Financial Report
2016

1 Financial statements of the Orell Füssli Group

1.1 Consolidated income statement

in CHF thousand	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

in CHF	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

in CHF thousand	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

in CHF thousand	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

in years	Estimated useful lives
Machinery and technical installations	5 – 10
Buildings	28 – 50
Fixed facilities and renovations	10 – 28
Movable properties, leasehold improvements, vehicles	4 – 10
IT systems (hardware)	3 – 5

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

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

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

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

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

2.18 Trade accounts payable
Trade accounts payable are recognised at face value.

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

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

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

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

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

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

in CHF thousand at 31 December	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

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

SEGMENT RESULTS 2015

in CHF thousand	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

in CHF thousand	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

in CHF thousand	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

in CHF thousand	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

in CHF thousand	Nominal value ECR	Waiver of usage	Adjustments	Additions/ Reversals	Balance sheet	Balance sheet	Result from ECR in personnel expenditure	Result from ECR in personnel expenditure
	31.12.2016	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

in CHF thousand	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit / liability Group	Economic benefit / liability Group	Translation differences with no impact on the income statement	Change to prior year or charged to income statement	Contributions limited to the period	Pension costs in personnel expenditure	Pension costs in personnel expenditure
	31.12.2016	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

in CHF thousand	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

in CHF thousand	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

in CHF thousand	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

in CHF thousand	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

at 31 December	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

in CHF thousand at 31 December	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

in CHF thousand at 31 December	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

in CHF thousand	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 forfaiting on the receivables portfolio.

4.13 Other receivables

in CHF thousand at 31 December	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

in CHF thousand at 31 December	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

in CHF thousand	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	85,020	325	310	128,190	28,002	220	242,067
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

in CHF thousand	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	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

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

in CHF thousand	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

in CHF thousand at 31 December	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

in CHF thousand at 31 December	2016	2015
Prepayments from customers on construction contracts gross	59,952	24,105
./. 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

in CHF thousand at 31 December	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

in CHF thousand at 31 December	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

in CHF thousand	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

in CHF thousand	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

in CHF thousand	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:

in CHF thousand at 31 December	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

in CHF thousand	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

in CHF thousand	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

in CHF thousand at 31 December	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

in CHF thousand at 31 December	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.
OF IP Verlag Ltd: At the end of December, OF IP Verlag Ltd was founded. The firm is a 100%-owned subsidiary of Orell Füssli Holding Ltd. Its business purpose is to manage and market licences.

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

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

In 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

in CHF thousand	with associated entities and joint ventures	with shareholers	with other related parties	Total 2016	with associated entities and joint ventures	with shareholers	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

in CHF thousand at 31 December	with associated entities and joint ventures	with shareholers	with other related parties	Total 2016	with associated entities and joint ventures	with shareholers	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

			Nominal capital		% of capital held[1]
	City, Country	Currency	in 1000	direct	indirect[2]
Consolidated companies					
Orell Füssli Security Printing Ltd	Zurich, CH	CHF	10,000	100	
Orell Füssli Technology Ltd	Zug, CH	CHF	50	100	
Orell Füssli 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, con-solidated cash flow statement, consolidated statement of changes in equity and notes to the consolidat-ed financial statements, including a summary of significant accounting policies.

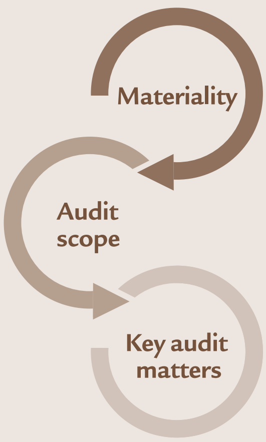
In our opinion, the accompanying consolidated financial statements (pages 10 to 35) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 responsibili-ties 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



Overall Group materiality: CHF 2,989,000

We concluded full scope audit work and selected audit procedures at four reporting units in two countries.
Our audit scope addressed 84% of the revenue from sales of the Group.

As a key audit matter, the following area of focus was identified:
Revenue recognition relating to long-term production contracts of Orell Füssli Security Printing Ltd (percentage-of-completion method).

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 ac-counting 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 misstate-ments, 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 bench-mark 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, war-ranted 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 opin-ion 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
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. 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 judge-ment 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. 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.	In order to test the appropriate recognition of these elements, we performed the following: – Performed a sample-based inspection of the underlying contracts. – Reconciled a sample of the elements recog-nised in revenue to the underlying contracts. – Inspected Management memorandums re-garding revenue recognition of specific ele-ments in the appropriate period and an as-sessment 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. On the basis of our audit procedures, we addressed the risk relating to revenue recognition in the appropriate period of the various contrac-tual elements and obtained adequate assurance on this matter.

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 guaran-tee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

PricewaterhouseCoopers AG

THOMAS WALLMER	MARTIN BETTINAGLIO
Audit expert	*Audit expert*
Auditor in charge	

Zurich, 20 March 2017

7 Financial statements of Orell Füssli Holding Ltd

7.1 Income statement

in CHF thousand	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

in CHF thousand	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

Number of shares at 31 December	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

Number of shares at 31 December	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

at 31 December 2016	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 responsibili-ties 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 consid-ering 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 pro-vide 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 mate-rial misstatement when it exists. Misstatements can arise from fraud or error and are considered mate-rial 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 descrip-tion 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 state-ments 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