾ Including additional pension fund contribution as a bridging payment for the "transitional generation" (due to the decline in the conversion rate) for total amount of CHF 50,610.

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.ofh.ch/en/investors).

In the 2019 and 2018 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 2019, 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 Ltd

Zurich

We have audited the remuneration report of Orell Füssli Holding Ltd for the year ended 31 December 2019. 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 tables labeled 'audited' on pages 49 to 51 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 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 Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Vincenzo Pizzo
Audit expert

Zürich, 13 March 2020

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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 2019.

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 under Corporate Governance (www.ofh.ch/en/investors).

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 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 2019 was CHF 195.02 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 7.15).

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 2019, 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 did not purchase any treasury shares and issued 165 shares in the context of the equity participation plan for the members of management 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

<i>Members of the Board of Directors</i>	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 AFB-Engineering & Services, Ecublens, Owner and Chairman

OTHER BOARD APPOINTMENTS

Member of the Board of Directors Landqart Ltd, Landqart

VICE CHAIRMAN

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

OTHER BOARD APPOINTMENTS

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

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 of 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

2015–2018 Glossybox Group/Beauty Trend Holding GmbH, Berlin, CEO

Since December 2018 Yunar/Ambidexter GmbH, Berlin, MD

OTHER BOARD APPOINTMENTS

Member of the Board of Directors Main Street 1477 Proprietary Ltd, Johannesburg, South Africa (to end of 2019)

MEMBER OF THE BOARD

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

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

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 Delegate Representative 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, 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.

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 three 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. 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 one exception.

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 under Corporate Governance (www.ofh.ch/en/investors)

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. From 2019 onwards, the position is being filled by an external specialist on a part-time basis. In the year under review three audits/reviews focusing on the Security Printing Division, one audit/review focusing on the Zeiser Division, one audit focusing on the Orell Füssli Holding Ltd were conducted. Other activities were performed in risk review and coordination and in financial assurance. Further audits/reviews and assurance activities will be conducted at the group level and within the divisions in 2020.

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

(since November 2019)

Daniel Link

Swiss, born 1969

Diploma in Microtechnology Engineering, Lausanne, Executive MBA in General Management, St. Gallen

STATIONS

1994–1996 Laboratoire de Microtechnique, Neuchâtel, scientific Assistant

1996–2007 OC Oerlikon/ESEC, Pfäffikon/Cham, various R&D positions

2007–2010 Rieter Management AG, Winterthur, Project Manager Group Development

2010–2018 Bräcker Ltd, Pfäffikon, CEO

2018–2019 Gebr. Loepfe Ltd, Wetzikon, CEO

Since 1 November 2019 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

CEO ORELL FÜSSLI HOLDING LTD

Member of the Executive Board

Orell Füssli Holding Ltd

(until October 2019)

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

October 2014–October 2019 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

(since August 2019 Head of Publishing Division)

Beat Müller

Swiss, born 1956

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

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 of 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 OF HUMAN RESOURCES

ORELL FÜSSLI HOLDING LTD

Member of the Executive Board

Orell Füssli Holding Ltd

Peter Crottogini

Swiss, born 1959

Company Mentor (Federal Diploma of Higher Education),

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 Ltd, 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 of Personnel & Organisational Development

Since 1 January 2011 Head of Human Resources Orell Füssli Group

OTHER BOARD APPOINTMENTS

None

HEAD OF 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 of Strategic Projects Orell Füssli Group

Since August 2017 Head of Corporate Development Orell Füssli Group

OTHER BOARD APPOINTMENTS

None



Current Business and Division Management: Thorsten Tritschler / Dr Daniel Broger / Beat Müller / Daniel Link / Peter Crottogini / Dr Michael Kasch
(Pascal Schneebeli not in the picture)

HEAD OF ZEISER DIVISION**Thorsten Tritschler***German, born 1964*

Graduate in Business Management, Dual
Executive Master of Business Administration
GSBA Zurich, SUNY Albany/NY

STATIONS

1983–1986 Zeiser, Production Planning/Service
1986–1989 Gebel-Automatik, Sales Coordinator
1989–1992 Zeiser, Key Account Manager
1992–2002 Atlantic Zeiser, Sales Manager
EURASIA
2008–2012 Atlantic Zeiser, Head of Business
Unit Banknote Systems
2012–2015 Atlantic Zeiser, CSO
2015–2018 Atlantic Zeiser, Head of Business
Unit Security Printing Systems
Since 1 October 2018 Head of Zeiser Division

OTHER BOARD APPOINTMENTS

None

HEAD OF SECURITY PRINTING DIVISION**Dr Michael Kasch***German, born 1968*

Studies of organic chemistry and doctorate at the
University of Kiel

STATIONS

1994–1996 University of Kiel, Institute of
Organic Chemistry, Assistant Professor
1997–1999 Consortium for Electrochemical
Industry GmbH, Munich, Head of Laboratory for
the development of organic effect pigments
1999–2005 Wacker Chemie Ltd, Burghausen,
Laboratory Head of Technical Marketing with
responsibility for Business Development and
Product Management
2005–2018 SICPA Germany GmbH,
Burghausen/Munich, Managing Director
2010–2018 SICPA SA, Prilly, Regional Business
Director Banknote for Western Europe and
Canada
Since 1 January 2019 Head of Security Printing
Division

OTHER BOARD APPOINTMENTS

None

CEO ORELL FÜSSLI THALIA LTD**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 of Import Overseas
1996–2006 www.buch.ch, Winterthur,
Co-Founder and Chairman
2006–2013 Thalia Bücher Ltd, Basel, Managing
Director
2013–2017 Orell Füssli Thalia Ltd, Zurich,
Managing Director/CFO
Since January 2018 Managing Director/CEO
Orell Füssli Thalia Ltd

OTHER BOARD APPOINTMENTS

Delegate of the Board of Directors Orell Füssli
Thalia Ltd

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 263,688 (2018: CHF 322,852) to PricewaterhouseCoopers were incurred in 2019.

Additional fees totaling CHF 10,120 (2018: CHF 33,386) 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 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.ofh.ch/en 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.ofh.ch/en/investors).

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

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

Sustainability and Social Responsibility

Banknote Ethics Initiative (BnEI): Code of Ethical Business Practice

Corporate Social Responsibility pursues a wide range of different objectives. A core aspect for companies operating internationally with governments or government-related organisations as customers is the battle against bribery and corruption. Systemic risks have to be borne in mind here especially in banknote printing. These include: a small number of suppliers, international customers, direct or indirect access to government representatives and a valuable, high-quality product.

The «Banknote Ethics Initiative» (BnEI) is committed to this important theme. The BnEI was established in Brussels in 2013 as a non-profit organisation with the objective to combat bribery and corruption together with representatives of the industry. For this purpose the BnEI has defined binding rules and requirements which can be verified by independent audit organisations – above all the BnEI «Code of Ethical Business Practices». Accredited members of the BnEI are subject to regular independent audits. These audits review the functional features and effectiveness of in-house processes to prevent bribery and corruption. 40 central banks are currently among the supporters of the initiative, which to date has 13 members – and growing.

Orell Füssli Security Printing (OFS) joined the BnEI as a member in 2017. After the completion of 11 interviews, the study of almost 100 documents, reviews of all relevant directives and a detailed reconciliation with BnEI requirements, OFS was awarded the sought-after accreditation. OFH's long-standing tradition of purposeful and sustainable corporate management is reflected in the fact that a large proportion of the required monitoring processes and basic conditions had already been implemented. The resulting transparency in business processes significantly facilitated the external verification that is now required.

The BnEI is being continuously further developed by its members. The market is also developing, however: the number of international contracts awarded via competitive tender and thus subject to audit and transparency predominates in comparison to direct procurement, which is more difficult to monitor.

Environment

The responsible and sustainable use of natural resources and the preservation of our environment are part of every company's responsibility.

Since 2006, Orell Füssli Security Printing has operated an environmental management system certified under ISO 14001 which is continuously reviewed and further developed. Upstream, in-house and downstream processes are included in this.

When selecting suppliers and service providers OFS attaches great importance to working with companies which also operate certified environmental management systems and submit themselves to appropriate annual external audits. OFS is also a member of the energy model group of the Energie-Agentur für Wirtschaft (EnAW)*. This entity specifies a clear target path and tightens the requirements for saving energy and reducing CO₂ emissions annually. In this way, OFS systematically makes an annually increasing contribution to environmental protection. This has enabled the Group to save over 820 tonnes of CO₂ emissions since 2013, while improving energy efficiency by 15%.

Occupational safety

Despite extensive precautionary measures, occupational accidents cannot be completely eliminated even at OFS. For this reason and with the objective of systematically reducing the associated risks, OFS decided to incorporate the theme «Occupational Safety and Health Protection» (AS-GS) in its integrated management system.

The new «ISO 45001 – Occupational Safety and Health Protection» standard was issued in May 2018. OFS obtained certification three months after its publication. The results are a modern system for the continuous reduction of occupational accidents and specific action to preserve and expand health protection – also outside of working hours and Orell Füssli Security Printing premises.

As with all management systems, the «Occupational Safety and Health Protection» (AS-GS) topic is being continuously further developed and adapted to changing requirements. Personnel are closely integrated in the process through risk assessment and the definition of action to be taken.

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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