Annual Report 2018

orell füssli

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

In its security printing segment Orell Füssli produces banknotes, identity documents and securities, and is noted for innovative applications of printing processes and technologies. In the industrial systems segment Zeiser supplies installations and services for the digital printing and encoding of banknotes, passports and security documents. 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 250 million with about 700 employees at locations in eight countries and is listed on the SIX Swiss Exchange.

Editorial
Dear shareholder,

Orell Füssli can look back on an eventful year in which structural adjustments were made and work was continued on the longer-term challenges facing the company. Despite an overall decline in net revenue, operating earnings of CHF 20.1 million before special items were 12% higher compared with the previous year (CHF 17.9 million). In the Zeiser Division the decision to focus on the core business of serialising banknotes and security documents was put into effect with the sale of operating units to Coesia S.p.A., thus laying the foundation for the profitable future of the business. In Security Printing the shift in the product mix made itself felt for the first time in 2018 and was countered by the acquisition of new customers and cost optimisation. Book Retailing posted its best result since the launch of the joint venture in 2013 and continued the resolute implementation of the transformation programme.

NET REVENUE
in CHF million
264.9

The Orell Füssli Group posted net revenue of CHF 264.9 million in the 2018 financial year. Operating earnings (EBIT) amounted to CHF 12.0 million, including accumulated special items totalling CHF -8.1 million. Net income at Orell Füssli was depressed mainly by non-recurring, non-cash expenditure in the amount of CHF 54.0 million in connection with the sale of parts of Atlantic Zeiser's business and amounted to CHF -47.2 million. The equity ratio was a solid 66%.

The Zeiser Division underwent a strategic reorientation and change in structure in the past year. With the sale of the card personalisation systems and packaging business segments to an industrial investor with potential for synergy on September 30, 2018, these operations were assured of a sound future. At the same time this provided Zeiser with the required focus on its strategic core, which in addition to its outstanding position on the market is also healthily profitable and has decades of know-how at its disposal in its personnel. As already announced in the course of the year and expected, substantial non-recurring expenditure was incurred in connection with this transaction and the reorientation of the business, the majority of which had no adverse impact on the company's liquidity. We are very confident in our outlook that the foundation for a successful future for Zeiser has been laid.

EBIT
BEFORE SPECIAL ITEMS
in CHF million
20.1

At the Security Printing Division, the change in customer structure and in particular the decline in printing volumes for both anchor customers was clearly apparent in 2018. Production volumes were slightly lower than in the previous year, and at the same time important operating parameters were further optimised. The continuous improvement in productivity and reduction of waste reflect the experience acquired over years from the production of new series of banknotes for our two anchor customers. The Swiss National Bank issued a further denomination in the shape of the 200-Swiss franc note in 2018, so that only the 1000- and 100-Swiss franc notes remain to complete the 9th series of banknotes in 2019. The acquisition of orders from third-party customers is proving challenging in the face of a more competitive market environment, but further new customers were impressed by the Orell Füssli Group's offering in 2018. Security Printing will continue to position itself as a supplier of banknotes of the highest quality featuring the finest design technology and seek to establish long-term partnerships going forward. In 2019 the emphasis will be on the wider penetration of the third-party customer market in addition to the adaptation of the structural and process organisation to the changes in market conditions.

Book Retailing made encouraging progress in 2018. Although the market environment continued to be very challenging, Book Retailing reported a slight increase in net income and an improvement in operating earnings to their highest level since the launch of the joint venture in 2013. Concentration on the measures defined in the transformation programme, which was in its third year of implementation in 2018, paid off, especially since work on cost items continued unabated. The www.orellfüssli.ch platform proved its value as the basis of an integrated omni-channel strategy, as did the adjustments to the branch portfolio. Alongside the realisation of the two new inner-city branches in St. Gall and Basle, Book Retailing was also able to secure promising new space in Zurich and Pfäffikon. Book Retailing is well positioned to hold its own in a difficult market environment in 2019.

In conclusion, the Board of Directors together with the Executive Board will push on the corporate strategy for the Orell Füssli Group as a whole in 2019. The objective is to lay the foundation for long-term development on the basis of the company's existing strengths which will sustainably position Orell Füssli in times of rapid transformation and major changes and thus live up to the standards of a 500-year-old company.

EBIT
in CHF million
12.0

For the 2019 financial year we foresee a somewhat weaker earnings trend. Due to the structural adjustments made to the business model we expect an improvement in the earnings situation at the Zeiser Division. At Security Printing we continue to expect a potential decline in earnings due to the change in the product mix to lower-margin orders while further improvements are made in operating performance. At Book Retailing we foresee prospects similar to 2018, with the course of Christmas business in 2019 by tradition being the decisive factor for the earnings situation.

The Board of Directors will propose to the Annual General Meeting to be held on May 15, 2019, that a regular dividend of CHF 4.00 per share be paid. In addition, the Board of Directors will propose to the Annual General Meeting on May 15, 2019, that a special jubilee dividend of CHF 2.00 per share be paid on the occasion of Orell Füssli's 500th anniversary.

Dear shareholder, we can look back on a challenging year, during which major changes were completed at Zeiser and Security Printing had to cope with the expected challenges presented by the market. The Board of Directors and the Executive Board will continue to work together to achieve further progress in the strategic development of the company in its jubilee year.

We wish to take this opportunity to express our thanks especially to our customers and our shareholders for their loyalty and the confidence they place in us and the Orell Füssli Group. Thanks also to our employees in all companies for their committed efforts and their determination to move forward together with the company.

Zurich, March 2019

DR. ANTON BLEIKOLM
Chairman of the Board of Directors

MARTIN BUYLE
CEO

Key figures
2018

INCOME STATEMENT

in CHF million	2018	2017	2016	2015	2014
Net revenue	**264.9**	**288.5**	**298.9**	**279.4**	**288.1**
Thereof Zeiser	50.7	55.9	72.2	52.7	73.9
Thereof Security Printing	112.3	129.8	121.2	117.4	92.7
Thereof Book Retailing	92.2	91.7	94.8	98.8	110.4
Thereof Publishing	10.1	11.1	10.8	10.3	10.8
EBITDA	**26.5**	**28.5**	**33.1**	**37.4**	**21.2**
in % Net revenue	*10.0%*	*9.9%*	*11.1%*	*13.4%*	*7.4%*
EBIT before special items	**20.1**	**17.9**	**20.3**	**21.5**	**3.0**
Thereof Zeiser	–1.2	–2.1	3.9	3.4	2.2
Thereof Security Printing	18.8	20.1	17.4	18.4	–1.0
Thereof Book Retailing	5.0	1.8	1.5	1.8	2.4
Thereof Publishing	–0.3	–0.1	–0.6	–0.4	–0.4
Special items [1]	–8.1	–5.3	–1.8	–3.9	1.0
EBIT	**12.0**	**12.6**	**18.5**	**17.6**	**4.0**
Thereof Zeiser	–8.5	–6.7	2.0	0.4	2.6
Thereof Security Printing	18.0	20.1	17.4	17.5	–0.6
Thereof Book Retailing	5.0	1.6	2.0	1.8	3.1
Thereof Publishing	–0.3	–0.1	–0.9	–0.4	–0.4
in % Net revenue	*4.5%*	*4.4%*	*6.2%*	*6.3%*	*1.4%*
Net income for the period	**–47.2**	**6.4**	**12.3**	**12.8**	**1.7**
Net income for the period before extraordinary result	**6.9**	**6.4**	**12.3**	**12.8**	**1.7**
Thereof minority interests	2.9	1.6	1.5	1.8	2.2
Net income for the period after minority interests	**–50.1**	**4.8**	**10.8**	**11.0**	**–0.5**
Net income in % Net revenue	*–17.8%*	*2.2%*	*4.1%*	*4.6%*	*0.6%*

NET REVENUE
in CHF million
264.9

EBIT BEFORE SPECIAL ITEMS
in CHF million
20.1

BALANCE SHEET

in CHF million	2018	2017	2016	2015	2014
Tangible assets	58.6	75.2	77.0	86.9	100.5
Total assets	223.5	229.5	235.9	240.1	256.2
Total equity	**148.5**	**156.2**	**160.4**	**159.1**	**145.8**
Thereof minority interests	6.9	10.8	13.8	15.2	14.1
Equity financing ratio	66.5%	68.1%	68.0%	66.3%	56.9%

EQUITY FINANCING RATIO
66.5%

ADDITIONAL KEY FIGURES

	2018	2017	2016	2015	2014
Cash flow from operating activities adjusted [2]	23.3	21.4	25.8	32.8	12.6
Investment	10.0	9.5	8.2	12.0	16.7
Free Cash flow	**13.3**	**11.9**	**17.6**	**20.8**	**–4.1**
Full time equivalents FTE (annual average)	807.0	867.0	881.0	893.0	982.0
ROCE (NOPAT/Capital Employed) [3]	**4.9%**	**3.5%**	**7.1%**	**8.1%**	**1.4%**

ROCE
4.9%

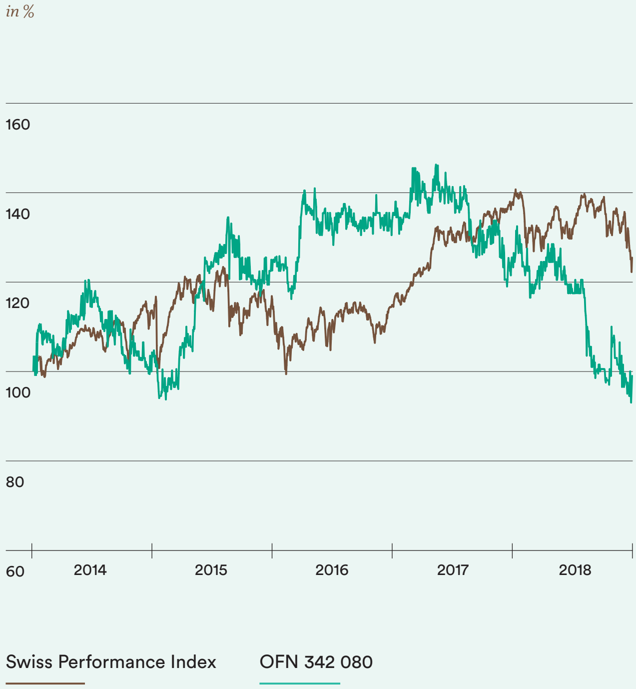
SHARE FIGURES

in CHF	2018	2017	2016	2015	2014
Year-end share price	**87.50**	**112.80**	**125.00**	**112.10**	**92.75**
Profit/Loss per share	**–25.56**	**2.44**	**5.51**	**5.63**	**–0.27**
Profit/Loss per share before extraordinary result	**2.03**	**2.44**	**5.51**	**5.63**	**–0.27**
Dividend per share	6.00	4.00	4.00	4.00	0.00
Yield on shares	6.9%	3.5%	3.2%	3.6%	0.0%
Dividend payout ratio before extraordinary result	296.2%	164.3%	72.6%	71.1%	0.0%
Price earnings ratio before extraordinary result	**43.2**	**46.3**	**22.7**	**19.9**	**–345.0**

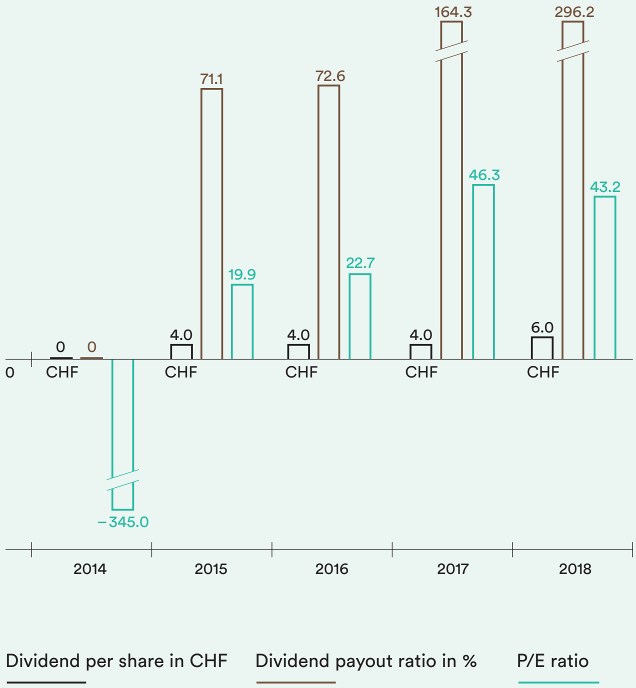
DIVIDEND PER SHARE 2018
in CHF
6.00

[1] Special items Zeiser: Total: CHF 7,362,000 (personnel CHF 3,487,000, other operating expenses CHF 3,263,000, remaining CHF 612,000)
[2] Cash flow from operating activities minus net current assets minus net income for the period minority interests
[3] Capital Employed: Average equity plus average interest-bearing liabilities plus average pension fund liabilities

SHARE PRICE DEVELOPMENT

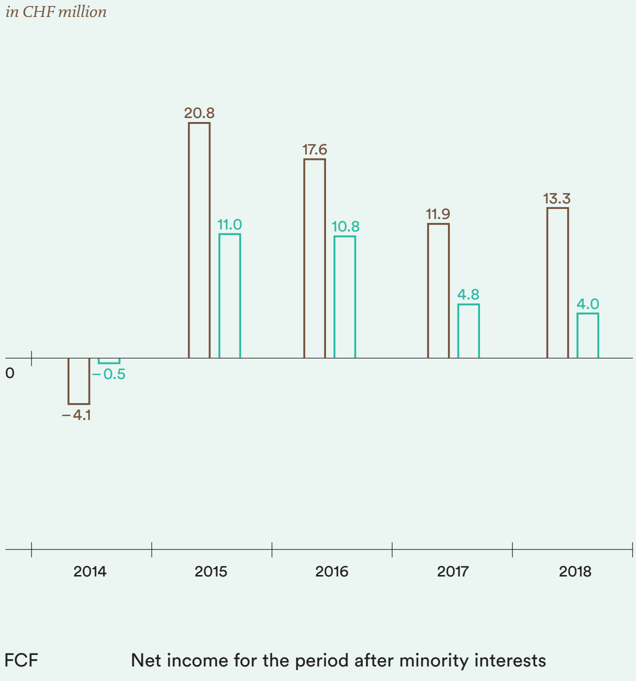


INFORMATION ABOUT DIVIDEND [1]



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

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



[1] In 2018 before extraordinary result

Business in 2018

The Orell Füssli Group posted a decline in net revenue in 2018. This was attributable to lower net revenue at the Security Printing and Zeiser divisions. Operating earnings (EBIT) were unchanged at the previous year's level. After adjustments for special items operating earnings (EBIT) were higher than in the previous year.

Orell Füssli reported net revenue of CHF 264.9 million in the 2018 financial year, equivalent to a decline of some 8% compared to the previous year (CHF 288.5 million). This was mainly attributable to lower outcomes at the Security Printing and Zeiser divisions. Operating earnings (EBIT) before special items amounted to CHF 20.1 million in 2018, representing an increase of some 12% compared to the previous year (CHF 17.9 million). Operating earnings (EBIT) were CHF 12.0 million (CHF 12.6 million in 2017). This figure includes special items amounting to CHF -8.1 million, which originate mainly from expenditure in connection with the restructuring of Zeiser. Net income at Orell Füssli was depressed mainly by non-recurring, non-cash expenditure in the amount of CHF 54.0 million relating to the sale of parts of Atlantic Zeiser's business and amounted to CHF -47.2 million.

Shareholders' equity including minority interests declined from CHF 156.2 million to CHF 148.5 million. The equity ratio was 66.5% (68.1% in 2017).

SEGMENTAL RESULTS

in CHF thousand	2018	2017	2016	2015	2014
Division Zeiser (until 2017 Atlantic Zeiser)					
Net revenue from sales to customers	50,708	55,850	72,198	52,670	73,929
Operating earnings before special items	–1,162	–2,062	3,892	3,369	2,234
Operating earnings (EBIT)	–8,524	–6,723	1,958	369	2,598
Division Security Printing					
Net revenue from sales to customers	112,318	129,845	121,183	117,446	92,689
Operating earnings before special items	18,767	20,145	17,432	18,427	–992
Operating earnings (EBIT)	18,020	20,145	17,432	17,514	–643
Division Book Retailing					
Net revenue from sales to customers	92,171	91,673	94,776	98,832	110,366
Operating earnings before special items	4,970	1,971	1,550	1,820	2,384
Operating earnings (EBIT)	4,970	1,587	2,022	1,820	3,080

Zeiser Division

The Zeiser Division reported net revenue of EUR 43.9 million in the 2018 financial year. The decline of some 12% compared to the previous year (EUR 50.2 million) was due to the absence of the business segments sold in the final quarter of the year under review. Operating earnings (EBIT) before special items amounted to EUR -1.0 million, an improvement on the previous year's outcome (EUR -1.8 million). Operating earnings (EBIT) in 2018 amounted to EUR -7.4 million (EUR -6.0 million in 2017) due to special charges following the sale of parts of Atlantic Zeiser's business.

NET REVENUE ZEISER

in EUR million

43.9

When comparing the financial statistics for 2018 with the equivalent historical figures it should be borne in mind that the Zeiser Division's business activities underwent fundamental changes in the year under review. Until September 30, 2018, these comprised the business segments of banknote serialisation, card personalisation systems and packaging. Since the sale of activities in the business segments of card personalisation systems and packaging together with the holding in Tritron GmbH to the Italian Coesia Group the division has focused exclusively on the former banknote serialisation business segment since October 1, 2018.

The parts of Atlantic Zeiser's business sold to Coesia generated net revenue of approx. EUR 26 million up to September 30, 2018, with negative operating earnings.

With effect from October 1, 2018, the Zeiser Division has been focused on the core activity of serialising banknotes and security documents and has adjusted all business processes accordingly. By taking this step, Zeiser is concentrating on the company's profitable core with a strong position on international markets and a long-standing tradition. In the case of the core product of numbering systems Zeiser controls the entire value chain from design through manufacture, assembly, marketing and sales, to after sales services. The serialisation of passports and security documents forms a further field of operations, where laser and chip programming as well as digital inkjet printing are utilised in addition to the above-mentioned technologies. Zeiser cooperates with technology partners for these applications.

In the context of its reoriented business activities the company succeeded in acquiring several large projects in the course of 2018. In particular, new projects in the field of passport personalisation were secured in the second half of 2018 after prolonged reluctance to invest on the part of customers. This resulted in a large order backlog at year-end, which ensures a firm workload for the initial months of 2019. Breakeven operating results were already generated in the final quarter of 2018. Segregating Zeiser's field of operations from overall business activity in 2018 results in isolated net revenue of EUR 17.9 million, equivalent to approx. 41% of total net revenue for 2018. Future sales potential for the company is foreseen at some EUR 20 million with clearly positive earnings.

Following the clear strategic reorientation of the Zeiser Division in the year under review, the focus in 2019 will be on the sustained implementation of the new business processes and the organisation. Alongside maintaining and expanding the company's dominant market position, cost structures are to be optimised and business opportunities offering synergies pursued.

Security Printing Division

The Security Printing Division posted net revenue of CHF 112.3 million in 2018, a reduction of some 13% compared to the previous year (CHF 129.8 million). The decline in net revenue was attributable to changes in the product mix and lower order intake. Operating earnings (EBIT) before special items amounted to CHF 18.8 million (CHF 20.1 million in 2017). Further operating improvements in terms of productivity and waste levels, as well as a reduction in fixed costs compared to the previous year, were unable to offset in full the decline in gross income due to changes in the product mix. Operating earnings (EBIT) of CHF 18.0 million were some 11% lower than in the previous year (CHF 20.1 million). This figure includes exceptional expenditure in connection with optimisation and strategy analyses (CHF -0.8 million).

In 2018 the Security Printing Division reported a workload-related reduction in output of some 5% compared to the previous year. Production volumes for its two anchor customers were lower for the first time since 2014. This was mainly attributable to the fact that the issue of new series of banknotes was either already complete or approaching its conclusion and thus order volumes were gradually adjusting again to a normal level. This effect was partially offset by the acquisition of new orders from third-party customers for production in 2018 and subsequent years. Overall, several third-party customers with attractive volumes of banknotes were won over by the company's qualities in the year under review. In addition, market-related cooperation with Landqart Ltd commenced and is to be further intensified in the years to come. However, successfully positioning ourselves as a supplier of high-quality and at the same time economically attractive banknotes remains a challenging task in the medium term in a keenly competitive market environment.

NET REVENUE SECURITY PRINTING
in CHF million
112.3

The high-quality series of banknotes featuring unique security technology are proving their worth in circulation. The Swiss National Bank issued a further new denomination in the shape of the 200-Swiss franc note in the summer of 2018. The issue of Switzerland's new series of banknotes will conclude in 2019 with the 1000- and 100-Swiss franc notes. The progressive issue process significantly reduces development expenditure for the new series of banknotes. Resources that are released will in future be applied to the formation of strategic partnerships and the acquisition of new customers. The experience gained since the initial issue of the new series of banknotes has enabled the manufacturing process to be further optimised continuously and quality to be significantly enhanced. Alongside the stabilisation of the manufacturing process, machine speeds have been increased. These steps resulted in a year-on-year improvement in productivity of some 5% overall. Further potential exists in the optimisation of setup processes and the reduction of downtimes. No major investments in production machines were made in the year under review. Attention was focused on the selective updating and implementation of improvements in security – on systems, on the infrastructure and in the building.

For the Security Printing Division 2019 will be dominated by a further significant increase in the volume of third-party orders acquired as well as the economically optimal alignment of the company to the expected shift in the product mix.

Book Retailing Division

The Book Retailing Division posted pro rata consolidated net revenue of CHF 92.2 million in the 2018 financial year, slightly higher than a year earlier (CHF 91.7 million). Operating earnings (EBIT) were not depressed by special items in 2018 and increased sharply in the year under review compared to the previous year to CHF 5.0 million (CHF 1.6 million in 2017). This positive trend was attributable mainly to a further improvement in the cost structure compared to the previous year.

NET REVENUE BOOK RETAILING

in CHF million

92.2

In the year under review the Book Retailing Division reported a slight increase in net revenue compared to the previous year for the first time in 10 years. This was despite continued adverse market conditions in the Swiss book trade, which again suffered a 1.0% decline in sales on a comparable basis in 2018 (-2.9% in 2017). The Book Retailing Division resisted this general trend with numerous measures in the past year and increased its market share. On the basis of comparable selling space, growth in net revenue amounted to 2.1% (-2.0% in 2017). Growth in the digital and online mail order business continued in 2018.

The pleasing trend in net revenue and operating earnings shows that the transformation programme launched in 2015 and resolutely implemented since then is bearing fruit. Steps such as ongoing work on the bricks-and-mortar product range and the expansion of customer loyalty programmes such as the «Young Circle», a community for a younger readership, made a considerable contribution to the continuing positive trend relative to the market environment. In addition, the unification of the online brands at www.orellfüssli.ch, completed in 2017, also had a favourable impact. With regard to expenditure the main focus of attention remained on increasing productivity per unit of space and optimising indirect costs. The merger of the activities of Orell Füssli with Delivros in the business customer segment agreed in the 2018 financial year boosted our presence in this important market segment. This transaction was completed in January 2019.

The bricks-and-mortar branch portfolio was reinforced in several places by relocations and new openings. New sites offering improved profitability were occupied in the inner cities of Basle and St. Gall. Orell Füssli was also able to secure new branch premises in attractive locations on Europaallee in Zurich and in the Seedamm Center in Pfäffikon. These moves will be implemented in the current financial year.

The emphasis for the Book Retailing Division in 2019 will be on the profitable expansion of market share across all sales channels. The continuing resolute pursuit of transformation activities will provide the basis for this.

Publishing

Net revenue at Orell Füssli Publishing in 2018 was 9% lower than the previous year's figure. While total sales of legal media and educational media remained stable, there was a steep decline in the non-fiction and children's book segments. In non-fiction, lower sales figures had been expected as a result of focusing the programme on fewer titles. In children's books the «atlantis» and «OF Children's Book» segments delivered satisfactory figures. Unfortunately, Globi Publishing posted lower sales for the first time after years of steady growth.

Important new publications in the non-fiction segment were «Erbsünde», a Vatican exposé by Gianluigi Nuzzi, and «Eure Gesetze interessieren uns nicht» by Shams Ul-Haq, a reportage on Muslim radicalisation. Among the numerous new children's book titles, the sales figures of «Globi und die Demokratie» and «Papa Moll zieht um» in autumn were outstanding, as well as «Richtig giftig» by Lorenz Pauli and Claudia de Weck. The programme range in educational media was expanded especially in the subject field of mathematics, by the follow-up volumes on «Algebra» and by the new «Stochastik» teaching aid. Legal media supplemented and updated their «Repetitorien», «Übungsbücher» and «Kommentare» series, and the house website «navigator.ch» was also rewritten.

NET REVENUE PUBLISHING

in CHF million

10.1

Personnel

Frank Egholm, CEO of Orell Füssli Thalia Ltd, left the company on January 12, 2018.
Pascal Schneebeli, previously CFO of Orell Füssli Thalia Ltd, was appointed as his successor.

Dr Dieter Sauter, Co-Head of the Security Printing Division, left the company on October 1, 2018.

Financial Report
2018

1 Financial statements of the Orell Füssli Group

1.1 Consolidated income statement

in CHF thousand	Notes	2018	2017
Net revenue from sales to customers	4.1/4.3/4.4	264,867	288,502
Other operating income	4.4	3,930	4,599
Changes in inventories of semi-finished and finished products, capitalised costs	4.4	5,540	−2,071
Total operating income	4.4	274,337	291,030
Cost of materials		−106,648	−119,792
External production costs		−10,781	−10,065
Personnel expenditure	4.5 / 4.6	−82,198	−83,189
Other operating expenses	4.7	−48,165	−49,478
Depreciation and impairment on tangible assets	4.17	−13,677	−15,086
Depreciation and impairment on intangible assets	4.18	−878	−777
Earnings before interest and taxes (EBIT)	4.1	11,990	12,643
Financial income		1,341	1,764
Financial expenses		−2,014	−1,022
Financial result	4.8	−673	742
Ordinary result		11,317	13,385
Extraordinary result	4.9	−54,035	–
Earnings before income taxes (EBT)		−42,718	13,385
Income tax expenses	4.10	−4,447	−6,989
Net income for the period		−47,165	6,396
Attributable to the shareholders of Orell Füssli Holding Ltd		−50,067	4,771
Attributable to minority interests		2,902	1,625

in CHF	Notes	2018	2017
Earnings per share	4.11	−25.56	2.44
Diluted earnings per share	4.11	−25.56	2.43

The disclosures on pages 14 to 36 form an integral part of the financial report.

1.2 Consolidated balance sheet

in CHF thousand	Notes	31.12.2018	31.12.2017
Assets			
Cash and cash equivalents	4.12	99,994	85,961
Marketable securities	4.13	–	358
Trade accounts receivable	4.14	22,573	19,843
Other receivables	4.15	17,518	11,329
Inventories	4.16	21,089	32,250
Current income tax receivables		291	1,530
Accrued income and deferred expenses		3,368	3,032
Total current assets		164,833	154,303
Tangible assets	4.17 / 4.19	49,114	64,560
Intangible assets	4.18	2,391	2,199
Financial assets	4.20	2,535	2,535
Deferred tax assets	4.26	16	5
Other non-current financial assets	4.21	4,567	5,869
Total non-current assets		58,623	75,168
Total assets		223,456	229,471
Liabilities and equity			
Trade payables		7,261	9,282
Other current liabilities	4.22	42,030	36,346
Current income tax liabilities		4,224	4,423
Accrued expenses and deferred income	4.23	11,369	16,171
Current financial liabilities	4.24	–	1,170
Current provisions	4.25	4,306	1,025
Total current liabilities		69,190	68,417
Non-current financial liabilities	4.24	1,635	2,455
Pension fund liabilities		99	316
Non-current provisions	4.25	2,703	305
Deferred tax liabilities	4.26	1,326	1,780
Total non-current liabilities		5,763	4,856
Share capital		1,960	1,960
Capital reserves		4,176	4,212
Own shares	4.27	−162	−124
Retained earnings		139,575	155,226
Translation differences		−3,955	−15,842
Total equity before minority interests		141,594	145,432
Minority interests		6,909	10,766
Total equity		148,503	156,198
Total liabilities and equity		223,456	229,471

The disclosures on pages 14 to 36 form an integral part of the financial report.

1.3 Consolidated cash flow statement

in CHF thousand	Notes	2018	2017
Net income for the period		−47,165	6,396
Change in employee equity incentive plans		−36	−38
Depreciation	4.17 / 4.18	14,237	14,930
Impairment and amortisation	4.17 / 4.18	318	933
Non-cash related result from disposals of part of the Atlantic Teiser Group		52,981	–
Other non-cash related income and expenses		1,313	−1,546
Change in trade accounts receivable		−11,996	6,332
Change in inventories		9	6,238
Change in other receivables		−6,978	10,024
Change in trade payables		−66	−9,413
Change in other liabilities		9,335	3,163
Change in accrued income and deferred expenses		−343	−30
Change in accrued expenses and deferred income		−294	36
Change in provisions and deferred income tax		5,176	2,373
Cash flow from operating activities		16,491	39,398
Purchase of tangible assets	4.17	−9,029	−8,246
Proceeds from disposals of tangible assets		20	323
Purchase of intangible assets	4.18	−921	−1,187
Disposals of part of the Atlantic Teiser Group	4.9	18,715	–
Purchase of other financial assets		–	−2,150
Purchase of other non-current assets		−3	−56
Proceeds from disposals of other non-current assets		235	9
Cash flow from investing activities		9,017	−11,307
Increase of financial liabilities		–	47
Repayment of financial liabilities		−1,155	–
Purchase of company's own shares	4.27	−38	−125
Reduction of share capital (Orell Füssli Buchhandlungs Ltd, minority interest)		–	−2,401
Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, Tritron GmbH)		−1,591	−2,679
Dividends paid	4.29	−7,835	−7,836
Cash flow from financing activities		−10,619	−12,994
Translation effects		−856	907
Increase in cash and cash equivalents		14,033	16,004
Cash and cash equivalents at 1 January		85,961	69,957
Cash and cash equivalents at 31 December		99,994	85,961

The disclosures on pages 14 to 36 form an integral part of the financial report.

1.4 Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Own shares	Retained earnings and net income	Goodwill offset with equity	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2017	1,960	4,250	−56	228,474	−70,183	−17,903	146,542	13,814	160,356
Dividends paid	–	–	–	−7,836	–	–	−7,836	−2,679	−10,515
Reduction of share capital	–	–	–	–	–	–	–	−2,401	−2,401
Employee equity incentive plans	–	−38	−68	–	–	–	−106	–	−106
Currency translation effects	–	–	–	–	–	2,061	2,061	407	2,468
Net income for the period	–	–	–	4,771	–		4,771	1,625	6,396
Total Equity at 31 December 2017	1,960	4,212	−124	225,409	−70,183	−15,842	145,432	10,766	156,198
Equity at 1 January 2018	1,960	4,212	−124	225,409	−70,183	−15,842	145,432	10,766	156,198
Disposals of Tritron GmbH and Tritron USA	–	–	–	–	–		–	−5,169	−5,169
Dividends paid	–	–	–	−7,835	–	–	−7,835	−1,591	−9,426
Disposal of goodwill in equity	–	–	–	–	42,251	–	42,251	–	42,251
Disposal of foreign exchange in equity	–	–	–	–	–	12,255	12,255	–	12,255
Employee equity incentive plans	–	−36	−38	–	–	–	−74	–	−74
Currency translation effects	–	–	–	–	–	−368	−368	1	−367
Net income for the period	–	–	–	−50,067	–	–	−50,067	2,902	−47,165
Total Equity at 31 December 2018	1,960	4,176	−162	167,507	−27,932	−3,955	141,594	6,909	148,503

The share capital as at 31 December 2018 and 31 December 2017 consisted of 1,960,000 registered shares with a par value of CHF 1.00 each.

The amount of accumulated non-distributable reserves stands at CHF 13,743,000 (2017: CHF 13,743,000).

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

Of the total amount of goodwill and currency translation differences, CHF 30,373,000 (2017: CHF 84,511,000) relates to the Industrial Systems segment.

The disclosures on pages 14 to 36 form an integral part of the financial report.

2 Accounting policies

2.1 Basis of accounting

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

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

2.2 Consolidation

Subsidiaries

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

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

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

Participations in joint ventures

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

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

Participations in associated companies

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

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

Other participations

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

2.3 Currency translation

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

The consolidated financial statements are presented in Swiss francs. To prepare the consolidated financial statements, the assets and liabilities of foreign subsidiaries are converted into Swiss francs at the market rate as of the corresponding balance sheet date. Revenues and expenses are converted at the average currency exchange rate for the financial year. Translation differences and foreign currency gains on equity-like long-term loans are booked neutrally for profit purposes under currency differences in the shareholders' equity. In the event of the disposal of a foreign subsidiary, the related accumulated translation differences booked on the income statement are de-recognised and disclosed as part of the profit or loss from the disposal.

The Orell Füssli Group used the following currency exchange rates (Market rate and annual average rate) for the 2018 and 2017 financial years:

CURRENCY EXCHANGE RATES

	Market rate		Annual average rate	
	31.12.2018	31.12.2017	2018	2017
EUR at a rate of CHF	1.1265	1.1696	1.1549	1.1116
USD at a rate of CHF	0.9842	0.9763	0.9780	0.9849
GBP at a rate of CHF	1.2536	1.3174	1.3056	1.2684

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 2.13) is recognised using the percentage of completion method (PoC) in order to record the portion of total sales for the reporting period.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.13 Construction contracts poc (included in other receivables)

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

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

2.14 Inventories

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

2.15 Tangible assets

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

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

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

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

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.

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

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

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

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

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

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

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

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

As part of the equity bonus plan, the members of the Group Management and the senior management can elect, on a voluntary basis, to receive a portion of their annual bonus in the form of restricted shares at a preferential price set by the Board of Directors. The Board of Directors determines each year the portion of the bonus that can be awarded in shares, the duration of the vesting period and the preferential price. This share-based compensation is valued at the average share price for the month of December and charged to personnel expenditure. The voting rights and dividend rights are transferred with the transfer of the shares to the beneficiary. With regard to the 2018 equity bonus plan, the Board of Directors has determined that the members of the Group Management and the senior mana§gement may receive 1/3 of their bonus in the form of shares with a vesting period of 3 years and at an equivalent price of +20% of that part of the bonus they are entitled to receive in shares.

2.24 Employee retirement benefit schemes

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

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

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

2.25 Provisions

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

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

2.26 Share capital

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

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

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

3 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 19 March 2018, the Board of Directors took note of management's report on group-wide risk management and approved the steps proposed.

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

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

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

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

Correspondingly, there is no interest-rate hedging.

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

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

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

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

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

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF thousand	Notes	31.12.2018	31.12.2017
Cash and cash equivalents	4.12	99,994	85,961
Prepayments PoC / from customers	4.22	−37,741	−31,628
Other financial assets / liabilities	4.15 / 4.24	−1,635	−3,625
Cash and cash equivalents net		60,618	50,708
Thereof assigned to other shareholders		8,562	11,315
Disposable cash and cash equivalents		52,056	39,393
Available lines of credit		66,825	83,200
./. Secured guarantees by banks (without prepayment guarantees)		−1,018	−3,258
./. Lines of credit used		–	−1,170
Total disposable cash and cash equivalents and unused lines of credit		117,863	118,165

As well as the committed credit facilities in local currencies, sufficient funds should also be available to conduct ordinary business activities in the future. After the disposal of parts of Atlantic Zeiser GmbH the committed credit facilities for Zeiser GmbH are determined according to the remaining business.

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

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

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 2018 and 2017, 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 2018

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

SEGMENT RESULTS 2017

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

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

4.2 Impairment recorded by Industrial Systems segment

After conducting an assessment of the business development for Atlantic Zeiser at the end of 2017, a need to recognise an impairment of net assets was identified. The impairment of the book value was allocated to the following items of the consolidated income statement and balance sheet:

IMPAIRMENT RECORDED BY INDUSTRIAL SYSTEMS SEGMENT

in CHF thousand at 31 December	in EUR thousand	Income statement in CHF thousand	Balance sheet in CHF thousand
Impairment of semi-finishes and finished products	2,390	2,657	2,795
Impairment of inventories	1,134	1,261	1,327
Impairment of tangible assets	667	742	781
Impairment and amortisation with effect on earnings before interest and taxes (EBIT)	4,191	4,660	–
Impairment of deferred tax assets	2,484	2,761	2,905
Total provisions 31. 12. 2017	6,675	7,421	7,808
Exchange differences in equity			–387

4.3 Net revenue from sales and services by country and region

The Industrial Systems and Security Printing segments market their offerings worldwide and do not focus on a specific geographical market. The Book Retailing and Other business activities segments focus mainly on the domestic market in Switzerland and the neighbouring countries.

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

NET REVENUE FROM SALES AND SERVICES BY REGION

in CHF thousand	2018	2017
Switzerland	179,896	190,527
Germany	12,219	14,506
The rest of Europe and Africa	21,503	22,839
North and South America	9,300	13,118
Asia and Oceania	41,949	47,512
Total net revenue from sales to customers by region	264,867	288,502

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

4.4 Operating income

in CHF thousand	2018	2017
Net revenue from sales to customers		
Sales of goods and products	255,427	268,610
Revenue from services rendered	8,467	18,963
Revenue from license fees	973	929
Total net revenue from sales to customers	264,867	288,502
Other operating income		
Rental income from operating leases	562	683
Gain from sales of non-current assets	26	207
Other income	3,342	3,709
Total operating income	3,930	4,599
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	5,507	–2,657
Capitalised costs	33	586
Total changes in inventories of semi-finished and finished products, capitalised costs	5,540	–2,071
Total operating income	274,337	291,030

In the 2018 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 102,103,000 (2017: CHF 117,593,000). In the 2017 financial year, the changes in inventories of semi-finished and finished products include write-downs amounting to CHF 2,657,000 relating to the Industrial Systems segment. See also note 4.2.

4.5 Personnel expenditure

in CHF thousand	Notes	2018	2017
Wages and salaries		66,514	69,752
Social security costs		5,393	5,935
Pension costs	4.6	5,066	5,089
Other personnel expenditure		5,225	2,413
Total personnel expenditure		82,198	83,189

'Personnel expenditure' includes no charges (2017: CHF 33,000) relating to the employee equity incentive plans. Other personnel expenditure include CHF 3,487,000 (provisions CHF 3,117,000) relating to the restructuring of the Industrial Systems segment.

4.6 Pension funds

The Orell Füssli Foundation has used the 2015 BVG (OPA) mortality table since 2016. The actuarial interest rate is 1.50% (2017: 1.50%).

EMPLOYER'S CONTRIBUTION RESERVES

in CHF thousand	Nominal value ECR	Waiver of usage	Adjustments	Additions/ Reversals	Balance sheet	Balance sheet	Result from ECR in personnel expenditure	Result from ECR in personnel expenditure
	31.12.2018	31.12.2018	31.12.2018	2018	31.12.2018	31.12.2017	2018	2017
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
	31.12.2018	31.12.2018	31.12.2017	2018	31.12.2018	31.12.2018	2018	2017
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	–	3,660	3,435
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,406	1,654
Total	–	–	–	–	–	–	5,066	5,089

4.7 Other operating expenses

in CHF thousand	Notes	2018	2017
Marketing and distribution expenses		11,919	12,157
Operating lease expenses	4.19	10,046	10,739
Repairs and maintenance		7,042	8,101
Administration expenses		5,888	6,295
Losses on bad debts		440	70
Additions / Reversal provisions PoC		329	–
Losses from sales of fixed assets		51	29
Energy		2,545	2,603
IT		2,791	3,159
Other operating expenses		7,114	6,325
Total other operating expenses		48,165	49,478

Other operating expenses include CHF 3,263,000 (provisions CHF 3,093,000) relating to the restructuring of the Industrial Systems segment and CHF 746,000 for the optimisation and strategy analyses of the Security Printing Division. In the prior year, other operating expenses include CHF 650,000 relating to the restructuring of the Book Retailing division's branch network.

4.8 Financial result

in CHF thousand	Expenses	Income	Balance 2018	Expenses	Income	Balance 2017
Interest result						
Interest expense and income	−74	27	−47	−34	664	630
Total interest result	−74	27	−47	−34	664	630
Other financial income and expense						
Dividend income	–	1,130	1,130	–	–	–
Foreign exchange result	−734	166	−568	−474	970	496
Bank charges and other finance results	−1,206	18	−1,188	−514	130	−384
Total other financial income and expense	−1,940	1,314	−626	−988	1,100	112
Total financial result	−2,014	1,341	−673	−1,022	1,764	742

Orell Füssli made a financial contribution in the amount of CHF 1,000,000 to the restructuring of Landqart. This amount was deducted as a financial expense. The restructuring is not yet finished. In the future, Orell Füssli will also contribute industrial know-how to support Landqart, but it will not make any further financial contributions.

4.9 Extraordinary Expenses

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

Das The extraordinary result arises from income and expenditure in connection with the sale of parts of the Industrial Systems Segment to Coesia S.p.a. The de-recognition amounts correspond to the respective share in the Industrial Systems Division of the business that have been sold. This is considered an extraordinary transaction according to Swiss GAAP FER 3/22

- because a transaction of this nature (the sale of significant business units, approximately two thirds of the Industrial Systems Segment, or three of the four business units) is uncommon and has not happened for many years; and

- because the Board of Directors had clearly prioritised alternative strategies, such as business acquisitions and restructuring, and the eventual sale of significant business units was not anticipated until Coesia S.p.a. made its offer.

Orell Füssli Holding Ltd has agreed the accounting treatment of the sale of parts of the Industrial Systems Division to Coesia S.p.A. with SIX Exchange Regulation in a formal pre-clearance procedure. Pre-clearance by SIX Exchange Regulation Ltd, however, has no legally binding effect on the Sanctions Commission.

(SIX Exchange Regulation Ltd executes the tasks assigned to it under federal law and under the rules issued by the Regulatory Board of SIX Swiss Exchange Ltd. It also monitors compliance with both the law and the rules. Where the rules grant it such authority, it imposes sanctions on issuers or makes sanction proposals to the Sanctions Commission of SIX Swiss Exchange.)

4.10 Income tax expenses

in CHF thousand	2018	2017
Current income tax	4,910	4,401
Deferred income tax	−463	2,588
Total income tax expenses	4,447	6,989

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	2018	2017
Earnings before income taxes	−42,718	13,385
Weighted average group tax rate	3.0%	16.7%
Expected income tax	−1,265	2,231
Effect of change in local income tax rates	−11	–
Non tax-deductible expenses	152	266
Use of tax losses carried forward	–	−679
Effect of tax loss carry-forwards not capitalized	1,187	2,533
Capitalization of previously not recognized tax loss carry-forwards	–	−5
Impairment of capitalized tax loss carry-forwards	–	2,761
Effect of disposal of goodwill and foreign exchange and selling Tritron	5,193	–
Tax effects relating to other periods and other tax effects	−809	−118
Effective income tax expense	4,447	6,989

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

4.11 Earnings per share

at 31 December	2018	2017
Net income for the period in CHF thousand	−50,067	4,771
Weighted average numbers of shares in issue (in thousands)	1,959	1,959
Earnings per share in CHF	−25.56	2.44

In the year under review, there was no dilution of profit per share.

4.12 Cash and cash equivalents

in CHF thousand at 31 December	2018	2017
Cash in bank accounts and in hand	99,994	83,826
Short-term bank deposits	–	2,135
Total cash and cash equivalents	99,994	85,961

4.13 Marketable securities and derivative financial instruments

As of 31 December 2018, 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 -105,000 (2017: CHF 48,000). Foreign currencies in the notional amount of total CHF 31,066,000 (2017: CHF 3,028,000) have been hedged.

4.14 Trade accounts receivable

in CHF thousand at 31 December	2018	2017
Trade accounts receivable gross	22,775	20,290
./. provisions for doubtful trade accounts receivable	–202	–447
Total trade accounts receivable net	22,573	19,843

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	2018	2017
At 1 January	–447	–3,236
Disposals of part of Industrial Systems	185	–
Increase in provisions for doubtful trade accounts receivable	–279	–289
Utilisation of provisions	305	2,994
Reversal of provisions	25	208
Exchange differences	9	–124
At 31 December	–202	–447

There is no forfaiting on the receivables portfolio.

4.15 Other receivables

in CHF thousand at 31 December	2018	2017
Construction contracts gross	37,250	48,635
./. deductible customer advances received	–28,359	–45,389
Total construction contracts net	8,891	3,246
Prepayments to suppliers	5,235	3,948
Other receivables	3,392	4,135
Total other receivables	17,518	11,329

4.16 Inventories

in CHF thousand at 31 December	2018	2017
Raw materials, auxiliary materials and supplies	5,392	15,262
Semi-finished and finished products	11,384	15,914
Trading goods	12,109	14,595
Work-in-progress	335	418
Total inventories gross	29,220	46,189
./. allowance on inventories	–8,131	–13,939
Total inventories net	21,089	32,250

In the 2017 financial year, the allowance on inventories includes additional write-downs amounting to CHF 4,122,000 relating to the Industrial Systems segment. See also note 4.2.

4.17 Tangible assets

TANGIBLE ASSETS IN 2018

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

TANGIBLE ASSETS IN 2017

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

Additions to tangible assets in the 2017 financial year include CHF 3,500,000 of not yet invoiced fixed assets relating to the Security Printing division. The remaining difference compared with the cash flow statement is due to capitalised internal services. For more information on tangible assets, please see note 4.19.

4.18 Intangible assets

INTANGIBLE ASSETS IN 2018

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

INTANGIBLE ASSETS IN 2017

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

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

4.19 Further details of tangible and intangible assets

The remaining tangible fixed assets stated at cost as of 31 December 2018 in note 4.17 consist mainly of furniture and fixtures in the amount of CHF 10,559,000 (2017: CHF 19,475,000) and IT systems (hardware) in the amount of CHF 8,120,000 (2017: CHF 12,299,000).

As at 31 December 2018, there were commitments to purchase tangible assets of CHF 1,659,000) for additional inking units in the Security Printing division.

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

In the 2018 and 2017 financial years, no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 9,483,000 (2017: CHF 10,056,000), while CHF 563,000 (2017: CHF 683,000) was related to other leased tangible assets.

4.20 Financial assets

in CHF thousand at 31 December	2018	2017
Participation in associated entities	50	50
Other financial assets	2,485	2,485
Total financial assets	2,535	2,535

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

4.21 Other non-current financial assets

in CHF thousand at 31 December	Notes	2018	2017
Loan assets		740	1,111
Pension fund assets	4.6	3,623	3,623
Other non-current financial assets		204	1,135
Total other non-current financial assets		4,567	5,869

4.22 Other current liabilities

in CHF thousand at 31 December	2018	2017
Prepayments from customers on construction contracts gross	55,867	67,286
./. deductible customer advances received	−28,360	−45,389
Prepayments from customers on construction contracts net	27,507	21,897
Prepayments from customers	10,234	9,731
Liabilities to employees	489	512
VAT and similar taxes payable	746	1,918
Dividends payable	2	4
Other current payables	3,052	2,284
Total other current liabilities	42,030	36,346

4.23 Accrued expenses and deferred income

in CHF thousand at 31 December	2018	2017
Accrued expenses and deferred income for cost of materials	4,038	4,208
Accrued expenses and deferred income for personnel expenditure	4,831	5,811
Other accrued expenses and deferred income	2,500	6,152
Total accrued expenses and deferred income	11,369	16,171

The accruals relating to personnel expenditure include primarily the amounts for bonuses, vacation and overtime payments. In the 2017 financial year, other accrued expenses and deferred income include CHF 3,500,000 for not invoiced asset acquisitions by the Security Printing division.

4.24 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 2018	From borrowings	Liabilities from finance lease	Total 2017
Current financial liabilities	–	–	–	1,170	–	1,170
Non-current financial liabilities	1,635	–	1,635	1,635	820	2,455
Total financial liabilities	1,635	–	1,635	2,805	820	3,625

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.

4.25 Provisions

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

In the 2017 financial year, the provisions for personnel primarily concern employees' entitlements to long-service awards.

In the 2018 financial year, provisions for personnel expenditure of CHF 3,117,000 and other operating expense of CHF 3,093,000 were created mainly for the optimisation of the Zeiser segment.

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

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

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

MOVEMENT IN PROVISIONS 2018

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

MOVEMENT IN PROVISIONS 2017

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

4.26 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 2018	Deferred tax assets	Deferred tax liabilities	Balance 2017
At 1 January	5	−1,780	−1,775	2,696	−1,954	742
Charges to income statement	11	452	463	−2,779	191	−2,588
Exchange differences	–	2	2	88	−17	71
At 31 December	16	−1,326	−1,310	5	−1,780	−1,775

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

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

Deferred taxes include the following capitalised losses carried forward:

DEFERRED INCOME TAX ASSETS FROM LOSSES CARRIED FORWARD:

in CHF thousand at 31 December	2018	2017
Deferred income tax assets on loss carry-forward gross	11,718	11,643
./. Allowance	−11,702	−11,641
Deferred income tax assets on loss carry-forward net	16	2

Deferred income tax assets arising from tax loss carry forward are recognised in as far as the related tax benefits are likely to be realised through future taxable profits. Deferred tax assets on tax loss carry-forwards correspond to accumulated taxable losses in the amount of CHF 41,339,000 (2017: CHF 41,240,000), thereof are CHF 41,190,000 (2017: CHF 41,218,000) impaired. Tax loss carry-forwards primarily concern the Zeiser GmbH.

4.27 Own shares

As at 31 December 2018, Orell Füssli Holding Ltd held 1301 (2017: 964) 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, 337 (2017: 972) own shares were purchased at an average transaction price of CHF 112.69 (2017: CHF 128.37) per share.

In the year under review, none of the company's own shares were issued in connection with the equity participation plan.

4.28 Employee equity incentive plans

In the year under review, the members of the Group Management and the senior management were allocated 446 (2017: 407) entitlements to employee shares and shares in Orell Füssli Holding Ltd. Personnel expenditure relating to the employee equity incentive plans amounts to CHF 0 (2017: CHF 33,000). The related accruals are recorded in the capital reserves.

4.29 Dividend per share

In the current financial year, a dividend for the 2017 financial year in the amount of CHF 7,835,000 (CHF 4.00 per share) was paid out. The theoretical dividend from the company's own shares of CHF 4,000 (CHF 4.00 per share) is included in the retained earnings carried forward.

At the ordinary general meeting held on 15 May 2019, a dividend of CHF 11,760,000 (CHF 6.00 per share; dividend of CHF 4.00 plus 500 year anniversary dividend of CHF 2.00) will be proposed, which has not yet been recorded as a liability in the consolidated financial statements.

4.30 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	2018	2017
Cost at 1 January	1,409	1,544
De-recognition of fully amortised goodwill	−1,409	−135
Cost at 31 December	–	1,409
Accumulated amortisation at 1 January	−1,409	−1,262
Depreciation and impairment	–	−282
De-recognition of fully amortised goodwill	1,409	135
Accumulated amortisation at 31 December	–	−1,409
Theoretical net book value at 1 January	–	282
Theoretical net book value at 31 December	–	–

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

Following the amortisation of the full theoretical amount, goodwill will no longer be listed in a theoretical statement. Retained earnings include CHF 27,932,000 (2017: CHF 68,774,000) of fully amortised theoretical goodwill.

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF thousand	2018	2017
Earnings before interest and taxes (EBIT) according to consolidated income statement	11,990	12,643
Goodwill amortisation	–	−282
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	11,990	12,361
Net income for the period after minority interests	−50,067	4,771
Goodwill amortisation	–	−282
Net income for the period after minority interests including goodwill amortisation	−50,067	4,489

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

in CHF thousand at 31 December	2018	2017
Equity before minority interests according to the consolidated balance sheet	141,594	145,432
Theoretical capitalisation of goodwill (net book value)	–	–
Theoretical equity before minority interests including goodwill (net book value)	141,594	145,432

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

In the 2018 financial year and in the prior year, there were no contingent liabilities and no other unrecognised liabilities.

4.32 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	2018	2017
No later than 1 year	7,018	8,690
Later than 1 year and no later than 5 years	15,241	19,924
Later than 5 years	7,244	8,306
Total future aggregate minimum lease payments	29,503	36,920

4.33 Changes in the scope of consolidation in the 2018 financial year

Zeiser GmbH: In October 2018, Atlantic Zeiser GmbH was renamed Zeiser GmbH.
Tritron GmbH: On 30 September 2018, Tritron GmbH (including its subsidiary Tritron USA Inc.) was sold to Coesia S.p.a.
Tritron ASIA Ltd.: In Q3 2018, Tritron Asia Ltd was liquidated.

In the 2017 financial year

Orell Füssli Verlag Ltd: With retroactive effect as of 31 December 2016, Orell Füssli Verlag Ltd was merged with Orell Füssli Security Printing Ltd.
OF IP Sicherheitsdruck Ltd: In January 2017, Orell Füssli Technology Ltd was renamed OF IP Sicherheitsdruck Ltd.

4.34 Related party transactions

All transactions with related parties are included in the consolidated annual financial statements for 2018 and 2017.

RELATED PARTY TRANSACTIONS

in CHF thousand	with associated entities and joint ventures	with shareholers	with other related parties	Total 2018	with associated entities and joint ventures	with shareholers	with other related parties	Total 2017
Net revenue from sales	258	64,365	–	64,623	258	79,248	–	79,506
Other operating income	295	–	–	295	323	–	–	323
Cost of materials	–	–	8,078	8,078	–	–	–	–
Other operating expenses	31	–	260	291	14	–	260	274
Financial income	–	–	–	–	1	–	–	1

in CHF thousand at 31 December	with associated entities and joint ventures	with shareholers	with other related parties	Total 2018	with associated entities and joint ventures	with shareholers	with other related parties	Total 2017
Trade accounts receivable	1	10,849	–	10,850	3	221	–	224
Other receivables	–	628	4,193	4,821	–	340	–	340
Financial receivables	50	–	2,150	2,200	50	–	–	50
Trade payables	2	–	19	21	2	–	–	2

In 2018 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 52 to 54 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2018 and 2017.

4.35 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 15 March 2019. They are subject to approval by the general meeting.

In February 2019, the capital of Landqart Ltd was reduced and subsequently increased. Orell Füssli did not participate in this capital transaction. As a result, the share in Landqart Ltd declined from 10% to 5%.

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 15 March 2019.

5 Overview of significant participations

SIGNIFICANT PARTICIPATIONS

	City, Country	Currency	Nominal capital in 1000	% of capital held[1] direct	indirect[2]
Consolidated companies					
Orell Füssli Security Printing Ltd	Zurich, CH	CHF	10,000	100	
OF IP Sicherheitsdruck Ltd	Risch, CH	CHF	50	100	
Orell Füssli Buchhandlungs Ltd	Zurich, CH	CHF	100	51	
OF IP Verlag Ltd	Risch, CH	CHF	100	100	
Orell Füssli Dienstleistungs Ltd	Zurich, CH	CHF	500	100	
Zeiser GmbH	Emmingen, DE	EUR	869	100	
Zeiser Inc. [4]	West Caldwell, US	USD	0		100
Atlantic Zeiser (M) SDN BHD [4]	Kuala Lumpur, MY	EUR	102		100
Zeiser Ltd. [4]	Andover, GB	GBP	0		100
Atlantic Zeiser SAS [4]	Créteil Cedex, FR	EUR	38		100
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
Pro rata consolidated participation					
Orell Füssli Thalia Ltd [3]	Zurich, CH	CHF	9,500		50
Equity accounted for participations					
Orell Füssli Kartographie Ltd	Zurich, CH	CHF	210	24	

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

6 Report of the statutory auditor of the consolidated financial statements

Report of the statutory auditor

to the General Meeting of Orell Füssli Holding Ltd

Zurich

Report on the audit of the consolidated financial statements

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

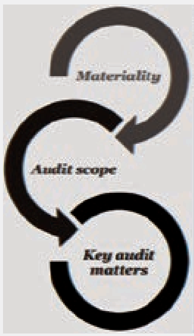
In our opinion, the consolidated financial statements (pages 10 to 36) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

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

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

Our audit approach

Overview



Overall Group materiality: CHF 2,119,000

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

Our audit scope addressed 90% of the Group's net sales to customers.

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

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

Recognition of the extraordinary result from the sale of parts of the Industrial Systems Segment

Provision restructuring Zeiser Division

Context of our 2018 audit
The context of our audit is set by the Group's major activities in the reporting period, in which the sale of parts of the Industrial Systems Segments and the restructuring of the Zeiser Division were significant

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events. We have therefore included the sale of parts of the Industrial Systems Segments and the restructuring of the Zeiser Division as two new key audit matters in our report.

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.

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

Overall Group materiality	CHF 2,119,000
How we determined it	0.8% of net sales to customers
Rationale for the materiality benchmark applied	We chose net sales to customers as the benchmark because, in our view, it is a key benchmark against which the main business activities can be assessed.

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

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

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

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

Key audit matter	*How our audit addressed the key audit matter*
As can be seen in note 4.4 to the consolidated financial statements, revenue from production orders accounted for using the percentage-of-completion (PoC) method amounted to CHF 102.1 million in the 2018 financial year. This represents about 38.6% of net sales to customers. We consider revenue recognition as a key audit matter due to the size of the net revenue from sales to customers accounted for using the PoC method, the complexity of the underlying contracts and the significant scope for judgement by Management involved in recognising revenue from the individual elements of a contract in the appropriate period. We identified the following risk relating to proper revenue recognition: the contractually defined payments comprise different elements depending on the contract with the customer. There is a risk that individual elements are not recognised in the correct period. Management has defined the principles for recording revenue from different contractual elements. For significant customer orders, Management specifies in memoranda how revenue is to be recognised for the individual contractual elements. The memoranda are submitted to the Audit Committee for approval.	In order to test the recognition of these contractual elements, we performed the following: • We gained an understanding of the process for recognising and measuring production orders and tested selected internal controls relating to this area. • We selected various production orders, inspected the underlying contracts and reconciled the elements recognised in revenue. • Inspected the Management memoranda regarding revenue recognition of specific elements in the appropriate period and assessed whether revenue recognition in relation to these elements complies with the requirements of Swiss GAAP FER. • Checked whether the memoranda were approved by the Audit Committee. On the basis of our audit procedures, we addressed the risk of different contractual elements of revenue not being recognised in the appropriate period and obtained adequate assurance.

Recognition of the extraordinary result from the sale of parts of the Industrial Systems Segment

Key audit matter	*How our audit addressed the key audit matter*
As can be seen in note 4.9 to the consolidated financial statements, an extraordinary result was recognised in the 2018 financial year in connection with the sale of parts of the Industrial Systems segment in the amount of CHF -54 million. Owing to the complex contractual terms of the sale, the size of the extraordinary result and the scope for Management's judgement regarding the amount of the reinstated goodwill and the reinstated currency translation differences, we consider the sale of parts of the Industrial Systems Segment to be a key audit matter. In particular, the following risks exist: • The net assets sold and the sale price might not be recognised correctly, i.e. the amounts recognised might be incomplete, too high or too low. The resulting extraordinary result may therefore be too high or too low. • The reinstatement of goodwill and currency translation differences and the disclosure of the extraordinary expense might not comply with the requirements of Swiss GAAP FER.	We performed the following audit procedures: • Discussed the matter with Management and the Audit Committee. • Inspected the underlying contracts and reconciled on a sample basis the net assets sold and the sale price. • Performed sample-based testing of the correct recognition of gains and losses in connection with the sale of net assets. • Reviewed and assessed the Management memorandum on the recognition of the extraordinary expense arising from the sale of parts of the Industrial Systems Segment. Assessed in particular whether the assumptions used concerning the reinstatement of goodwill and currency translation differences and their disclosure and presentation as extraordinary expenses comply with the requirements of Swiss GAAP FER. • Checked whether the memorandum was approved by the Board of Directors. The evidence we obtained from our audit supports the recognition in the 2018 financial year of the extraordinary result arising from the sale of parts of the Industrial Systems Segment.

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Provision restructuring Zeiser Division

Key audit matter	*How our audit addressed the key audit matter*
Provisions totalling CHF 6.2 million arising in connection with the optimisation and restructuring of the Zeiser Division were accrued as of the balance sheet date. These expenses include staff costs in the amount of CHF 3.1 million and other expenses in the amount of CHF 3.1 million. We consider the provisions accrued in the 2018 financial year in connection with the restructuring of the Zeiser Division to be a key audit matter because of their size and the significant element of estimation. In particular, the following risks exist: • The estimates of costs to be incurred might not be correct. The accrued expenses as at the balance sheet date could be too high or too low. • The expenses in connection with the restructuring of the Zeiser Division might not be recognised in the correct period. • The disclosure of the expenses might not comply with the requirements of Swiss GAAP FER. Details about the expense in connection with the optimisation and restructuring of the Zeiser Division can be found, in particular, in notes 4.7 and 4.25 to the consolidated financial statements.	We performed the following audit procedures: • Held discussions with Management and the Audit Committee. • Examined the Board of Directors' resolutions concerning the restructuring of the Zeiser Division. • Reviewed and assessed Management memoranda on the amount of the expenses and their recognition in the correct period. • Performed sample-based testing on the calculations and assumptions of the cost estimates. • Assessed whether the disclosure of expenses complies with the requirements of Swiss GAAP FER. • Checked whether the memorandum was approved by the Audit Committee. The evidence we obtained from our audit supports the expenses arising in connection with the optimisation and restructuring of the Zeiser Division, and recognised as of the balance sheet date.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Thomas Wallmer	Martin Bettinaglio
Audit expert Auditor in charge	Audit expert

Zurich, 15 March 2019

7

7 Financial statements of Orell Füssli Holding Ltd

7.1 Income statement

in CHF thousand	Notes	2018	2017
Income from participations	8.3	11,510	12,938
Other operating income		4,827	3,298
Total operating income		16,337	16,236
Personnel expenditure	8.4	−2,756	−2,182
Operating lease expenses		−66	−69
Marketing	8.5	−894	–
Administration expenses	8.6	−2,341	−2,353
Other operating expenses		−49	−54
Depreciation and impairment		−24	−81
Earnings before interest and taxes		10,207	11,497
Financial income		1,033	1,254
Financial expenses		−133	−141
Financial result	8.7	900	1,113
Net operating income before extraordinary income and expenses		11,107	12,610
Extraordinary expenses	8.8	−2,700	−7,634
Earnings before taxes (EBT)		8,407	4,976
Income tax expenses		–	–
Net income for the period		8,407	4,976

7.2 Balance sheet

in CHF thousand	Notes	31.12.2018	31.12.2017
Assets			
Cash and cash equivalents		14,539	15,612
Trade receivables from consolidated companies		2,912	1,220
Other current receivables from third parties		13	10
Other current receivables from consolidated companies	8.9	38,157	37,945
Accrued income and deferred expenses	8.10	489	24
Total current assets		56,110	54,811
Loans to consolidated companies	8.11	28,692	30,292
Other financial assets	8.12	2,150	2,150
Participations in related companies		50	50
Participations in consolidated companies	8.13	58,368	58,468
Tangible assets		27	51
Intangible assets		67	–
Total non-current assets		89,354	91,011
Total assets		145,464	145,822
Liabilities and equity			
Trade payables to third parties		178	273
Trade payables to consolidated companies		7	15
Short term interest-bearing liabilities to consolidated companies		–	805
Other current liabilities		53	122
Accrued expenses and deferred income		1,210	1,125
Total current liabilities		1,448	2,340
Provisions for restructuring		130	130
Total non-current liabilities		130	130
Share capital		1,960	1,960
./. Own shares	8.17	–162	–124
Legal profit reserve		11,142	11,142
Retained earnings		122,539	125,398
Net income for the period		8,407	4,976
Total equity		143,886	143,352
Total liabilities and equity		145,464	145,822

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.

Orell Füssli Holding Ltd is a Swiss company with headquarters in Zurich. The number of full-time equivalents (FTEs) did not exceed 10 as an annual average.

8.2 Key accounting policies

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

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

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

8.3 Income from participations

The income from equity participations comprises dividend payments from subsidiaries during the year and from the retained earnings as of 31 December 2018. These dividend payments have already been approved by the general meetings of the subsidiaries.

8.4 Personnel expenditure

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

8.5 Marketing expenses

In the 2018 financial year, the first expenses arose in connection with the company's 500th anniversary.

8.6 Administration expenses

The administration expenses are unchanged compared with the 2017 financial year. A significant portion of them is due to expenditure on external research in connection with strategic projects.

8.7 Financial result

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

8.8 Extraordinary expenses

The extraordinary expenses include an allowance of CHF 1,000,000 for Landqart Ltd, an inpairment of the loan and the participation OF IP Verlag Ltd of overall CHF 1,700,000. In the 2017 financial year, the main item was the impairment charge of CHF 7,483,000 on the investment in Atlantic Zeiser GmbH.

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 2018, this also includes the dividend receivable with Orell Füssli Security Printing Ltd of CHF 11,000,000 (2017: CHF 11,000,000).

8.10 Accrued income and deferred expenses

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

8.11 Loans to group companies

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

8.12 Other financial assets

In December 2017, Orell Füssli Holding AG acquired 10% of Landqart AG and 10% of landqart management and services for CHF 2,150,000. In the 2018 financial year, Landqart Ltd took over landqart management and services by means of a merger through absorption. Landqart Ltd was granted a subsidy in the amount of CHF 1,000,000, which was deducted as an extraordinary expense.

8.13 Participations in group companies

The value of the investment in OF IP Verlag Ltd was adjusted by CHF 100,000 in the current financial year. In the previous year, a capital reduction of CHF 2,499,000 was undertaken in relation to the investment in Orell Füssli Buchhandlungs Ltd and in light of the results of the Industrial Systems Division, the value of the investment in Atlantic Zeiser GmbH was impaired in the amount of CHF 7,483,000.

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

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

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Number of shares at 31 December	2018		2017	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Dr. Anton Bleikolm	1,180	1,180	1,000	1,000
Peter Stiefenhofer	250	250	1,000	1,000
Dieter Widmer	800	800	800	800

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

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD

Number of shares at 31 December	2018		2017	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Martin Buyle	250	250	250	250
Peter Crottogini	108	108	108	108

In the current financial year, entitlements for 223 shares (2017: 407 shares) in Orell Füssli Holding Ltd were allocated to Group Management for a total amount of CHF 25,868 (2017: CHF 50,672). In accordance with a termination agreement with the CEO of the Orell Füssli Group, his outstanding share entitlements were reduced to reflect the fact that he will not remain in his position for the entire vesting period of the share award. Additionally, the termination agreement stipulates that no shares shall be allocated at the end of the qualifying period. Instead, the equivalent value based on the share value at that time will be paid out in cash.

8.15 Major shareholders

at 31 December 2018	Total registered shares	Participation
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Hong Kong (HK) (held by Capdem Development SA)	310,115	15.82%
Veraison SICAV, Zurich (CH)	195,999	9.99%
Fam. Siegert, Meerbusch (DE)	182,000	9.29%
J. Safra Sarasin Investmentfonds, Basel (CH) (SaraSelect)	98,250	5.01%

8.16 Contingent liabilities

in CHF thousand at 31 December	2018	2017
Contingent liabilities in favour of consolidated companies	23,224	34,869

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

8.17 Own shares

As at 31 December 2018, Orell Füssli Holding AG held 1,301 of its own shares (2017: 964 own shares), which were acquired in connection with the equity participation plan of Group Management. In the 2018 financial year, 337 (2016: 972) of the company's own shares were acquired at an average transaction price of CHF 112.69 (2016: CHF 128.37). In 2017 456 were sold at an average transaction price of CHF 124.08 per share.

8.18 Proposed appropriation of retained earnings and unrestricted reserves

The Board of Director's proposes to the Annual General Meeting on 15 May 2019 the payment of a dividend of CHF 6.00 (dividend of CHF 4.00 plus 500 year anniversary dividend of CHF 2.00) per share.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF thousand	2018
Retained earnings at the beginning of the period	122,539
Net income for the period 2018	8,407
Retained earnings available to the annual general meeting	130,946
Dividend of CHF 6.00 per share	−11,760
Carried forward	119,186

9 Report of the statutory auditor of the financial statements

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Report of the statutory auditor

to the General Meeting of Orell Füssli Holding Ltd

Zurich

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Orell Füssli Holding Ltd which comprise the income statement, the balance sheet as at 31 December 2018 and the notes, including a summary of significant accounting policies.

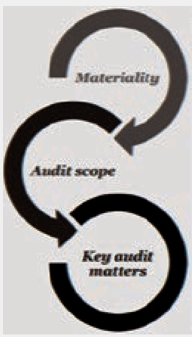
In our opinion, the accompanying financial statements (pages 43 to 47) as at 31 December 2018 comply with Swiss law and the articles of incorporation.

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

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

Our audit approach

Overview



Overall materiality: CHF 1,480,000

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

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

Impairment of equity investments

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

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reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of 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 1,480,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which the performance of the entity can be assessed.

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

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

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Impairment of equity investments

Key audit matter	*How our audit addressed the key audit matter*
The investments in Group companies ('participations in consolidated companies') as at 31 December 2018 amount to CHF 58,368 k. We consider the valuation of investments in Group companies to be a key audit matter owing to their size. Investments in Group companies are recorded individually at the lower of acquisition cost and either net asset value or the value of capitalised earnings. There is a risk that the value of investments is not recoverable. Further details about the investments in Group companies can be found in notes 8.2 and 8.13 in the notes to the financial statements.	In order to test the valuation of investments in Group companies, we performed the following: • Compared the book value of the investments with their net asset values. • Checked the calculation of the value of capitalised earnings, including the assumptions used. • Checked that impairments were booked correctly. On the basis of the audit procedures we performed, we addressed the risk that investments in Group companies might be significantly over-valued and obtained adequate assurance.

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

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors 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	Martin Bettinaglio
Audit expert Auditor in charge	Audit expert

Zurich, 15 March 2019

Compensation Report 2018

This report is issued in accordance with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO/VegüV) of 20 November 2013 and the Directive on Information relating to Corporate Governance dated 20 March 2018 of SIX Exchange Regulation. Unless indicated otherwise, all of the information provided is as of 31 December 2018.

Compensation of the board of directors and the executive board

Principles

The provisions applicable to voting at the general meeting of shareholders regarding the compensation of the members of the Board of Directors and the Executive Board are set out in article 18c of the articles of incorporation, and those regarding any additional amounts in article 18b thereof. The Articles of Association are on our homepage under Corporate Governance (www.ofh.ch/en/investors).

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

The provisions applicable to variable compensation and share allocations are set out in article 18d + e of the articles of incorporation (www.ofh.ch/en/investors).

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

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

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

Apart from the contributions to the pension fund, which are limited to a maximum of CHF 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. The bonus regulations also provide for individual cash bonus payments to be made at the discretion of the Board of Directors to employees of the Orell Füssli Group as a reward for exceptional performance.

Compensation 2018

(audited from this point until the end of page 54 by the external auditor)

With regard to the 2018 equity bonus plan, the Board of Directors has determined that the members of the Executive Board may receive 1/3 of their bonus in the form of shares with a vesting period of three years and at a preferential price of +20% of that part of the bonus they are entitled to receive in shares.

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

In accordance with the termination agreement with Martin Buyle, CEO of the Orell Füssli Group, his outstanding share entitlements were reduced to reflect the fact that he will not remain in his position for the entire vesting period of the awarded shares. For the entitlements allocated in 2016 and 2017, this has no impact on the present compensation report, as those entitlements were already fully disclosed in the 2016 and 2017 compensation reports. For the entitlements allocated at the start of 2018, the amount reduced in accordance with the termination agreement is disclosed in the 2018 compensation table below. Additionally, the termination agreement stipulates that no share awards shall be made at the end of the qualifying period. Instead, the equivalent value based on the share price at that time will be paid out in cash. This has no impact on the compensation value of the entitlements as disclosed.

In 2018, within the framework of the bonus regulations of the Orell Füssli Group, a one-off, individual bonus for extraordinary performance was paid in cash to the CEO of the Orell Füssli Group. This is disclosed in the table below as part of the variable cash compensation in 2018.

Within the framework of the pension fund regulations of the Orell Füssli Group, a one-off bridging payment was made in 2018 to the employees concerned to cover (partially) the decline in the amount of the pension due to the reduction of the conversion rate. This also concerned two members of the Executive Board. The related amounts are included in the table below of the compensation of the members of the Executive Board in the column labelled 'Social security and pension fund expenses'.

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

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

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

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

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

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

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

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

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

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

1) The Executive Board consisted of four members as of 31 December 2018 (incl. CEO).
2) The termvariable compensation component is paid out in the following year. With regard to variable compensation coponents, the members of the Group Management can choose to receive it entirely in cash or 2/3 in cash and 1/3 in shares. For the CEO, the disclosed variable compensation in cash for 2018 includes the annual variable compensations payable in the following year and a one-off, individual performance bonus in the amount of CHF 50,000.00, which was paid in cash during the year.
3) Three-year vesting period, valued in accordance with the market price as at the allocation period (December 2018) at CHF 86.30. Planned transfer date: 15 April 2019.
4) Valued in accordance with the market price as at the transfer date of 1 January 2018 at CHF 116.00. Reduced payment to the CEO in accordance with the termination agreement.
5) Including additional pension fund contribution as a bridging payment for the "transitional generation" (due to the decline in the conversion rate) for a total amount of CHF 50,610.00.

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

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

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

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

Loans and other payments

The provisions applicable to loans and other payments are set out in article 18i of the articles of incorporation (www.ofh.ch/en/investors).

In the 2018 and 2017 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 2018, no such loan receivables were disclosed on the balance sheet.

Further disclosure

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

Report of the statutory auditor on the compensation report

Report of the statutory auditor

to the General Meeting of Orell Füssli Holding Ldt

Zurich

We have audited the remuneration report of Orell Füssli Holding Ldt for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the paragraphs labelled 'audited by the external auditor' on pages 53 and 54 of the remuneration report.

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

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

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

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

Opinion
In our opinion, the remuneration report of Orell Füssli Holding Ldt for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Wallmer	Martin Bettinaglio
Audit expert Auditor in charge	Audit expert

Zürich, 15 March 2019

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Corporate Governance

This report complies with the requirements of the SIX Swiss Exchange's guidelines regarding information on corporate governance. Unless stated otherwise, the data refer to 31 December 2018.

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

1. Group structure and shareholders

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

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

Companies included in the scope of consolidation
The registered office of the parent company, Orell Füssli Holding Ltd, is in Zurich. The company is listed on the SIX Swiss Exchange under Security Number (Valorennummer) 342 080 and the ISIN CH0003420806. The Legal Entity Identifier (LEI) No. is 5067005U9Z97T4PWVC13. Its market capitalization as of 31 December 2018 was CHF 173.46 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 8.15).

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

2. Capital structure

Capital

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

As of 31 December 2018, 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 337 and issued no treasury shares in the context of the equity participation plan for the members of management in the year under review.

Transfer restrictions

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

3. Board of directors

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

Biographical details of the members of the Board of Directors

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

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

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

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

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

Dr Anton Bleikolm
Swiss and Austrian, born 1949

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

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

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

1980–1991 SICPA S.A., Research

1991–2000 SICPA S.A., Technical Director

2000–2010 SICPA S.A., Managing Director

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

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

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

OTHER BOARD APPOINTMENTS
Member of the Board of Directors Landqart Ltd, Landquart

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

Dr Beat Lüthi
Swiss, born 1962

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

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

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

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

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

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

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

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

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

Dr Caren Genthner-Kappesz
German, born 1970

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

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

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

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

2007 eBay Express and eBay Advertising, Berlin, Director

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

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

2011–2012 Brands4friends (eBay), Berlin, COO

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

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

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

Since December 2018 Yunar/Ambidexter GmbH, Berlin, MD

OTHER BOARD APPOINTMENTS
Member of the Board of Directors Main Street 1477 Proprietary Ltd, Johannesburg, South Africa

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

Dr Thomas Moser
Swiss, born 1967

Dr.oec.publ., University of Zurich

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

1999–2001 Swiss National Bank, Zurich, Economist

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

2004–2006 Swiss National Bank, Zurich, Assistant Director

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

Since 2015 Member of the KOF Executive Committee

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

Since 2017 Member of the Advisory Board Swiss International Finance Forum

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

OTHER BOARD APPOINTMENTS
None

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

Peter Stiefenhofer
Swiss, born 1953

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

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

1990–1993 Zellweger Luwa, Uster, Group Controller

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

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

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

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

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

Dieter Widmer
Swiss, born 1963

Swiss certified public accountant (CPA) and auditor

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

Since 2010 Entrepreneur and independent member of various Boards of Directors

OTHER BOARD APPOINTMENTS
Member of the Red Cross Council Swiss Red Cross, Berne, *Co-owner and Member of the Board of Directors* EquityNova Ltd, Zug, *Co-owner and Member of the Board of Directors* EnergyOn Holding Ltd, Zug, *Co-owner and Delegate Representative of the Board of Directors* Kelag Systems AG, Sennwald, *Co-owner and Member of the Board of Directors* Blattmann Switzerland Ltd, Wädenswil, *Co-owner and Member of the Board of Directors* RP Invest Ltd, Zug, *Member of the Foundation Council* Kuoni and Hugentobler Foundation, Stans, *Chairman of the Board of Directors* Curena Ltd, Zurich, *Member of the Board of Directors* Mühle Walther Ltd, Bolligen, *Member of the Board of Directors* e+p holding ag, Liestal

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

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

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

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

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

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

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

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

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

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

The Board of Directors and the Audit Committee, in particular, monitor risk management and the implementation of the internal control system. The Audit Committee determines its own audit areas and is informed at its meetings by the Head of Internal Audit and the Risk Officer about the results of audits conducted by independent internal or external units. The description of the Risk Management and Internal Control System can be accessed online under Corporate Governance (www.ofh.ch/en/investors). 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 Zeiser Division, one audit focusing on the Book Retailing Division and two further audits with focus on the Orell Füssli Holding 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 2019.

4. Executive board

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

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

CEO ORELL FÜSSLI HOLDING LTD
Member of the Executive Board
Orell Füssli Holding Ltd
(October to December 2018 Head of Security Printing Division ad interim)
(January to September 2018 Head of Atlantic Zeiser Division ad interim)

Martin Buyle

Austrian, born 1974

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

STATIONS

1997–2000 MTU Friedrichshafen GmbH, Friedrichshafen, Development Engineer

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

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

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

Since 1 October 2014 CEO Orell Füssli Group

OTHER BOARD APPOINTMENTS

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

CFO ORELL FÜSSLI HOLDING LTD
Member of the Executive Board
Orell Füssli Holding Ltd

Beat Müller

Swiss, born 1956

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

STATIONS

1983–1985 Limmat Insurance, Zurich, Controller

1987–1989 Swissôtel, Zurich, Country Controller Switzerland

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

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

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

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

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

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

Since 1 April 2013 CFO Orell Füssli Group

OTHER BOARD APPOINTMENTS

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

HEAD OF HUMAN RESOURCES ORELL FÜSSLI HOLDING LTD
Member of the Executive Board
Orell Füssli Holding Ltd

Peter Crottogini

Swiss, born 1959

Company Mentor (Federal Diploma of Higher Education),
Trainer in Further Education (Swiss Federal Certificate),
Manager in Adult Education (Swiss Diploma)

STATIONS

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

2001–2002 ESEC Management Ldt, Manager Education & Training

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

2003–2009 Sunrise Communication Ltd, Manager Training & Development

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

Since 1 January 2011 Head of Human Resources Orell Füssli Group

OTHER BOARD APPOINTMENTS

None

HEAD OF CORPORATE DEVELOPMENT
Member of the Executive Board
Orell Füssli Holding Ltd

Dr Daniel Broger

Swiss, born 1977

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

STATIONS

2003–2005 Capvis Equity Partners, Zurich, Analyst

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

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

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

2016–2017 Head of Strategic Projects Orell Füssli Holding Group

Since August 2017 Head of Corporate Development Orell Füssli Group

OTHER BOARD APPOINTMENTS

None

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

HEAD OF ZEISER DIVISION
(since October 2018)

Thorsten Tritschler
German, born 1964

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

STATIONS

1983–1986 Zeiser, Production Planning/Service

1986–1989 Gebel-Automatik, Sales Coordinator

1989–1992 Zeiser, Key Account Manager

1992–2002 Atlantic Zeiser, Sales Manager EURASIA

2008–2012 Atlantic Zeiser, Head of Business Unit Banknote Systems

2012–2015 Atlantic Zeiser, CSO

2015–2018 Atlantic Zeiser, Head of Business Unit Security Printing Systems

Since 1 October 2018 Head of Zeiser Division

OTHER BOARD APPOINTMENTS
None

HEAD OF SECURITY PRINTING DIVISION
(since January 2019)

Dr Michael Kasch
German, born 1968

Studies of organic chemistry and doctorate at the Christian-Albrechts-University Kiel

STATIONS

1994–1996 University of Kiel, Institute of Organic Chemistry, Assistant Professor

1997–1999 Consortium für elektrochemische Industrie GmbH, Munich, Head of Laboratory for the development of organic effect pigments

1999–2005 Wacker Chemie AG, Burghausen, Laboratory Head of Technical Marketing with responsibility for Business Development and Product Management

2005–2018 SICPA Germany GmbH, Burghausen/Munich, Managing Director

2010–2018 SICPA SA, Prilly, Regional Business Director Banknote for Western Europe and Canada

Since 1 January 2019 Head of Security Printing Division

OTHER BOARD APPOINTMENTS
None

CEO ORELL FÜSSLI THALIA AG

Pascal Schneebeli
Swiss, born 1973

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

STATIONS

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

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

2006–2013 Thalia Bücher AG, Basel, Managing Director

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

Since January 2018 Managing Director/CEO Orell Füssli Thalia Ltd

OTHER BOARD APPOINTMENTS
None

HEAD OF PUBLISHING DIVISION
(since February 2019)

Karen Heidl
German, born 1964

M.A. German Literature, Philosophy and Political Science, Freie Universität Berlin
MBA Leadership & Human Resources, Quadriga Berlin

STATIONEN

1991–1992 IWT Verlag, Vaterstetten, trainee Editorial Office

1992–1993 Berlin, freelancing editor, author and translator

1993–1995 IWT Verlag/ITP, Bonn, Production Manager Book

1995–1997 Markt&Technik GmbH, Munich, Program Manager

1998–2000 Munich, freelancing author and translator

2000–2000 Internet Cool Guide, Munich, Managing Director/Editor in Chief

2001–2007 VNU Business Publications, Munich, Publishing Director/Editor in Chief

2007–2008 Munich, freelancing consultant with focus on digitalisation, online-sales and business-models

2008–2010 AZ Fachverlage AG, Aarau, Publishing Director

2010–2011 Munich, freelancing publishing consultant with focus on integrated publishing, media strategies, social media

2012–2013 Konradin Medien GmbH, Stuttgart, Publishing Director/Board Member

2013–2015 galledia ag, Zurich, Publishing Director/Board Member

2015–2019 Zurich, Consultant & freelancing journalist

Since February 2019 Head of Publishing Division

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 322,852 (2017: CHF 257,240) to PricewaterhouseCoopers were incurred in 2018.

Additional fees totaling CHF 33,386 (2017: CHF 51,66) were charged by PricewaterhouseCoopers in the year under review.

Audit supervision and control instruments

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

8. Information policy

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

The Annual General Meeting of shareholders is held in April or May. The group issues a press release with the half-year figures in about mid-August. The planned publication dates can be accessed online (www.ofh.ch/en/investors).

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

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

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.

IMPRINT
Published by Orell Füssli Holding Ltd, Zurich
Photos Dominic Büttner, Zurich
Prepress Management Digital Data Ltd, Lenzburg
Printing Neidhart + Schön Print Ltd, Zurich
Paper Arctic Volume white, FSC-certified

The english translation is based on the original Annual Report in german.
The printed german text is binding.

March 2019 — Orell Füssli Ltd Zurich, Switzerland
www.ofh.ch

Climate neutral
Print product
ClimatePartner.com/53232-1901-1002

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