
Annual Report 2016

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

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

Orell Füssli generates sales of some CHF 300 million with about 900 employees at locations in eight countries and is listed on the SIX Swiss Exchange.

Editorial

Dear shareholder,

In the past year the Orell Füssli Group continued to develop on a stable foundation. In Security Printing further steps were taken to enhance operating efficiency. Production was reorganised with the emphasis on the new series of banknotes for two key customers, resulting in a new overall record figure for net revenue. Atlantic Zeiser reported a significant increase in net revenue in its traditional markets through focused sales and marketing efforts and new products, and gained ground as a provider of solutions for pharmaceutical customers. Orell Füssli Thalia concentrated on implementing its transformation programme and held its own satisfactorily in a persistently challenging market environment.

NET REVENUE

in CHF million

298.9

The Orell Füssli Group posted net revenue of CHF 298.9 million in the 2016 financial year. Operating earnings (EBIT) amounted to CHF 18.5 million, including accumulated special items totalling CHF –1.8 million. The equity ratio was a very solid 68%.

In the past year Atlantic Zeiser reported a significant increase in net revenue in all segments in a positive market environment. Market share was expanded in its traditional banknote serialisation business segment, and in the field of card personalisation systems a new machinery range was placed successfully with key customers. In the sector of packaging for the pharmaceutical industry, momentum in track & trace and serialisation solutions did not gain pace to the extent that was forecast, and the results achieved have not yet come up to our expectations. However, our position in applications for the late-stage customisation of packaging has been strengthened.

EBIT

in CHF million

18.5

In 2016 the Security Printing Division continued to develop further on the basis established in previous years. Net revenue increased again compared to 2015, and this was achieved without any increase in capacity by outsourcing contracts to other printers. Following the successful launch of the new generation of banknotes for two key customers, production of further denominations is in full swing. The production programme was refocused on the new series in 2016 and lessons learned from past experience were utilised to good effect. The successful issue of the extremely challenging new series of Swiss banknotes has attracted the interest of a number of potential customers in the know-how and expertise of the Security Printing Division. The acquisition of further discriminating customers remains a major objective for the coming two years in order to secure high capacity utilisation in the long term.

Orell Füssli Thalia held its own well in a persistently difficult market environment in 2016. Activities were centred on the systematic implementation of the transformation programme launched in 2015 to secure the long-term future of the business. Based on a strong bricks-and-mortar presence, the swift implementation of the standardised «Orell Füssli» brand platform and the expansion of the multi-channel capability of the offering, the emphasis was on implementing sales-activating measures. Alongside these efforts, cost structures were adjusted and further steps taken on the path to achieving operating excellence. A forward-looking new store concept has been implemented at the newly opened branch on Zurich-Oerlikon railway station, which will serve as a model for the future orientation of the branch portfolio.

For the 2017 financial year we foresee a further slight improvement in the earnings situation. Atlantic Zeiser will continue to focus on exploiting the opportunities arising in the market for track & trace and serialisation, and on reinforcing its position as a supplier to the pharmaceutical packaging industry. Security Printing again has a large order backlog for 2017, and this will be supplemented by additional orders from new customers. We expect pressure on margins to increase in the years following 2017, which we aim to counteract through further significant improvements in productivity. Orell Füssli Thalia will respond to the persistently challenging market situation by systematically continuing to pursue its transformation programme.

After all efforts in recent years have been focused on re-establishing the operating efficiency of the Orell Füssli Group, in the coming year we are looking increasingly to expand the business. In the field of the printed security solutions offering we intend to give attention to the possibilities for rounding out our existing product range. The impact of digitisation on Orell Füssli's business model and the possibilities arising from this are the second priority which we shall analyse in greater depth. Orell Füssli's outstanding reputation as a trustworthy and stable business partner will support us in our endeavours to acquire customers with high security standards for a wider offering of products and services.

The Board of Directors will propose to the Annual General Meeting to be held on May 12, 2017, that an unchanged dividend of CHF 4.00 per share be paid. This proposal reflects the group's stable development and at the same time assures Orell Füssli of a high degree of self-financing in order to take advantage of future investment opportunities in growth sectors.

Dear shareholder, the work that has been done in past years has restored the stability of the company's foundations. The Board of Directors and executive management will now proceed with the same degree of resolution to pursue efforts to realise the potential inherent in Orell Füssli. We are convinced that the company is well placed for this, and we are fully committed to the task of creating a durably successful company.

Our thanks go to our customers for their continued loyalty and their firm confidence in Orell Füssli. We also thank our employees in all parts of the company for their committed efforts for the further development of our company.

Zurich, March 2017



HEINRICH FISCHER
Chairman of the Board of Directors



MARTIN BUYLE
CEO

**NET INCOME
FOR THE PERIOD**

in CHF million

12.3

Key figures

2016

INCOME STATEMENT

<i>in CHF million</i>	2016	2015	2014	2013	2012
Net revenue	298.9	279.4	288.1	272.2	281.1
Thereof Atlantic Zeiser	72.2	52.7	73.9	78.6	75.6
Thereof Security Printing	121.2	117.4	92.7	75.1	85.9
Thereof Book Retailing	94.8	98.8	110.4	109.5	109.5
Thereof Publishing	10.8	10.3	10.8	11.3	10.7
EBITDA	33.1	37.4	21.2	-5.6	18.8
<i>in % Net revenue</i>	<i>11.1%</i>	<i>13.4%</i>	<i>7.4%</i>	<i>-2.1%</i>	<i>6.7%</i>
EBIT before special items	20.3	21.5	3.0	-5.8	8.3
Thereof Atlantic Zeiser	3.9	3.4	2.2	4.2	1.4
Thereof Security Printing	17.4	18.4	-1.0	-12.9	6.2
Thereof Book Retailing	1.5	1.8	2.4	3.3	3.7
Thereof Publishing	-0.6	-0.4	-0.4	-0.1	-0.5
Special items	-1.8	-3.9	1.0	-14.9	-4.7
EBIT	18.5	17.6	4.0	-20.7	3.6
Thereof Atlantic Zeiser	2.0	0.4	2.6	4.2	1.9
Thereof Security Printing	17.4	17.5	-0.6	-25.0	2.6
Thereof Book Retailing	2.0	1.8	3.1	0.5	2.5
Thereof Publishing	-0.9	-0.4	-0.4	-0.1	-0.5
<i>in % Net revenue</i>	<i>6.2%</i>	<i>6.3%</i>	<i>1.4%</i>	<i>-7.6%</i>	<i>1.3%</i>
Net income for the period	12.3	12.8	1.7	-17.0	0.8
Thereof minority interests	1.5	1.8	2.2	1.2	1.8
Net income for the period after minority interests	10.8	11.0	-0.5	-18.2	-1.0
<i>Net income in % Net revenue</i>	<i>4.1%</i>	<i>4.6%</i>	<i>0.6%</i>	<i>-6.3%</i>	<i>0.3%</i>

NET REVENUE

in CHF million

298.9

EBIT

in CHF million

18.5

BALANCE SHEET

<i>in CHF million</i>	2016	2015	2014	2013	2012
Tangible assets	77.0	86.9	100.5	103.8	101.5
Total assets	235.9	240.1	256.2	262.1	270.7
Total equity	160.4	159.1	145.8	144.3	167.6
Thereof minority interests	13.8	15.2	14.1	12.6	16.4
Equity financing ratio	68.0%	66.3%	56.9%	55.1%	61.9%

EQUITY FINANCING RATIO

68.0%

ADDITIONAL KEY FIGURES

	2016	2015	2014	2013	2012
Cash flow from operating activities adjusted ¹⁾	25.8	32.8	12.6	1.8	13.1
Investment	8.2	12.0	16.7	11.9	8.1
Free Cash flow	17.6	20.8	-4.1	-10.1	5.0
Full time equivalents FTE	881	893	982	1041	971
ROCE (NOPAT/Capital Employed)²⁾	7.1%	8.1%	1.4%	-9.5%	1.2%

ROCE

7.1%

SHARE FIGURES

<i>in CHF</i>	2016	2015	2014	2013	2012
Year-end share price	125.00	112.10	92.75	89.50	92.50
Profit/Loss per share	5.51	5.63	-0.27	-9.30	-0.52
Dividend per share	4.00	4.00	0.00	0.00	0.00
Yield on shares	3.2%	3.6%	0.0%	0.0%	0.0%
Dividend payout ratio	72.6%	71.1%	0.0%	0.0%	0.0%
Price earnings ratio	22.7	19.9	-345.0	-9.6	-178.8

EARNINGS PER SHARE 2016

in CHF

5.51

¹⁾ Cash flow from operating activities minus net current assets minus net income for the period minority interests

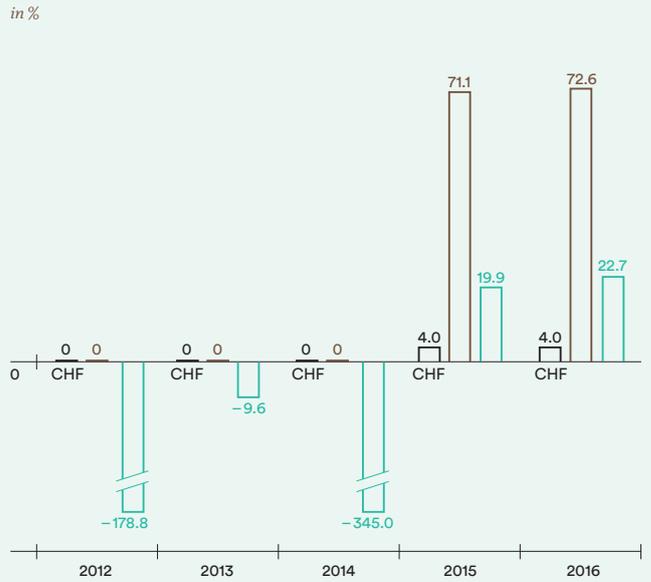
²⁾ Capital Employed: Average equity plus average interest-bearing liabilities plus average pension fund liabilities

SHARE PRICE DEVELOPMENT



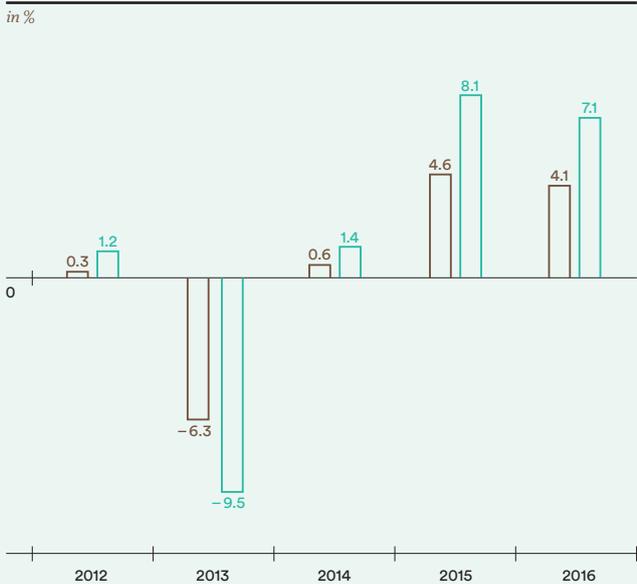
Swiss Performance Index OFN 342 080

SEGMENTAL RESULTS



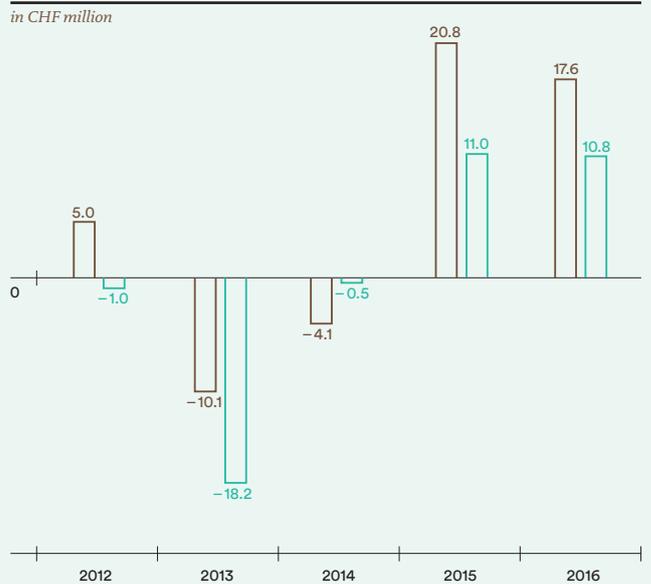
Dividend per share in CHF Dividend payout ratio in % P/E ratio

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



ROS ROCE

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



FCF Net income for the period after minority interests

Business in 2016

In 2016 Orell Füssli reported further increases in net revenue and operating earnings (EBIT) compared with the previous year. Higher net revenue and net income at Atlantic Zeiser as well as a further improvement in productivity at Security Printing were decisive factors in this development.

Orell Füssli reported net revenue of CHF 298.9 million in the 2016 financial year, equivalent to an increase of 7% compared to the previous year (CHF 279.4 million). Operating earnings (EBIT) increased by 5% to CHF 18.5 million (CHF 17.6 million in 2015). This figure includes special items of CHF –1.8 million (CHF –3.9 million in 2015).

Shareholders' equity including minority interests increased from CHF 159.1 million to CHF 160.4 million. The equity ratio was 68% (66% in 2015). In addition, there are valuation reserves on property substantially in excess of CHF 20 million.

SEGMENT RESULTS

<i>in CHF thousand</i>	2016	2015	2014	2013	2012
Division Atlantic Zeiser					
Net revenue from sales to customers	72,198	52,670	73,929	78,578	75,565
Operating earnings before special items	3,892	3,369	2,234	4,196	1,438
Operating earnings (EBIT)	1,958	369	2,598	4,196	1,872
Division Security Printing					
Net revenue from sales to customers	121,183	117,446	92,689	75,095	85,910
Operating earnings before special items	17,432	18,427	–992	–12,866	6,229
Operating earnings (EBIT)	17,432	17,514	–643	–24,980	2,630
Division Book Retailing					
Net revenue from sales to customers	94,776	98,832	110,366	109,465	109,506
Operating earnings before special items	1,550	1,820	2,384	3,294	3,660
Operating earnings (EBIT)	2,022	1,820	3,080	508	2,469

Atlantic Zeiser Division

Atlantic Zeiser reported net revenue of EUR 66.2 million in 2016, a significant increase over the previous year's figure (EUR 49.3 million). The operating result on a comparable basis was EUR 62.9 million (EUR 58.0 million in 2015). Sales revenues in all business segments increased compared to the previous year. Operating earnings (EBIT) amounted to EUR 1.8 million (EUR 1.1 million in 2015). This figure includes substantial expenditure incurred in expanding the packaging business segment, as well as special items amounting to EUR –1.8 million (EUR –2.8 million in 2015), consisting mainly of impairments associated with the initial consolidation of subsidiaries of Atlantic Zeiser.

NET REVENUE ATLANTIC ZEISER

in EUR million

66.2

Atlantic Zeiser concentrates on the three strategic business segments of banknote serialisation, card personalisation systems and packaging. In the banknote serialisation segment net revenue increased sharply following a period of stagnation in the previous year. The positive market environment in 2016 was successfully exploited on the basis of the company's strong market position and the alignment of the sales and marketing organisation with customer segments which commenced in 2015.

A significant increase in sales compared to the previous year was also reported in the card personalisation systems segment. This growth was mainly attributable to the PERSONMASTER system for personalising financial cards, which was launched at the end of 2015. This production system, based on drop-on-demand inkjet technology, addresses the market trend towards flat financial cards and was sold in considerable numbers to international key customers in 2016.

The packaging segment focuses on the two product segments of track & trace solutions for serialising pharmaceutical products as well as printing systems for late-stage-customisation of pharmaceuticals and cosmetics packaging. Net revenue in the packaging business segment in 2016 was some 30% higher than in the previous year. This development was driven primarily by the late-stage-customisation product segment, where the DIGILINE Blister and DIGILINE Label flexible printing systems were able to cater to the market trend towards inline printing of smaller batch sizes. Cooperation with manufacturers of complete packaging lines operating globally was intensified. Track & trace solutions remained far below expectations in 2016. Much greater interest in Atlantic Zeiser's range of products and services than in previous years became apparent on the basis of the EU directive on serialisation and traceability of drugs in order to improve anti-counterfeiting security which came into effect in February 2016. Numerous customers confirmed the competitiveness of the company's product offering in this field. However, many customers postponed their final investment decisions having underestimated the complexity of serialisation projects. In addition to the reinforcement of the in-house sales and marketing organisation with experienced technical personnel, global cooperation with specialist sales and marketing partners was expanded.

One priority of research and development activities in 2016 was the further development of installations for serialising pharmaceuticals packaging. A further version was added to the DIGILINE Single machine range which enables labelling and pre-serialisation of packaging to be combined with printing and RFID technology in a single machine system. A second focal point was the further development of the new, modular OMEGA Pro drop-on-demand printer family for single- and multi-colour printing. The multi-colour printing version based on a DIGILINE Versa unit for the serialisation and late-stage-customisation of packaging in a single operation was presented at «drupa», the world's largest printing trade fair. Successive launches of further versions of OMEGA Pro are planned for 2017.

Security Printing Division

The Security Printing Division posted net revenue of CHF 121.2 million in 2016, an increase of 3% compared to the previous year (CHF 117.4 million). Operating earnings (EBIT) of CHF 17.4 million were at the same level as in the previous year (CHF 17.5 million). The absence of a significant contribution to profits from additional customer orders completed externally and compensation for costs incurred during the production start-up for new series of banknotes was offset by the substantial improvement in productivity.

In 2016 the Security Printing Division was again able to produce on schedule with high capacity utilisation and higher output than in 2015. This resulted in a new record net revenue figure. For the first time banknotes solely of the latest generation were produced in various denominations for two key customers. High-quality production incorporating faultless security features continues to be a challenging process throughout the duration of the new issues, despite incorporating lessons learned from past experience. The launch of the new series of Swiss banknotes in April 2016 marked a major milestone for the company. The high security standard and the integration of security elements in the design impose extremely high demands on banknote printing. The 50-Swiss franc note has proved itself in everyday use and meets the customer's high quality standards. Orell Füssli's position as a supplier of secure, high-quality banknotes could therefore be underlined at international trade conferences on this basis. Intensified sales efforts in the second half of the year in particular attracted concrete expressions of interest in cooperation from a number of customers. The focus of sales activities in 2017 is on the acquisition of new customers requiring high-quality banknotes.

NET REVENUE SECURITY PRINTING

in CHF million

121.2

Work on the optimisation of process technologies to ensure high quality while simultaneously improving productivity continued unabated. In the context of the Lean initiative manufacturing processes were optimised with numerous projects, thus increasing the capacity of the printing plant without additional capital expenditure. The main target areas were reductions in rejects and setting-up times as well as optimising process speeds on the individual installations. The potential improvements were identified in close cooperation with industrial partners and implemented along the entire supply chain.

In addition to the further development of production processes, various investments were made in buildings, security, infrastructure and equipment. New standards in the security printing industry triggered extensive adjustments to installations and processes. This necessary work was utilised at the same time to optimise order processing. Ongoing investment in the machinery portfolio and infrastructure remains an important basis for maintaining competitiveness and differentiation in the marketplace.

Additional specialist personnel with industrial experience in marketing and sales were recruited in 2016 in order to boost the acquisition of new customers. A periodic employee survey revealed a significant improvement in personnel satisfaction compared with previous years. The training and further education measures which have been initiated are continuing undiminished and are an integral component of the Lean initiative. Securing and communicating know-how of critical importance for success as well as training and coaching personnel continue to be a high-priority objective of personnel development.

Book Retailing Division

In 2016 the Orell Füssli Thalia joint venture posted net revenue on a pro rata consolidated basis of CHF 94.8 million, 4% lower than the previous year's figure (CHF 98.8 million). Operating earnings before special items amounted to CHF 1.5 million, and operating earnings (EBIT) to CHF 2.0 million (CHF 1.8 million in 2015). Income arising from the restructuring of the branch network (CHF 1.7 million) and expenses incurred for the transformation programme (CHF –1.2 million) resulted in a special credit of CHF 0.5 million.

NET REVENUE BOOK RETAILING

in CHF million

94.8

2016 was another difficult year for the Swiss book trade, which declined by some 4% from the previous year's level on a comparable basis. The main reasons for the persistently weak trend in demand continue to be shopping tourism to neighbouring countries and customers' high price sensitivity associated with this. Orell Füssli Thalia counteracted this general trend in 2016 and gained market share. On the basis of comparable selling space net revenue was only 1% lower than in the previous year. Slight growth was achieved in the digital and online sales business in 2016.

Orell Füssli Thalia's focus in operational terms was on implementing the transformation programme which was launched at the end of 2015 with the goal of securing profitability over the long term. Activities centred on various steps to stabilise sales and the company's market position. Active, high-quality sales advice was part of the improvement of the product and service offering as well as the intensification of existing customer loyalty programmes and harmonisation of the product range. Numerous steps to reduce operating costs were also taken in parallel with this. The new «Orell Füssli» umbrella brand was reinforced with the renaming of all «Thalia» branches as «Orell Füssli», as well as the launch of www.orellfussli.ch as the collective online platform in May 2016. Advertising campaigns to raise the profile of the «Orell Füssli» brand rounded off the repositioning programme.

Selling space in bricks-and-mortar outlets was adjusted to take account of market conditions in 2016. The branches in Fribourg and St. Gall railway stations as well as the «Kidstown» shop-in-shop branch in the Franz Carl Weber toy store in Zurich were closed in the first six months. At the end of June the English Bookshop moved from Zurich's Bahnhofstrasse and was successfully integrated in the Kramhof premises close by. In November the first high-frequency branch in the newly developed branch format was opened in the rebuilt Zurich-Oerlikon railway station. Its design, functional features and product range have been specifically adapted to meet the needs of commuters.

Orell Füssli Thalia will continue to pursue its long-term positioning on the Swiss book market via all sales channels, taking account of changes in consumer behaviour. The further implementation of the steps already initiated will therefore focus not only on the systematic reinforcement of the bricks-and-mortar platform, but also on the continuous expansion of a comprehensive offering encompassing all marketing, sales and communication channels.

Publishing

Net revenue at Orell Füssli Publishing in 2016 was 5% higher than the previous year's figure. Growth was registered in particular in the public segment (non-fiction and children's books) and in the legal media segment. Greater emphasis on Swiss themes helped to counteract margin erosion. The sole sales basis of both legal and educational media is in Switzerland, so that margins in these two programme segments were not under additional pressure due to currency fluctuations.

Successful publications during the year in the non-fiction segment were titles addressing political themes: "Illegale Kriege" by Daniele Ganser, "Der islamische Kreuzzug und der ratlose Westen" by Samuel Schirmbeck and "Trumpland" by Walter Niederberger. A picture book by Konrad Beck on the construction of the Gotthard tunnel stood out in the children's book segment, together with the new Globi titles. The "10 kleinen Burggespenster" by Susanne Göhlich were introduced as new figures. In the legal media segment the growing series of training manuals and revision books are becoming increasingly well established. Educational media have launched a "Lernkartei App", which is intended as a supplementary digital tool to support sales of printed works.

**NET REVENUE
PUBLISHING**

in CHF million

10.8

Changes in the Board of Directors

Heinrich Fischer, Chairman of the Board since 2012 and currently a member of the Compensation Committee, will not stand for re-election at the Annual General Meeting on May 12, 2017. The Board of Directors wishes to express its sincere thanks to Heinrich Fischer for his successful efforts on behalf of the company in challenging times and his major contribution to the development of Orell Füssli.

Gonpo Tsering did not stand for re-election at the 2016 Annual General Meeting. Dr Caren Genthner-Kappesz was elected to the board in his place. The Board of Directors wishes to express its thanks to Gonpo Tsering for his great commitment to the company.

Personnel

Frank Egholm has been the new CEO of Orell Füssli Thalia Ltd since October 1, 2016.

Financial Report 2016

1 Financial statements of the Orell Füssli Group

1.1 Consolidated income statement

<i>in CHF thousand</i>	Notes	2016	2015
Net revenue from sales to customers	4.1 / 4.2 / 4.3	298,877	279,391
Other operating income	4.3	5,126	5,268
Changes in inventories of semi-finished and finished products, capitalised costs	4.3	-4,565	4,522
Total operating income	4.3	299,438	289,181
Cost of materials		-121,120	-104,635
External production costs		-12,765	-18,125
Personnel expenditure	4.4 / 4.5	-81,623	-80,874
Other operating expenses	4.6	-50,799	-48,165
Depreciation and impairment on tangible assets	4.15	-13,824	-17,967
Depreciation and impairment on intangible assets	4.16	-777	-1,826
Earnings before interest and taxes (EBIT)	4.1	18,530	17,589
Financial income		1,432	1,374
Financial expenses		-705	-1,483
Financial result	4.7	727	-109
Earnings before income taxes (EBT)		19,257	17,480
Income tax expenses	4.8	-6,926	-4,654
Net income for the period		12,331	12,826
Attributable to the shareholders of Orell Füssli Holding Ltd		10,806	11,025
Attributable to minority interests		1,525	1,801
<i>in CHF</i>	Notes	2016	2015
Earnings per share	4.9	5.51	5.63
Diluted earnings per share	4.9	5.51	-

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

1.2 Consolidated balance sheet

<i>in CHF thousand</i>	Notes	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents	4.10	69,957	73,119
Marketable securities	4.11	328	330
Trade accounts receivable	4.12	25,416	20,199
Other receivables	4.13	22,236	18,003
Inventories	4.14	37,553	37,215
Current income tax receivables		427	1,057
Accrued income and deferred expenses		2,971	3,244
Total current assets		158,888	153,167
Tangible assets	4.15 / 4.17	67,003	73,589
Intangible assets	4.16	1,441	1,374
Participations	4.18	385	1,098
Deferred tax assets	4.24	2,696	5,269
Other non-current financial assets	4.19	5,465	5,577
Total non-current assets		76,990	86,907
Total assets		235,878	240,074
Liabilities and equity			
Trade payables		18,535	10,242
Other current liabilities	4.20	33,489	45,889
Current income tax liabilities		3,617	1,022
Accrued expenses and deferred income	4.21	12,469	15,917
Current financial liabilities	4.22	1,073	1,107
Current provisions	4.23	1,239	2,181
Total current liabilities		70,422	76,358
Non-current financial liabilities	4.22	2,577	2,537
Pension fund liabilities		326	306
Non-current provisions	4.23	243	256
Deferred tax liabilities	4.24	1,954	1,476
Total non-current liabilities		5,100	4,575
Share capital		1,960	1,960
Capital reserves		4,250	4,160
Own shares	4.25	-56	-
Retained earnings		158,291	155,325
Translation differences		-17,903	-17,512
Total equity before minority interests		146,542	143,933
Minority interests		13,814	15,208
Total equity		160,356	159,141
Total liabilities and equity		235,878	240,074

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

1.3 Consolidated cash flow statement

<i>in CHF thousand</i>	Notes	2016	2015
Net income for the period		12,331	12,826
Change in employee equity incentive plans		90	–
Depreciation		14,389	15,881
Impairment and amortisation		213	3,912
Other non-cash related income and expenses		1,380	773
Change in trade accounts receivable		–6,146	8,268
Change in inventories		–403	1,519
Change in other receivables		–3,644	2,468
Change in trade payables		8,324	–4,588
Change in other liabilities		–9,754	–14,563
Change in accrued income and deferred expenses		272	–1,570
Change in accrued expenses and deferred income		–3,410	3,080
Change in provisions and deferred income tax		2,094	–341
Cash flow from operating activities		15,736	27,665
Purchase of tangible assets		–7,385	–11,288
Proceeds from disposals of tangible assets		23	334
Purchase of intangible assets		–723	–609
Proceeds from disposal of SOFHA GmbH	4.28	–	3,493
Proceeds from disposals of associated participations	4.28	–	520
Proceeds from disposals of other participations		12	–
Purchase of other non-current assets		–51	–72
Proceeds from disposals of other non-current assets		151	33
Consolidation of insignificant subsidiaries (Cash and cash equivalents)		109	–
Cash flow from investing activities		–7,864	–7,589
Increase of financial liabilities		47	43
Repayment of financial liabilities		–25	–6,652
Purchase of company's own shares		–56	–
Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, Tritron GmbH)		–2,881	–
Dividends paid		–7,840	–
Cash flow from financing activities		–10,755	–6,609
Translation effects		–279	–725
Increase in cash and cash equivalents		–3,162	12,742
Cash and cash equivalents at 1 January		73,119	60,377
Cash and cash equivalents at 31 December		69,957	73,119

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

1.4 Consolidated statement of changes in equity*in CHF thousand*

	Share capital	Capital reserves	Own shares	Retained earnings and net income	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2015	1,960	4,160	–	139,190	–13,587	131,723	14,123	145,846
Disposal of SOFHA GmbH	–	–	–	–	11	11	–303	–292
Consideration of goodwill offset at an earlier date	–	–	–	5,110	–	5,110	–	5,110
Currency translation effects	–	–	–	–	–3,936	–3,936	–413	–4,349
Net income for the period	–	–	–	11,025	–	11,025	1,801	12,826
Total equity at 31 December 2015	1,960	4,160	–	155,325	–17,512	143,933	15,208	159,141
Equity at 1 January 2016	1,960	4,160	–	155,325	–17,512	143,933	15,208	159,141
Dividends paid	–	–	–	–7,840	–	–7,840	–2,881	–10,721
Employee equity incentive plans	–	90	–56	–	–	34	–	34
Currency translation effects	–	–	–	–	–391	–391	–38	–429
Net income for the period	–	–	–	10,806	–	10,806	1,525	12,331
Total equity at 31 December 2016	1,960	4,250	–56	158,291	–17,903	146,542	13,814	160,356

The share capital as at 31 December 2016 and 31 December 2015 consisted of 1,960,000 registered shares with a par value of CHF 1.00 each.

The retained earnings include offset goodwill in the amount of CHF 1,544,000 (2015: CHF 1,544,000).

The amount of accumulated non-distributable reserves stands at CHF 12,167,000 (2015: CHF 12,174,000).

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

2 Accounting policies

2.1 Basis of accounting

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

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

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

2.2 Consolidation

Subsidiaries

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

Subsidiaries are consolidated as of the date on which direct or indirect control passes to Orell Füssli Holding Ltd. They are deconsolidated as of the date that such control ceases. All identifiable assets and liabilities of a subsidiary are measured at fair value as of the acquisition date. The excess of a cost of acquisition over the fair value of the Group's share of the net assets of an acquired subsidiary is recognised in the equity as goodwill.

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

Participations in joint ventures

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

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

Participations in associated companies

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

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

Other participations

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

2.3 Currency translation

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

The consolidated financial statements are presented in Swiss francs. To prepare the consolidated financial statements, the assets and liabilities of foreign subsidiaries are converted into Swiss francs at the market rate as of the corresponding balance sheet date. Revenues and expenses are converted at the average currency exchange rate for the financial year. Translation differences and foreign currency gains on equity-like long-term loans are booked neutrally for profit purposes under currency differences in the shareholders' equity. The Orell Füssli Group used the following currency exchange rates for the 2016 and 2015 financial years:

CURRENCY EXCHANGE RATES

	Market rate		Annual average rate	
	31.12.2016	31.12.2015	2016	2015
EUR at a rate of CHF	1.0725	1.0828	1.0903	1.0685
USD at a rate of CHF	1.0195	0.9928	0.9853	0.9628
GBP at a rate of CHF	1.2586	1.4697	1.3359	1.4716
HKD at a rate of CHF	0.1315	–	0.1270	–
CNY at a rate of CHF	0.1468	–	0.1484	–

2.4 Critical accounting estimates and judgements

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

2.5 Segment reporting

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

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

2.6 Revenue recognition

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

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

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

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

2.7 Impairment

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

2.8 Income taxes

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

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

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

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

2.9 Cash and cash equivalents

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

2.10 Marketable securities and derivative financial instruments

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

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

2.11 Trade accounts receivable and other current accounts receivable

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

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

2.12 Construction contracts poc (included in other receivables)

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

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

2.13 Inventories

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

2.14 Other non-current financial assets

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

2.15 Tangible assets

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

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

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

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

<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. Software developed in-house is amortised using the straight-line method over a maximum period of three years.

2.17 Goodwill

Goodwill represents the excess of the purchase price over the fair value on the date of acquisition of the identifiable net assets of a company acquired by the Orell Füssli Group. Goodwill arising from acquisitions is offset against consolidated shareholders' equity on the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill is disclosed in the notes to the consolidated financial statements. Negative goodwill is recognised directly in shareholders' equity as a capital reserve. In the event of disposal, the goodwill offset with equity at an earlier date shall be charged at its original cost to the result of the period.

2.18 Trade accounts payable

Trade accounts payable are recognised at face value.

2.19 Dividend distribution

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

2.20 Financial liabilities

Financial liabilities comprise borrowings, finance lease liabilities and other financial liabilities. Financial liabilities are valued at their nominal value. Financial liabilities are classified as current if they will mature in whole or in part within the following 12 months. If a contractual agreement to prolong the maturity of a loan exists as of the balance sheet date, the new duration will be taken into account for its classification.

2.21 Leases

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

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

2.22 Employee equity incentive plans

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

As part of the equity bonus plan, the members of the Group Management and the senior management can elect, on a voluntary basis, to receive a portion of their annual bonus in the form of restricted shares at a preferential price set by the Board of Directors. The Board of Directors determines each year the portion of the bonus that can be awarded in shares, the duration of the vesting period and the preferential price. This share-based compensation is valued at the average share price for the month of December and charged to personnel expenditure. The voting rights and dividend rights are transferred with the transfer of the shares to the beneficiary. With regard to the 2016 equity bonus plan, the Board of Directors has determined that the members of the Group Management and the senior management may receive 1/3 of their bonus in the form of shares with a vesting period of 3 years and at an equivalent price of +20% of that part of the bonus they are entitled to receive in shares.

2.23 Employee retirement benefit schemes

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

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

The foreign pension funds have either become independent or they are not significant. Certain foreign subsidiaries have pension plans without independent assets and include the corresponding pension provision directly in the balance sheet. Pension provisions are calculated according to nationally recognised methods and changes are recorded in the income statement as personnel expenditure.

2.24 Provisions

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

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

2.25 Share capital

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

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

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

3 Risk management

3.1 Risk assessment

As part of its supervisory duties of the Orell Füssli Group, the Board of Directors of Orell Füssli Holding Ltd conducts a systematic risk assessment at least once a year. At its meeting on 21 March 2016, the Board of Directors took note of management's report on group-wide risk management and approved the steps proposed.

3.2 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Correspondingly, there is no interest-rate hedging.

Credit risk

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

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

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

3.3 Liquidity risk

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

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

LIQUIDITY RESERVES AND CREDIT FACILITIES

<i>in CHF thousand at 31 December</i>	Notes	2016	2015
Cash and cash equivalents	4.10	69,957	73,119
Prepayments from customers	4.20	-29,433	-39,451
Other financial assets / liabilities	4.13 / 4.22	-1,086	-3,552
Cash and cash equivalents net		39,438	30,116
Thereof assigned to other shareholders		19,560	18,563
Disposable cash and cash equivalents		19,878	11,553
Available lines of credit		80,620	81,032
./. Secured guarantees by banks (without prepayment guarantees)		-2,625	-2,361
./. Lines of credit used		-1,073	-1,107
Total disposable cash and cash equivalents and unused lines of credit		96,800	89,117

As well as the committed credit facilities in local currencies, sufficient funds should also be available to conduct ordinary business activities in the future. In 2016, the credit facilities in the local currencies are unchanged compared with the prior year; however, they slightly decreased in the reporting currency due to the changes in the EUR/CHF exchange rate.

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

4 Explanations to the consolidated financial statements

4.1 Segment reporting by business units

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

Industrial Systems

Production and marketing of machinery, installations and systems for encoding and personalising printed products as well as providing related services.

Security Printing

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

Book Retailing

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

Other business activities

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

Unallocated

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

SEGMENT RESULTS 2016

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

SEGMENT RESULTS 2015

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

4.2 Net revenue from sales and services by country and region

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

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

NET REVENUE FROM SALES AND SERVICES BY REGION

<i>in CHF thousand</i>	2016	2015
Switzerland	194,137	193,140
Germany	13,464	10,620
The rest of Europe and Africa	29,480	24,226
North and South America	18,623	9,448
Asia and Oceania	43,173	41,957
Total net revenue from sales to customers by region	298,877	279,391

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

4.3 Operating income

<i>in CHF thousand</i>	2016	2015
Net revenue from sales to customers		
Sales of goods and products	278,506	260,803
Revenue from services rendered	19,524	17,734
Revenue from license fees	847	854
Total net revenue from sales to customers	298,877	279,391
Other operating income		
Rental income from operating leases	663	371
Gain from sales of non-current assets	8	204
Gain from sales of other investments	–	652
Other income	4,455	4,041
Total operating income	5,126	5,268
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	–4,661	4,410
Capitalised costs	96	112
Total changes in inventories of semi-finished and finished products, capitalised costs	–4,565	4,522
Total operating income	299,438	289,181

In the 2016 financial year, the net proceeds from tradable goods and products includes income from production orders calculated using the PoC method in the amount of CHF 105,642,000 (2015: CHF 91,260,000).

'Other income' includes income in the amount of CHF 1,650,000 relating to the restructuring of the branch network of the Book Retailing Division.

4.4 Personnel expenditure

<i>in CHF thousand</i>	Notes	2016	2015
Wages and salaries		68,462	68,338
Social security costs		5,965	5,942
Pension costs	4.5	4,777	4,356
Other personnel expenditure		2,419	2,238
Total personnel expenditure		81,623	80,874

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

4.5 Pension funds

The Orell Füssli Foundation has used the 2015 BVG (OPA) mortality table since 2016. The actuarial interest rate is 1.50% (2015: 2.00%).

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
	31.12.2016	31.12.2016	31.12.2016	2016	31.12.2016	31.12.2015	2016	2015
Pension schemes without funding surplus / deficit (Switzerland)	3,623	–	–	–	3,623	3,623	–	–

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
	31.12.2016	31.12.2016	31.12.2015	2016	31.12.2016	31.12.2016	2016	2015
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	–	3,154	3,048
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,623	1,308
Total	–	–	–	–	–	–	4,777	4,356

4.6 Other operating expenses

<i>in CHF thousand</i>			Notes	2016	2015
Marketing and distribution expenses				13,473	12,301
Operating lease expenses			4.17	10,960	11,951
Repairs and maintenance				6,585	6,396
Administration expenses				6,766	6,700
Losses on bad debts				2,158	391
Losses from sales of fixed assets				–	4
Impairment of provisions and loans				776	–
Energy				2,525	2,646
IT				2,964	3,598
Other operating expenses				4,592	4,178
Total other operating expenses				50,799	48,165

Losses on bad debts includes provisions relating to the first-time consolidation of insignificant subsidiaries of the Atlantic Zeiser Division in addition to the losses from the operational business.

4.7 Financial result

<i>in CHF thousand</i>						
	Expenses	Income	Balance 2016	Expenses	Income	Balance 2015
Interest result						
Interest expense and income	–54	83	29	–172	23	–149
Total interest result	–54	83	29	–172	23	–149
Other financial income and expense						
Dividend income	–	938	938	–	938	938
Foreign exchange result	–436	390	–46	–707	413	–294
Bank charges and other finance results	–215	21	–194	–604	–	–604
Total other financial income and expense	–651	1,349	698	–1,311	1,351	40
Total financial result	–705	1,432	727	–1,483	1,374	–109

4.8 Income tax expenses

<i>in CHF thousand</i>	2016	2015
Current income tax	3,903	937
Deferred income tax	3,023	3,717
Total income tax expenses	6,926	4,654

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>	2016	2015
Earnings before income taxes	19,257	17,480
Weighted average group tax rate	21.7%	20.6%
Expected income tax	4,170	3,601
Effect of change in local income tax rates	60	245
Non tax-deductible expenses	163	151
Tax-exempt income	-149	-235
Effect of tax loss carry-forwards not capitalized	1,056	630
Capitalization of previously not recognized tax loss carry-forwards	-	-27
Impairment of capitalized tax loss carry-forwards	84	270
Tax effects relating to other periods and other tax effects	1,542	19
Effective income tax expense	6,926	4,654

The not capitalised losses concern primarily Atlantic Zeiser GmbH in Germany. Tax expenses have materialised in relation to the founding of the Orell Füssli Thalia Ltd joint venture in 2013 and are presented under 'Tax effects relating to other periods'.

4.9 Earnings per share

<i>at 31 December</i>	2016	2015
Net income for the period in CHF thousand	10,806	11,025
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Earnings per share in CHF	5.51	5.63

There was no dilution of profit in 2016 or in the prior year.

4.10 Cash and cash equivalents

<i>in CHF thousand at 31 December</i>	2016	2015
Cash in bank accounts and in hand	66,627	71,894
Short-term bank deposits	3,330	1,225
Total cash and cash equivalents	69,957	73,119

4.11 Marketable securities and derivative financial instruments

As of 31 December 2016, 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 -69,000 (2015: CHF 291,000). Foreign currencies in the notional amount of total CHF 7,222,000 (2015: CHF 9,122,000) have been hedged.

4.12 Trade accounts receivable

<i>in CHF thousand at 31 December</i>	2016	2015
Trade accounts receivable gross	28,652	21,642
./. provisions for doubtful trade accounts receivable	-3,236	-1,443
Total trade accounts receivable net	25,416	20,199

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>	2016	2015
At 1 January	-1,443	-1,214
Change in scope of consolidation	5	-
Increase in provisions for doubtful trade accounts receivable	-2,033	-546
Utilisation of provisions	192	114
Reversal of provisions	2	117
Exchange differences	41	86
At 31 December	-3,236	-1,443

The increase in provisions for doubtful trade accounts receivable includes provisions relating to the first-time consolidation of insignificant subsidiaries of the Atlantic Zeiser Division in addition to valuation adjustments relating to the operational business. There is no forfeiting on the receivables portfolio.

4.13 Other receivables

<i>in CHF thousand at 31 December</i>	2016	2015
Construction contracts gross	63,991	28,787
./. deductible customer advances received	-52,160	-24,105
Total construction contracts net	11,831	4,682
Prepayments to suppliers	3,659	4,537
Current financial assets	2,564	92
Other receivables	4,182	8,692
Total other receivables	22,236	18,003

At the year-end, several banknote production orders for our key customers were nearing completion. Consequently, the gross amount of the receivables calculated using the PoC method increased significantly.

4.14 Inventories

<i>in CHF thousand at 31 December</i>	2016	2015
Raw materials, auxiliary materials and supplies	16,550	11,662
Semi-finished and finished products	14,246	19,133
Trading goods	16,216	16,114
Work-in-progress	496	496
Total inventories gross	47,508	47,405
./. allowance on inventories	-9,955	-10,190
Total inventories net	37,553	37,215

4.15 Tangible assets

TANGIBLE ASSETS IN 2016

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

TANGIBLE ASSETS IN 2015

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

For more information on tangible assets, please see note 4.17.

4.16 Intangible assets

INTANGIBLE ASSETS IN 2016

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

INTANGIBLE ASSETS IN 2015

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

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

4.17 Further details of tangible and intangible assets

The remaining tangible fixed assets stated at cost as of 31 December 2016 in note 4.15 consist mainly of furniture and fixtures in the amount of CHF 17,185,000 (2015: CHF 17,477,000) and IT systems (hardware) in the amount of CHF 10,960,000 (2015: CHF 10,056,000).

As at 31 December 2016, there was a commitment for the purchase of property, plant and equipment in the amount of CHF 4,627,000 (2015: CHF 1,310,000). This commitment concerns the replacement of a production machine in the Security Printing Division.

In the 2016 and 2015 financial years, no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 10,254,000 (2015: CHF 11,124,000), while CHF 706,000 (2015: CHF 827,000) was related to other leased tangible assets.

4.18 Participations

The reduction in the equity participations is due to the consolidation of the insignificant subsidiaries of the Atlantic Zeiser Division. As at 31 December 2016, the participation in the associated company Orell Füssli Kartographie Ltd in the amount of CHF 50,000 (2015: CHF 50,000) and other participations in the amount of CHF 335,000 (2015: CHF 1,047,000) are included in the participations.

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

4.19 Other non-current financial assets

<i>in CHF thousand at 31 December</i>	Notes	2016	2015
Loan assets		836	836
Pension fund assets	4.5	3,623	3,623
Other non-current financial assets		1,006	1,118
Total other non-current financial assets		5,465	5,577

4.20 Other current liabilities

<i>in CHF thousand at 31 December</i>	2016	2015
Prepayments from customers on construction contracts gross	59,952	24,105
./i. deductible customer advances received	-52,160	-24,105
Prepayments from customers on construction contracts net	7,792	-
Prepayments from customers	21,641	39,451
Liabilities to employees	320	469
VAT and similar taxes payable	762	3,728
Dividends payable	3	3
Other current payables	2,971	2,238
Total other current liabilities	33,489	45,889

4.21 Accrued expenses and deferred income

<i>in CHF thousand at 31 December</i>	2016	2015
Accrued expenses and deferred income for cost of materials	4,385	6,903
Accrued expenses and deferred income for personnel expenditure	5,700	5,709
Other accrued expenses and deferred income	2,384	3,305
Total accrued expenses and deferred income	12,469	15,917

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

4.22 Financial liabilities

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

MATURITIES OF FINANCIAL LIABILITIES

<i>in CHF thousand at 31 December</i>	From borrowings	Liabilities from finance lease	Total 2016	From borrowings	Liabilities from finance lease	Total 2015
Current financial liabilities	1,073	–	1,073	1,107	–	1,107
Non-current financial liabilities	1,875	702	2,577	1,875	662	2,537
Total financial liabilities	2,948	702	3,650	2,982	662	3,644

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

4.23 Provisions

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

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

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

The other provisions concern primarily production orders relating to Security Printing.

MOVEMENT IN PROVISIONS 2016

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

MOVEMENT IN PROVISIONS 2015

<i>in CHF thousand</i>	Personnel	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	1,692	1,346	479	3,015	6,532
Change in scope of consolidation	–	–	–69	–	–69
Additions (charged to income statement)	843	–	335	611	1,789
Reversals (charged to income statement)	–162	–43	–185	–1,784	–2,174
Utilisation during the year	–1,210	–1,098	–178	–1,113	–3,599
Exchange differences	–	–	–42	–	–42
At 31 December	1,163	205	340	729	2,437
Provisions maturing within 12 months	907	205	340	729	2,181
Provisions maturing over 1 year	256	–	–	–	256

4.24 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 2016	Deferred tax assets	Deferred tax liabilities	Balance 2015
At 1 January	5,269	-1,476	3,793	9,211	-1,508	7,703
Charges to income statement	-2,547	-477	-3,024	-3,661	-56	-3,717
Exchange differences	-26	-1	-27	-281	88	-193
At 31 December	2,696	-1,954	742	5,269	-1,476	3,793

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>	2016	2015
Deferred income tax assets on loss carry-forward gross	8,664	10,484
./. Allowance	-6,343	-5,038
Deferred income tax assets on loss carry-forward net	2,321	5,446

Deferred income tax assets arising from tax loss carry forward are recognised in as far as the related tax benefits are likely to be realised through future taxable profits. The value adjustment corresponds to a loss carried forward in the amount of CHF 23,450,000 (2015: CHF 19,449,000), which largely stems from Atlantic Zeiser GmbH and Orell Füssli Verlag Ltd.

4.25 Own shares

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

There were no own shares provided in connection with share-based compensation in the year under review or in the prior year.

4.26 Employee equity incentive plans

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

4.27 Dividend per share

In the current financial year, a dividend for the 2015 financial year in the amount of CHF 7,840,000 (CHF 4.00 per share) was paid out.

At the ordinary general meeting held on 12 May 2017, a dividend of CHF 7,840,000 (CHF 4.00 per share) will be proposed, which has not yet been recorded as a liability in the consolidated financial statements.

4.28 Goodwill from acquisitions

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

THEORETICAL STATEMENT OF GOODWILL

<i>in CHF thousand</i>	2016	2015
Cost at 1 January	1,544	6,654
Reduction due to changes in the consolidation scope (disposal of SOFHA GmbH)	–	–5,110
Cost at 31 December	1,544	1,544
Accumulated amortisation at 1 January	–967	–5,768
Depreciation and impairment	–295	–309
Reduction due to changes in the consolidation scope (disposal of SOFHA GmbH)	–	5,110
Accumulated amortisation at 31 December	–1,262	–967
	–	–
Theoretical net book value at 1 January	577	886
Theoretical net book value at 31 December	282	577

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

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

<i>in CHF thousand</i>	2016	2015
Earnings before interest and taxes (EBIT) according to consolidated income statement	18,530	17,589
Goodwill amortisation	–295	–309
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	18,235	17,280
Net income for the period after minority interests	10,806	11,025
Goodwill amortisation	–295	–309
Net income for the period after minority interests including goodwill amortisation	10,511	10,716

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

<i>in CHF thousand at 31 December</i>	2016	2015
Equity before minority interests according to the consolidated balance sheet	146,542	143,933
Theoretical capitalisation of goodwill (net book value)	282	577
Theoretical equity before minority interests including goodwill (net book value)	146,824	144,510

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

There were no contingent liabilities in 2016 or in the prior year.

4.30 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

<i>in CHF thousand at 31 December</i>	2016	2015
No later than 1 year	10,363	10,350
Later than 1 year and no later than 5 years	26,008	27,910
Later than 5 years	6,542	8,078
Total future aggregate minimum lease payments	42,913	46,338

4.31 Changes in the scope of consolidation in the 2016 financial year

Orell Füssli Banknote Engineering Ltd: Effective 1 January 2016, Orell Füssli Banknote Engineering Ltd merged with Orell Füssli Security Printing Ltd.

Atlantic Zeiser SA: Atlantic Zeiser SA in Spain was liquidated in January 2016. As of the 2016 financial year, the Spanish business is handled by Atlantic Zeiser GmbH in Germany.

OFIP Verlag Ltd: At the end of December, OF IP Verlag Ltd was founded. The firm is a 100%-owned subsidiary of Orell Füssli Holding Ltd. Its business purpose is to manage and market licences.

Consolidation of insignificant subsidiaries

As of the end of 2016, all of the subsidiaries were consolidated. This concerns the following companies:

Atlantic Zeiser Ltd, Hong Kong

Atlantic Zeiser Beijing Technology Co. Ltd, Beijing

Tritron ASIA Ltd., Hong Kong

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

In the 2015 financial year

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

4.32 Related party transactions

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

RELATED PARTY TRANSACTIONS

<i>in CHF thousand</i>	with associated entities and joint ventures	with shareholders	with other related parties	Total 2016	with associated entities and joint ventures	with shareholders	with other related parties	Total 2015
Net revenue from sales	251	72,589	–	72,840	250	67,355	–	67,605
Other operating income	407	–	–	407	606	–	–	606
Financial income	938	–	19	957	938	–	3	941
Cost of materials	–	–	–	–	–	–	–	–
Other operating expenses	24	–	260	284	22	–	260	282

<i>in CHF thousand at 31 December</i>	with associated entities and joint ventures	with shareholders	with other related parties	Total 2016	with associated entities and joint ventures	with shareholders	with other related parties	Total 2015
Trade accounts receivable	5	1,225	–	1,230	51	771	–	822
Other receivables	–	9,679	–	9,679	–	1,056	–	1,056
Investments	50	–	–	50	50	–	–	50
Financial assets	50	–	2,487	2,537	–	–	–	–
Trade payables	16	–	–	16	26	–	–	26
Other liabilities	–	20,908	–	20,908	–	29,700	–	29,700
Financial liabilities	1,875	–	–	1,875	1,875	–	–	1,875

In 2016 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 46 to 49 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2016 and 2015.

4.33 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 20 March 2017. They are subject to approval by the general meeting.

No further events that provide additional information on the items in the consolidated financial statements or cast doubt on the assumption that the company is a going concern or that would be otherwise material occurred between the balance sheet date and 20 March 2017.

5 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	
Orell Füssli Technology Ltd	Zug, CH	CHF	50		100	
Orell Füssli Buchhandlungs Ltd	Zurich, CH	CHF	5,000		51	
Orell Füssli Verlag Ltd	Zurich, CH	CHF	1,000		100	
OF IP Verlag Ltd	Stans, CH	CHF	100		100	
Orell Füssli Dienstleistungs Ltd	Zurich, CH	CHF	500		100	
Atlantic Zeiser GmbH	Emmingen, DE	EUR	869		100	
Atlantic Zeiser Inc. ⁴⁾	West Caldwell, US	USD	0			100
Atlantic Zeiser (M) SDN BHD ⁴⁾	Kuala Lumpur, MY	EUR	102			100
Atlantic Zeiser Ltd ⁴⁾	Andover, GB	GBP	0			100
Atlantic Zeiser SAS ⁴⁾	Créteil Cedex, FR	EUR	38			100
Atlantic Zeiser SRL ⁴⁾	Milano, IT	EUR	100			100
Atlantic Zeiser Ltd ⁴⁾	Hong Kong, HK	HKD	10			100
Atlantic Zeiser Beijing Technology Co. Ltd. ⁵⁾	Beijing, CN	CYN	5,000			100
Tritron GmbH ⁴⁾	Battenberg, DE	EUR	200			51
Tritron USA inc. ⁶⁾	Chester VA, US	USD	0			51
Tritron ASIA Ltd. ⁶⁾	Hong Kong, HK	EUR	50			51
Pro rata consolidated participation						
Orell Füssli Thalia Ltd ³⁾	Zurich, CH	CHF	14,000			50
Equity accounted for participations						
Orell Füssli Kartographie Ltd	Zurich, CH	CHF	210		24	

¹⁾ Capital held and voting rights in % are identical

²⁾ Capital share of the respective parent company

³⁾ Held through Orell Füssli Buchhandlungs Ltd

⁴⁾ Held through Atlantic Zeiser GmbH

⁵⁾ Held through Atlantic Zeiser Ltd, Hong Kong

⁶⁾ Held through Tritron GmbH

6 Report of the statutory auditors of the consolidated financial statements

to the General Meeting of Orell Füssli Holding Ltd., Zurich

Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements (pages 10 to 35) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 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



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 designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated 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.

We tailored the scope of our audit in order to cover the significant subsidiaries with a full scope audit or selected audit procedures. For the remaining companies, we relied on the results of the completed statutory audits and on analyses of significant changes. This enabled 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.

Materiality

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

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

Overall Group materiality	CHF 2,989,000
How we determined it	1% of net revenue from sales to customers
Rationale for the materiality benchmark applied	We chose the net revenue from sales to customers as the benchmark because, in our view, it is the key benchmark against which the main business activities can be assessed. Moreover, the results of previous years have been highly volatile

We agreed with the Audit Committee that we would report to them misstatements above CHF 298,900 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter	How our audit addressed the key audit matter
<p>As can be seen in note 4.3 to the consolidated financial statements, income from production contracts accounted for using the percentage-of-completion (PoC) method in 2016 amounted to CHF 105.6 million. This represents about 35% of net revenue from sales to customers.</p> <p>We consider revenue recognition as a key audit matter due to the significance of 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. With regard to proper revenue recognition, we identified the following risk: The contractually defined payments comprise different elements depending on the client contract. There is a risk that some elements are not recognised in the appropriate period.</p> <p>Management has defined the principles for recording net revenue from different contractual elements. For significant client orders, Management issues memorandums specifying how revenue is to be recognised for the individual contractual elements. The memorandums are submitted to the Audit Committee for approval.</p>	<p>In order to test the appropriate recognition of these elements, we performed the following:</p> <ul style="list-style-type: none"> – Performed a sample-based inspection of the underlying contracts. – Reconciled a sample of the elements recognised in revenue to the underlying contracts. – Inspected Management memorandums regarding revenue recognition of specific elements in the appropriate period and an assessment of whether the revenue recognition of these elements was in accordance with Swiss GAAP FER. – Checked whether the memorandums were approved by the Audit Committee. <p>On the basis of our audit procedures, we addressed the risk relating to revenue recognition in the appropriate period of the various contractual elements and obtained adequate assurance on this matter.</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 intends either 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



MARTIN BETTINAGLIO
Audit expert

Zurich, 20 March 2017

7 Financial statements of Orell Füssli Holding Ltd

7.1 Income statement

<i>in CHF thousand</i>	Notes	2016	2015
Income from participations	8.3	12,887	11,000
Other operating income		3,295	2,439
Total operating income		16,182	13,439
Personnel expenditure	8.4	-2,376	-2,318
Operating lease expenses		-66	-61
Administration expenses	8.5	-1,834	-2,100
Other operating expenses		-53	-96
Depreciation and impairment		-86	-87
Earnings before interest and taxes		11,767	8,777
Financial income		1,186	1,028
Financial expenses		-415	-2,329
Financial result	8.6	771	-1,301
Net operating income before extraordinary income and expenses		12,538	7,476
Extraordinary income	8.7	-	1,740
Extraordinary expenses	8.8	-148	-3,042
Earnings before taxes (EBT)		12,390	6,174
Income tax expenses		-	-
Net income for the period		12,390	6,174

7.2 Balance sheet

<i>in CHF thousand</i>	Notes	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents		20,198	23,889
Trade receivables from consolidated companies		1,424	301
Other current receivables from third parties		5	188
Other current receivables from consolidated companies	8.9	32,863	31,480
Accrued income and deferred expenses		25	25
Total current assets		54,515	55,883
Loans to consolidated companies	8.10	28,791	29,093
Participations in related companies		50	50
Participations in consolidated companies	8.11	68,450	68,350
Tangible assets		69	92
Intangible assets		58	122
Total non-current assets		97,418	97,707
		-	-
Total assets		151,933	153,590
Liabilities and equity			
Trade payables to third parties		164	106
Trade payables to consolidated companies		183	127
Short term interest-bearing liabilities to consolidated companies	8.12	4,056	9,799
Other current liabilities		74	33
Accrued expenses and deferred income		1,047	1,610
Total current liabilities		5,524	11,675
Provisions for restructuring		130	130
Total non-current liabilities		130	130
Share capital		1,960	1,960
./. Own shares		-56	-
Legal profit reserve		11,140	11,140
Retained earnings		120,845	122,511
Net income for the period		12,390	6,174
Total equity		146,279	141,785
Total liabilities and equity		151,933	153,590

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

8.1 General information

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

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

8.2 Key accounting policies

Receivables

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

Participations in consolidated and related companies

Long-term holdings of equity in other companies that confer over 50% of the voting rights are classified as a participation in a group subsidiary. The 'Overview of significant participations' can be found under '2 – 5 Notes to the consolidated financial statements', note 5.

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

8.3 Income from participations

The income from equity participations comprises dividend payments from subsidiaries during the year and from the retained earnings as of 31 December 2016. These dividend payments have already been approved by the general meetings.

8.4 Personnel expenditure

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

8.5 Administration expenses

A decrease of CHF 266,000 in administration expenses compared with the 2015 financial year is largely due to lower expenditure on external consultants in relation to strategic projects.

8.6 Financial result

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

8.7 Extraordinary income

In the 2015 financial year, the individual valuation of the participation in Orell Füssli Dienstleistungs Ltd led to it being revalued at its original share value (CHF 500,000). In addition, Orell Füssli Dienstleistungs Ltd was able to repay an impaired loan in the amount of CHF 1,000,000.

8.8 Extraordinary expenses

In 2015, impairment testing (new accounting law) led to a devaluation of Orell Füssli Verlag Ltd in the amount of CHF 2,894,000. In the 2016 financial year, payments of over CHF 148,000 were made to the pension fund of the Orell Füssli Group and, in 2015, to the retirees of the Orell Füssli Group.

8.9 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 2016, this also includes the dividend receivable with Orell Füssli Security Printing Ltd of CHF 11,000,000.

8.10 Loans to group companies

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

8.11 Participations in group companies

In the 2016 financial year, the value of the participations remained unchanged, except for the newly founded OF IP Verlag Ltd valued at CHF 100,000.

8.12 Short-term interest-bearing liabilities with group companies

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

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

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

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

<i>Number of shares at 31 December</i>	2016		2015	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Dr. Anton Bleikolm	1,000	1,000	1,000	1,000
Heinrich Fischer	2,017	2,017	2,017	2,017
Peter Stiefenhofer	1,000	1,000	1,000	1,000
Gonpo Tsering	–	–	300	300
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

<i>Number of shares at 31 December</i>	2016		2015	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Martin Buyle	250	250	250	250

In the current financial year, 448 entitlements for employee shares in Orell Füssli Holding Ltd. were allocated to the Group Management for a total amount of CHF 51,072. In the 2015 financial year, Orell Füssli did not grant any participation rights to members of the Board of Directors, the Executive Board or employees.

8.14 Major shareholders

<i>at 31 December 2016</i>	Total registered shares	Participation
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Hong Kong (HK)	303,285	15.47%
Fam. Siegert, Meerbusch (DE)	187,125	9.55%
Veraison SICAV, Zurich (CH)	174,009	8.88%
Sarasin Investmentfonds Ltd, Basel (CH) (SaraSelect)	98,250	5.01%

8.15 Further information*in CHF thousand at 31 December*

	2016	2015
Contingent liabilities in favour of consolidated companies	9,859	18,294

As at 31 December 2016, Orell Füssli Holding Ltd held 448 of its own shares, which were purchased at an average transaction price of CHF 123.95 per share in connection with the equity participation plan of the members of the Group Management.

8.16 Proposed appropriation of retained earnings and unrestricted reserves

The Board of Director's proposes to the Annual General Meeting on 12 May 2017 the payment of a dividend of CHF 4.00 per share.

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

	2016
Retained earnings at the beginning of the period	120,845
Net income for the period 2016	12,390
Retained earnings available to the annual general meeting	133,235
Dividend of CHF 4.00 per share	- 7,840
Carried forward	125,395

9 Report of the statutory auditors of the financial statements

to the General Meeting of Orell Füssli Holding Ltd., Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orell Füssli Holding AG, which comprise the income statement and balance sheet as at 31 December 2016 and notes including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 39 to 43) as at 31 December 2016 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Our audit approach

Audit scope

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

Materiality

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

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

Overall materiality	CHF 1,500,000
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 the key benchmark against which the performance of the entity can be assessed.

We agreed with the Audit Committee that we would report to them misstatements above CHF 150,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

We have no key audit matters to report.

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 intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. 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



MARTIN BETTINAGLIO
Audit expert

Zurich, 20 March 2017

Compensation Report 2016

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 1 September 2014 of SIX Exchange Regulation. Unless indicated otherwise, all of the information provided is as of 31 December 2016.

Compensation of the board of directors and the executive board

Principles

The principles regulating the compensation of the members of the Board of Directors and the Executive Board are set out in article 18 ff of the articles of incorporation (www.orellfuessli.com/articles_of_incorporation).

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

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

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

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

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

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

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

Compensation of the Board of Directors

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

Compensation of the Executive Board

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

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

and individual goals 40 percent). The Executive Board members are assessed against the group's results in addition to the EBIT. The individually determined goals, which have a three- to five-year horizon, comprise quantitative and qualitative components; such goals must also be specific, measurable, challenging, relevant and time-certain. They may concern, for example, the implementation of a project, adherence to a project budget or the further development of expertise. With the involvement of the Executive Board members, the CEO elaborates the goals of the individuals, the measurement criteria and the range of values. Lastly, he agrees on the proposed goals with the Chairman of the Board of Directors. After their approval by the Chairman of the Board of Directors, the proposed goals are reviewed by the Compensation Committee of the Board of Directors. The Compensation Committee adjusts them, if necessary, and passes on its recommendation to the attention of the Board of Directors. The Board then makes the final decision and approves the goals.

Compensation 2016

(audited from this point until the end of page 48 by the external auditor)

With regard to the 2016 equity bonus plan, the Board of Directors has determined that the members of the Group Management may receive 1/3 of their bonus in the form of shares with a vesting period of three years and at an equivalent price of +20% of that part of the bonus they are entitled to receive in shares.

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

The disclosed compensation amounts are for the services rendered in the year under review. Thus, the following tables comprise all compensation claims relating to the 2016 financial year. Compensation that has not yet been disbursed is accrued in the financial year concerned, even when the disbursement is made in the subsequent year.

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

in CHF	Fixed compensation	Variable compensation	Other payments		Total 2016
	in cash	in cash	Special allowances	Social security expenses	
Heinrich Fischer, Chairman, Compensation Committee (Member)	163,336	–	–	9,279	172,615
Dr Caren Genthner-Kappesz (as of 29.4.2016) Member of the Board of Directors	36,667	–	–	2,691	39,358
Gonpo Tsering (until 28.4.2016), Deputy Chairman Compensation Committee (Chairman)	15,000	–	–	1,101	16,101
Dieter Widmer, Audit Committee (Chairman)	70,000	–	–	5,137	75,137
Dr Thomas Moser, Compensation Committee (Chairman)	51,667	–	–	3,791	55,458
Peter Stiefenhofer, Audit Committee (Member)	55,000	–	–	4,036	59,036
Dr Anton Bleikolm, Member of the Board of Directors ¹⁾	51,667	–	–	–	51,667
Total	443,337	–	–	26,035	469,372

¹⁾ Compensation paid against invoice excl. VAT

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

COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2015

in CHF	Fixed Compensation	Variable compensation	Other payments		Total 2015
	in cash	in cash	Special allowances	Social security expenses	
Heinrich Fischer, Chairman	150,000	–	–	8,521	158,521
Gonpo Tsering, Deputy Chairman, Compensation Committee (Chairman)	45,000	–	–	3,302	48,302
Dieter Widmer, Audit Committee (Chairman)	60,000	–	–	4,403	64,403
Dr Thomas Moser, Compensation Committee (Member)	45,000	–	–	3,302	48,302
Peter Stiefenhofer, Audit Committee (Member)	45,000	–	–	3,302	48,302
Dr Anton Bleikolm, Member of the Board of Directors ¹⁾	45,000	–	–	–	45,000
Total	390,000	–	–	22,830	412,830

¹⁾ Compensation paid against invoice excl. VAT

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

in CHF

	Fixed compensation	Short term variable compensation incl. bonus share plan ²⁾		Long term variable compensation (vested benefits)	Other payments	Social security and pension fund expenses	Total 2106
	in cash (CHF)	in cash (CHF)	in shares (CHF) ³⁾	in shares (CHF) ⁴⁾			
Martin Buyle, CEO Orell Füssli Group ¹⁾	350,000	208,250		51,072	29,633	103,539	742,494
Other members of the Executive Board ¹⁾	311,004	110,760	12,667		48,976	87,268	570,675
Total	661,004	319,010	12,667	51,072	78,609	190,807	1,313,169

¹⁾ The Executive Board consisted of three members as of 31 December 2016 (incl. CEO).

²⁾ The short-term variable compensation component is paid out in the following year. With regard to short-term variable compensation component, the members of the Group Management can choose to receive it entirely in cash or 2/3 cash and 1/3 in shares.

³⁾ 3-year vesting period, valued in accordance with the market price at the time of allocation (December 2016) at CHF 122.98. Planned transfer 10.04.2017.

⁴⁾ Valued in accordance with the market price on the day of allocation (1.1.2016) at CHF 114.00.

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

COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR 2015

in CHF

	Fixed compensation	Variable compensation	Other payments		Total 2015
	in cash	in cash	Special allowances	Social security and pension fund expenses	
Martin Buyle, CEO Orell Füssli Group ¹⁾	340,004	170,000	30,155	84,784	624,943
Other members of the Executive Board ¹⁾	562,008	168,600	17,970	146,155	894,733
Total	902,012	338,600	48,125	230,939	1,519,676

¹⁾ The Executive Board consisted of four members as of 31 December 2015 (incl. CEO).

Loans and other payments

In the 2016 and 2015 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 2016, 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 auditors on the compensation report

To the attention of the Annual General Meeting of Orell Füssli Holding Ltd, Zurich

We have audited the accompanying compensation report of Orell Füssli Holding Ltd for the financial year ending 31 December 2016 (from page 47 to 48 as mentioned above).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the compensation report in accordance with the law and the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO/VegüV). The Board of Directors is also responsible for designing the remuneration system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report based on our audit. 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 compensation report complies with Swiss law and articles 14–16 of the Ordinance (ERCO/VegüV).

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2016 of Orell Füssli Holding Ltd complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



THOMAS WALLMER
Audit expert
Lead auditor



MARTIN BETTINAGLIO
Audit expert

Zurich, 20 March 2017

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 2016.

All relevant corporate governance documents (articles of incorporation, organizational regulations, internal control system, regulations regarding the registration of shares and maintenance of the share register) can be assessed online (www.orellfuessli.com/corporate_governance_e).

1. Group structure and shareholders

Operating structure of the group

In management terms, the Orell Füssli Group is structured into three divisions and the publishing companies.

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

Companies included in the scope of consolidation

The registered office of the parent company, Orell Füssli Holding Ltd, is in Zurich. The company is listed on the SIX Swiss Exchange under Security Number (Valorennummer) 342 080 and the ISIN CH0003420806. Its market capitalization as of 31 December 2016 was CHF 245 million.

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

Major shareholders

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

Cross-shareholdings

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

2. Capital structure

Capital

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

As of 31 December 2016, Orell Füssli Holding Ltd had neither contingent nor authorized capital at its disposal, and no convertible bonds or options were outstanding.

Changes in capital

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

Treasury shares

Orell Füssli Holding Ltd acquired 448 treasury shares in the context of the equity participation plan for the members of management and other participants.

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
Heinrich Fischer	1950	Switzerland	10.05.2012
Dr Anton Bleikolm	1949	Switzerland, Austria	07.05.2014
Dr Caren Genthner-Kappesz	1970	Germany	28.04.2016
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 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, 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.



Peter Stiefenhofer / Dr Thomas Moser / Dr Caren Genthner-Kappesz / Heinrich Fischer / Dr Anton Bleikolm / Dieter Widmer

CHAIRMAN

*Member of the Compensation Committee
Member of the Board of Directors since 2012*

Heinrich Fischer

Swiss, born 1950

Dipl. Ing. ETH Zurich, lic.oec.publ.
University of Zurich, MBA University of Zurich

STATIONS

1980–1990 Oerlikon-Bührle Group,
Head BU Coating Equipment, Director of Staff
Technology, Balzers Ltd., Balzers/FL

1991–1996 Oerlikon-Bührle Holding, Zurich,
Head Corporate Development and Member
of the Group Executive Board

1994–2005 ISE Integrated System Engineering,
Zurich/San José, USA, Co-Founder and
Chairman (today a division of Synopsys, Inc.)

1996–2007 Saurer Ltd, Arbon,
Delegate of the Board of Directors and CEO

Since 2007 DiamondScull Ltd, Zug,
Owner and Chairman of the Board of Directors
(Investment company for start-ups)

OTHER BOARD APPOINTMENTS

Member of the Board of Directors Hilti Ltd, Schaan/FL,
Member of the Board of Directors Sensirion Holding
Ltd, Stäfa, *Member of the Board of Directors* Tecan
Group Ltd, Stäfa, *Member of the Board of Directors*
CAMOX Fund, London, *Member of the Board of
Directors* SWM Inc., Atlanta/USA

MEMBER OF THE BOARD

Member of the Board of Directors since 2014

Dr Anton Bleikolm

Swiss and Austrian, born 1949

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

STATIONS

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

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

1980–1991 SICPA S.A., Research

1991–2000 SICPA S.A., Technical Director

2000–2010 SICPA S.A., Managing Director

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

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

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

OTHER BOARD APPOINTMENTS

None

VR-MITGLIED

Member of the Board of Directors since 2016

Dr Caren Genthner-Kappesz

German, born 1979

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

STATIONS

1999–2000 Boston Consulting Group, Munich,
Strategy Consultant

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

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

2007 eBay Express and eBay Advertising, Berlin,
Director

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

2010 Shopping.com International, Berlin,
Head Strategic Projects

2011–2012 Brands4friends (eBay), Berlin, COO

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

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

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

OTHER BOARD APPOINTMENTS

*Member of the Board of Directors and Member of the
Compensation Committee* Qliro Group AB,
Stockholm, Sweden

MEMBER OF THE BOARD

*Chairman of the Compensation Committee
Member of the Board of Directors since 2014*

Dr Thomas Moser

Swiss, born 1967

Dr.oec.publ., University of Zurich

STATIONS

1996–1999 KOF Swiss Economic Institute ETH
Zurich, Economist

1999–2001 Swiss National Bank, Zurich, Economist

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

2004–2006 Swiss National Bank, Zurich,
Assistant Director

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

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

Since 2015 Member of the KOF Executive
Committee

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

OTHER BOARD APPOINTMENTS

None

MEMBER OF THE BOARD

*Member of the Audit Committee
Member of the Board of Directors since 2014*

Peter Stiefenhofer

Swiss, born 1953

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

STATIONS

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

1990–1993 Zellweger Luwa, Uster, Group Controller

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

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

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

OTHER BOARD APPOINTMENTS

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

MEMBER OF THE BOARD

*Chairman of the Audit Committee
Member of the Board of Directors since 2011*

Dieter Widmer

Swiss, born 1963

Swiss certified public accountant (CPA) and auditor

STATIONS

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

Since 2010 Entrepreneur and independent
member of various Boards of Directors

OTHER BOARD APPOINTMENTS

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

Election and term of office

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

Internal organization

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

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

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

Audit Committee

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

Compensation Committee

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

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 income statements, 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. Please also refer to the details of the risk management in the Notes to the consolidated financial statements of Orell Füssli Holding Ltd.

Internal audit

The principal task of the Internal Audit (IA) unit, which was set up in 2013 by the Board of Directors, is to assess the effectiveness and the efficiency of risk management, the internal management and control systems, and the governance processes and to make improvements, where necessary. In addition, IA reviews compliance with standards and provides independent, objective assurance and consulting services. The Head of IA reports directly to the Chairman of the Audit Committee. In the year under review four audits/reviews focusing on the Security Printing Division, three audits/reviews focusing on the Atlantic Zeiser Division and two further audits/reviews focusing on Orell Füssli Holding Ltd/Orell Füssli Dienstleistungs Ltd were conducted. Other activities were performed in risk review and coordination, in financial assurance and in the context of group-wide security conferences. Further audits/reviews and assurance activities will be conducted at the group level and within the divisions in 2017.

4. Executive board

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

According to the articles of incorporation, 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 FÜSSLİ HOLDING LTD

*Member of the Executive Board
Orell Füssli Holding Ltd*

Martin Buyle

Austrian, born 1974

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

STATIONS

1997–2000 MTU Friedrichshafen GmbH, Friedrichshafen, Development Engineer

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

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

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

Since 1 October 2014 CEO Orell Füssli Group

OTHER BOARD APPOINTMENTS

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

CFO ORELL FÜSSLİ HOLDING LTD

*Member of the Executive Board
Orell Füssli Holding Ltd*

Beat Müller

Swiss, born 1956

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

STATIONS

1983–1985 Limmat Insurance, Zurich, Controller

1987–1989 Swissôtel, Zurich, Country Controller Switzerland

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

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

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

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

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

2012–2013 Orell Füssli Holding Ltd, Head Group Controlling

Since 1 April 2013 CFO Orell Füssli Group

OTHER BOARD APPOINTMENTS

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

HEAD HUMAN RESOURCES

ORELL FÜSSLİ HOLDING LTD

*Member of the Executive Board
Orell Füssli Holding Ltd*

Peter Crottogini

Swiss, born 1959

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

STATIONS

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

2001–2002 ESEC Management Ltd, Manager Education & Training

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

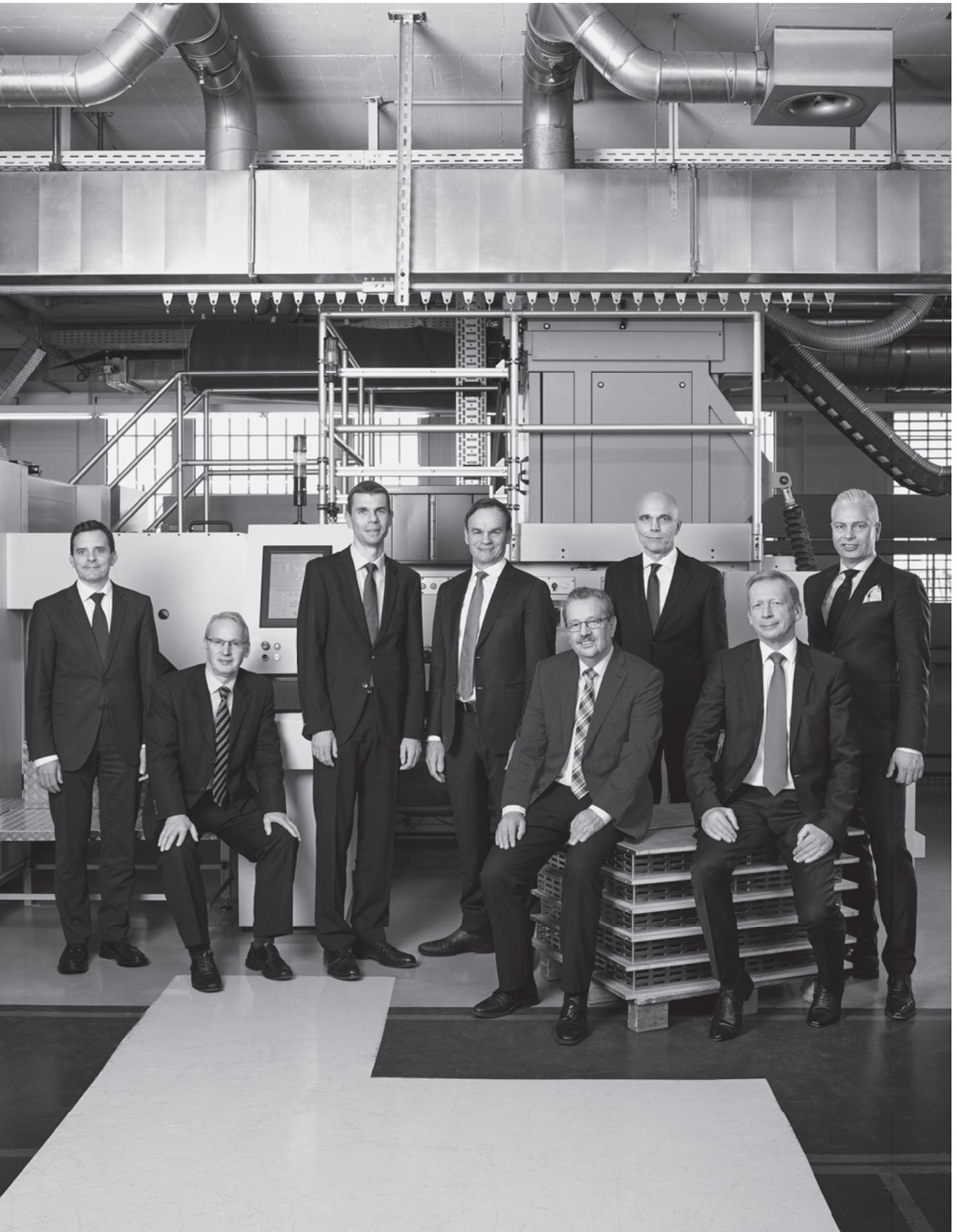
2003–2009 Sunrise Communication Ltd, Manager Training & Development

2010 Orell Füssli Holding Ltd, Head Personnel & Organisational Development

Since 1 January 2011 Head Human Resources Orell Füssli Group

OTHER BOARD APPOINTMENTS

None



Philipp Seewer / Beat Müller / Martin Buyle / Dr Dieter Sauter / Peter Crottogini / Dr Matti Schüsseler / Manfred Minich / Frank Egholm

HEAD ATLANTIC ZEISER DIVISION**Manfred Minich***German, born 1958*

Industrial Business Administrator, Study
“Corporate Management” Hochschule Pinneberg

STATIONS

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

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

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

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

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

Since 1 May 2012 Head of the Atlantic Zeiser Division

OTHER BOARD APPOINTMENTS

None

HEAD SECURITY PRINTING DIVISION**Philipp Seewer***Swiss, born 1971*

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

STATIONS

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

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

2001–2004 Alcan Composites USA,
Development Engineer

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

2008–2013 Airex AG, Sins, Director Operations

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

Since 1 April 2014 Head Security Printing Division

OTHER BOARD APPOINTMENTS

None

HEAD SECURITY PRINTING DIVISION**Dr Dieter Sauter***German, born 1968*

Studies in Physics at the Universities of Tübingen
and Stuttgart

STATIONS

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

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

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

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

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

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

Since 1 April 2014 Head Security Printing Division

OTHER BOARD APPOINTMENTS

None

HEAD PUBLISHING DIVISION**Dr Matti Schüsseler***German, born 1959*

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

STATIONS

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

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

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

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

Since 1 March 2011 Head of the Publishing Division

OTHER BOARD APPOINTMENTS

None

CEO ORELL FÜSSLI THALIA AG*(since 1 October 2016)***Frank Egholm***Dane, born 1971*

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

STATIONS

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

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

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

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

2014–2016 Staples Germany, Hamburg,
Managing Director

Since 1 October 2016 CEO Orell Füssli Thalia Ltd

OTHER BOARD APPOINTMENTS

None

5. Shareholders' participation rights

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

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

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

6. Change in control and defensive measures

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

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

7. Auditors

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

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

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

Audit fees of CHF 298,142 (2015: CHF 349,765) to PricewaterhouseCoopers were incurred in 2016.

Additional fees totaling CHF 97,589 (2015: CHF 192,107) were charged by PricewaterhouseCoopers in the year under review.

Audit supervision and control instruments

The Audit Committee is responsible for supervising and controlling the external auditors. A representative of the auditors is also invited to attend meetings of the Audit Committee to provide information. The Audit Committee assesses the performance, fees and independence of the external auditors based on criteria such as professional expertise, scope and quality of written reports and oral comments, practical feasibility of recommendations, transparent and effective communication and coordination, as well as compliance with deadlines. The Audit Committee examines annually the scope of the external audit, audit planning and the relevant processes, and discusses the audit results with the external auditors. The reporting by the external auditors includes the audit reports, the Management Letter and the detailed 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 the same time at www.orellfuessli.com. A presentation for financial analysts is held the following day.

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

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

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

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

Note regarding forward-looking statements

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

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