# ORIOR GROUP
# ANNUAL REPORT 2017

25 years

EXCELLENCE IN FOOD

# Key figures

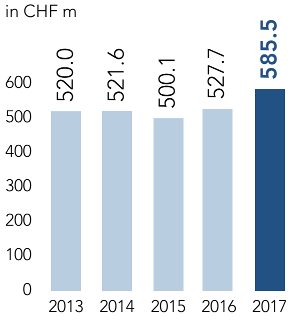
| in CHF thousand | 2017 | Δ in % | 2016 |
|---|---|---|---|
| **Revenues** | **585 485** | +10.9 % | **527 738** |
| **EBITDA** | **57 687** | +12.1 % | **51 450** |
| as % of revenues | 9.9 % | | 9.7 % |
| **EBIT** | **39 195** | +11.5 % | **35 157** |
| as % of revenues | 6.7 % | | 6.7 % |
| **Profit for the year** | **32 008** | +12.8 % | **28 377** |
| as % of revenues | 5.5 % | | 5.4 % |
| Net debt, third parties | 102 561 | | 126 242 |
| Net debt / EBITDA ratio | 1.78 | | 2.45 |
| Shareholders' equity | 280 253 | | 243 506 |
| Equity ratio | 50.8 % | | 44.3 % |
| ROI | 9.1 % | | 8.7 % |
| Avg. number of employees (FTE) | 1574 | | 1618 |
| Earnings per share in CHF | 5.42 | | 4.79 |
| Dividend per share in CHF | 2.17 | | 2.09 |
| Payout ratio | 40.0 % | | 43.6 % |
| Market capitalisation as per year-end | 457 114 | | 442 894 |

# At a glance

- Revenues increased by +10.9 % to CHF 585.5 million
- EBITDA increased 12.1 % to CHF 57.7 million; margin improved 10 basis points to 9.9 %
- Net profit increased 12.8 % to CHF 32.0 million; margin improved 9 basis points to 5.5 %
- Net profit excluding extraordinary items increased 13.1 % to CHF 31.7 million; margin improved 10 basis points to 5.4 %
- Operating cash flow reaches CHF 55.7 million; cash conversion of 97 % of EBITDA
- Equity ratio 50.8%; Net debt/EBITDA leverage ratio declined from 2.45x to 1.78x

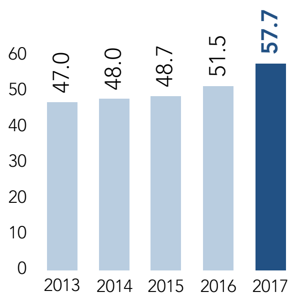
## Revenues

in CHF m



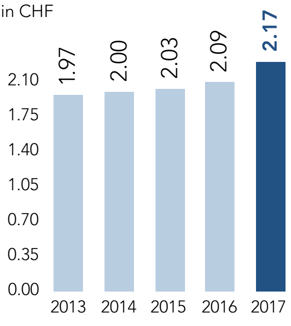

## EBITDA

in CHF m




## Dividend per share

in CHF



# ORIOR – Excellence in Food

ORIOR is an internationally operating Swiss food company that combines craftsmanship with a pioneering spirit and is thriving on entrepreneurship and strong values. A specialist for fresh convenience foods and refined meats, the Group claims leading positions in fast-growing niches in Switzerland and abroad. With Rapelli, Ticinella, Albert Spiess, Fürstenländer Spezialitäten, Fredag, Pastinella, Le Patron, Culinor and Vaco's Kitchen, ORIOR has built an impressive portfolio of brands and companies.

ORIOR's goal is to steadily create value for all stakeholders. Market intimacy, strong partnerships and a lean, agile structure provide the framework from which ORIOR is shaping and driving the market landscape with innovative products, concepts and services. Motivated employees who take pride in their work and who assume responsibility for themselves and for what they do are the key for creating the extraordinary.

We are striving for uniqueness and offer best quality in order to surprise our consumers time and again with enjoyable food moments. Our ambition is nothing less than **Excellence in Food.**

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# Dear Shareholders

It is a pleasure to present you ORIOR AG's eighth annual report as a listed company. 2017 was a good year for ORIOR, both strategically and operationally, thanks in particular to the successful acquisition of the Culinor Food Group in September of 2016 and to the steadfast implementation of the ORIOR 2020 strategy.

ORIOR Group recorded revenues of CHF 585.5 million in 2017, up from CHF 527.7 million in the previous year, which corresponds to an increase of 10.9 %. Positive effects from the initiatives and measures introduced under the ORIOR 2020 strategy fed through to all key financial metrics and further strengthened the Group's already sound financial base. However, it was still not possible to grow the top line in the domestic Swiss market during the past year. Excluding the effects of the Culinor Food Group acquisition and exchange-rate movements, Group revenues in 2017 declined by –2.4 % from the previous year. The main reason for this contraction was the challenging environment in Switzerland and the market consolidation. Moreover, pricing and competitive pressure remains high and has forced ORIOR to drop some of its contracts. A shift in the portfolio mix, together with optimised procurement costs, continual productivity-enhancing efforts and a further reduction in waste, helped to raise the gross profit margin by 88 basis points to 41.1 % of revenues. EBITDA increased by 12.1 % to CHF 57.7 million (2016: CHF 51.5 million), raising the corresponding margin by 10 basis points to 9.9 %. Investments in brands, innovation, sales and distribution were maintained at high levels. EBIT rose by 11.5 % y-o-y to CHF 39.2 million (2016: CHF 35.2 million) and the corresponding EBIT margin stood at 6.7 %, an improvement of 3 basis points from the previous year. Net profit increased by 12.8 % to CHF 32.0 million (2016: CHF 28.4 million), which corresponds to a 9 basis point improvement in the net profit margin to 5.5 %. Operating cash flow amounted to a pleasing CHF 55.7 million. Deleveraging efforts lifted the equity ratio from 44.3 % in 2016 to a likewise pleasing level of 50.8 %.

At the end of August ORIOR issued its debut bond in the Swiss capital market, raising CHF 110 million with a coupon of 0.625 % and a maturity of 6 years. This bond issuance marked a further diversification of the company's funding sources and strengthened its prospects for future growth.

A constant and reliable dividend payout is one of ORIOR's stated goals. The Board of Directors will propose another increase in the dividend to CHF 2.17 per share at the Annual General Meeting on 12 April 2018. This represents the seventh consecutive increase in the dividend since the IPO in April 2010.

2017 was a particularly special year as it marked the 25th anniversary of ORIOR, a relatively young company with an impressive history. This anniversary was duly celebrated during the past year. Turn to page 14 of this annual report to read about ORIOR's history and its anniversary celebration.

### ORIOR segments

ORIOR Convenience, the specialist for fresh convenience food with its three competence centres Fredag, Le Patron and Pastinella, generated revenues of CHF 187.7 million in 2017, which is –3.3 % less than in the previous fiscal year (2016: 194.2 million). Despite a significant improvement in business during the second half of the year, the Convenience segment did not fully meet our expectations. This was mainly due to tough competition and a challenging market environment. Segment EBITDA, however, showed pleasing

**Rolf U. Sutter**, Chairman of the Board of Directors (left)
**Daniel Lutz**, CEO ORIOR Group

growth of 4.2 % to CHF 26.3 million thanks to unrelenting efforts to strengthen the portfolio mix with a sharp focus on efficiency and costs. The resulting EBITDA margin stood at 14.0 % compared to a margin of 13.0 % in 2016. The Convenience segment's new concepts and innovation in the regional and ultra fresh, vegetarian speciality and pasta product categories deserve special mention.

The Refinement segment, ORIOR's specialist for refined meat products with the three competence centres Rapelli, Albert Spiess and Möfag, was unable to meet our overall expectations during the year under review. Revenues amounted to CHF 290.2 million, which is –2.9 % less than in the previous year (2016: CHF 298.8 million) Segment EBITDA declined by –8.4 % to CHF 20.6 million (2016: CHF 22.5 million), which resulted in a margin of 7.1 %. Despite compelling innovation and the good growth of its branded products and new concepts, Refinement was unable to offset promotional and price pressures, higher raw material costs, and the effects of market consolidation. Highlights for the segment are the good performance of its "Rapelli" brand, thanks in part to a further increase in marketing spending, and the successful launch of various snack specialities, such as My Energy Beef Sticks from Albert Spiess.

The International segment comprises all Group activities outside Switzerland, and largely consists of the Belgian-based Culinor Food Group. ORIOR International achieved revenues of CHF 124.7 million in 2017, which represents an increase of 134.4 % from the level achieved in the previous year (2016: CHF 53.2 million). The company's strategically significant expansion into the European market has been a success: Culinor Food Group beat expectations for the entire year, as had already been observed at the mid-year mark. Excluding the effect of the Culinor Food Group acquisition and currency movements, the International segment achieved organic growth of 1.6 % on the back of its Bündnerfleisch exports. Revenues from the export business edged slightly higher in 2017 thanks to new sales channels and the subsequent increase in Bündnerfleisch exports.

### Group-wide initiatives and action plans

Fiscal year 2017 marked the beginning of a migration to an automated payment processing system; SAP interfaces were optimised and further investments made to standardise IT infrastructure group-wide. Another important step was taken towards the publication of a corporate sustainability report. At the end of 2017, management decided to develop a sustainability report in accordance with the internationally recognised Global Reporting Initiative (GRI) Standards. A team of employees from throughout the Group representing the quality management, human resources, production, sales and communications departments have created a corresponding road map and are now proceeding with its execution.

### Changes to the Management Board

As announced in October 2016, Bruno de Gennaro stepped down as Head of the Convenience segment and as a member of the Management Board in June 2017. At the same time, he assumed the chairmanship of ORIOR's pension fund and is performing special tasks assigned by Group CEO Daniel Lutz.

### Outlook

General market conditions in Switzerland are still challenging. While there may be some relief in terms of sales volumes, pricing and competitive pressure is expected to remain high. ORIOR International's target markets offer further growth potential. The initiatives and measures being introduced in connection with the ORIOR 2020 strategy remain a priority. Further innovation, new concepts and services and branding activities are at the top of the agenda. Group-wide projects to enhance our agility, productivity and efficiency will be pursued as well. In summary, we are confident that we can continue to create sustainable value for all our stakeholders in the coming fiscal year.

### Thank you

Every day our employees perform their jobs with great dedication and diligence. People who are instinctively curious and hungry to learn, whose actions are guided by respect and sincerity, who do not shirk responsibility nor decisions. These people are the key to our success, because they make a difference.

On behalf of the Board of Directors and the Management Board, we thank everyone who has played a part in writing, building and shaping the history of ORIOR over the past 25 years. We are equally grateful to everyone who is currently engaged in writing the new chapter of ORIOR's corporate development. In addition to all of our current and former employees, these include all the business partners who are at ORIOR's side as it steps into the future. Our customers and shareholders deserve special thanks as well, for their loyalty and their trust.

**Rolf U. Sutter**
Chairman of the Board of Directors

**Daniel Lutz**
CEO ORIOR Group

ORIOR
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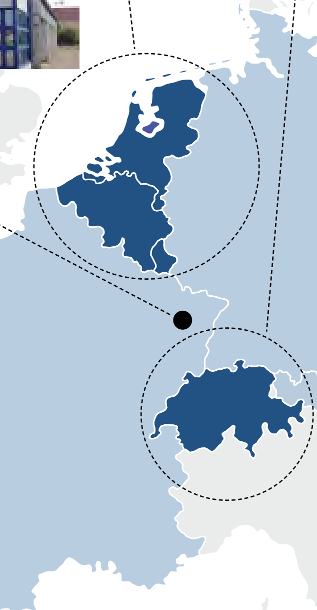
# ORIOR Group Locations

## ORIOR Europe

**Culinor Food Group, Destelbergen**
Chilled premium ready meals and meal components.

**ORIOR/Spiess Europe**
Distribution centre in Haguenau.



Domestic markets

Main countries of export

In Switzerland, ORIOR runs six competence centres with nine locations. The Culinor Food Group is ORIOR's new European platform, which, as an independent centre of excellence with five locations in the Benelux countries, manages the entire European market.

Together with the colleagues of the Culinor Food Group in Belgium, the ORIOR Group currently has around 1 600 employees.

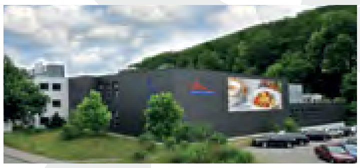
## ORIOR Switzerland

**Rapelli SA, Stabio**
Charcuterie specialities like salami, prosciutto and coppa.

**Albert Spiess, Schiers**
Grisons specialities like Bündnerfleisch, Salsiz and cured ham.

**Möfag, Zuzwil**
Fürstenländer specialities such as Mostbröckli and hams.

**Fredag, Root**
Poultry specialities, convenience meat dishes and vegetarian/vegan.



**Le Patron, Böckten**
Pâtés and terrines, ready meals, meal components.

**Pastinella, Oberentfelden**
Fresh, filled and unfilled Italian-style pasta.

# Interview with Daniel Lutz, CEO ORIOR Group

**Mr. Lutz, can you summarize 2017 in just two sentences?**
That's hard to do; 2017 was such an eventful year. It also showed once again that less is sometimes more. Narrowing your focus frees up resources to delve deeper, stay on the right track and deliver on your priorities.

**We always hear that the market environment is very challenging, especially here in Switzerland. Honestly, are things really that challenging?**
They sure are. Price pressure and competition in the Swiss market have never been as intense as they are now. I see this situation not only as a challenge, but also as an opportunity. We need to always be on the lookout for these opportunities and we need to be unfaltering, persevering and passionate in our efforts to capture them, and think outside the box while doing so. That's hard work and it calls for extraordinary employees who have the energy and passion to try their best day after day. There's no longer any place for apathy, inertness or half-hearted efforts. It was with that in mind that we introduced our new "Make the difference" slogan at the Top 100 gathering of key employees in the fall of 2017. This slogan will accompany us during the years ahead and remind us that genuine, sustainable success is only possible if every single employee is willing to leave their comfort zone and make a difference every day.

**Competitive pressure and insourcing: how exactly are you dealing with those twin challenges?**
Competition is not new and nor is insourcing; ORIOR has long contended with this situation, as has the entire industry. However, it's safe to say that we are entering uncharted territory here. Today, if a niche that we've been addressing becomes more attractive or large enough, other suppliers will suddenly express an interest in it. That leads to tense pricing negotiations and sometimes we can't go as far as our customers would like us to, as we need to safeguard our profitability too. Creating new niches and making them a success for us and our customers is one of our strengths. And I see unique opportunities to translate up-and-coming food trends into new products, concepts and services in every one of our competence centres. This is not only about anticipating trends. I also want ORIOR to bring trend-setting ideas into the marketplace, to create trends on its own. We need to work on this, so we can stand out even more from the competition. Further diversification of our sales channels is another goal we'll be working on at the same time. An important and big step forward was already made with the acquisition of the Culinor Food Group in the Benelux countries.

**Implementation of the ORIOR 2020 strategy continued in 2017 with scores of initiatives, projects and other measures. Isn't it time to come up with an ORIOR 2025 strategy?**
Yes and no. The idea behind the ORIOR 2020 strategy was not to have it completed in the year 2020 and then follow it up with a new strategy. So basic aspects of ORIOR 2020 will still apply even after the year 2020. That said, we will be evaluating the effectiveness of the related initiatives and action plans and making adjustments if necessary. But this review won't take place once every 5 years; it's something we are now doing every 6 months.

**Culinor has done very well. What other plans do you have on the international stage?**
We want to grow. Both in organic terms within the International segment and through further acquisitions. But, as was already the case with Culinor, we will go ahead with an acquisition only if all three of ORIOR's "perfect fit" criteria are met: First, the target must be a good cultural fit with ORIOR; second, the target's core products and competencies must fit with ORIOR's portfolio and strategy; and third,


**Daniel Lutz,** CEO ORIOR Group

it must generate sustainable value, also in a financial sense. These acquisition criteria apply not only to the International segment; they guide us throughout all our M&A discussions.

**Food trucks were recently cited as one of the biggest food trends for 2018. How are you addressing this trend at ORIOR?**

The variety witnessed in the food truck scene is truly impressive, as is the speed with which this trend has unfolded. Some of the concepts are really good. Food truck vendors are unbelievably quick when it comes to anticipating ideas. Whatever doesn't work is quickly exchanged for something else. From one day to the next. That is a very exciting place to be. This is exactly how many of the trends of tomorrow take root. Thanks to our decentralised organisation, we are very close to the market, so we can learn a lot from the food trucks. I consider that quite a gift.

**Digitalisation is something the whole world is talking about. What about ORIOR?**

We're quite active on this front. Digitalisation is not just about emails or social media. Digitalisation extends to backstage workflows and operating processes, and also includes the issue of Big Data. Whether we like it or not, we need to be active on this front and constantly evolve, because if we don't, sooner or later we will have a serious problem on our hands. Our transition to an automated payment system in 2017 is an example of this. It wasn't always easy and there's still work to do, but there's no doubt in my mind that this was the right thing to do. Another new development that I personally find very exciting is the ORIOR staff app, a company-wide, structured communications platform. In the age of smartphones, This app is an ideal, future-oriented management tool that will also open up an additional informal channel of communication within the ORIOR Group. The realisation of this new app is in full swing and we will roll it out to our employees during the course of 2018.

**Speaking of 2018, what's your outlook?**

I see hardly any change in the general environment; it will remain challenging. I do see genuine opportunities in all of our product groups, though, because of our good market positions, strong innovation and entrepreneurial approach. Those strengths enable us to shape and drive the market landscape. Seizing opportunities as they arise is an evolving process, as steadfastly focusing on resolving one particular issue often uncovers a host of new opportunities. In the current environment, the players who keep close to the market and to the consumer and who think and act with agility are the one who will be able to "Make the difference".

Make the difference
WIR SIND ORIOR

# ORIOR Convenience

**The ORIOR Convenience segment with the three centres of competence Fredag, Le Patron and Pastinella produces fresh convenience products such as ready-made meals, pâtés and terrines, fresh pasta, vegan and vegetarian specialities, poultry and meat products, and seafood. Excelling in innovation and guided by a pioneering spirit, the segment and its four manufacturing units are well positioned at the vanguard of their core markets within the retail and food service industries.**

## Course of business

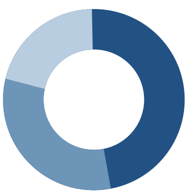
The Convenience segment achieved revenues of CHF 187.7 million in 2017, which is –3.3 % below the figure from the previous year (2016: 194.2 million). Although business improved significantly during the second half, the Convenience segment did not meet all our expectations. Tough competition and a challenging market environment were the main reasons for this. EBITDA, however, showed pleasing growth of 4.2 % to CHF 26.3 million thanks to unrelenting efforts to strengthen the portfolio mix with a sharp focus on efficiency and costs. The corresponding margin rose to 14.0 % (2016: 13.0 %).

## Highlights and innovations

Many exciting and trendy creations were introduced during the year under review. A kale burger and vegan cevapcici, for example, or carefully prepared speciality chicken dishes from Fredag that are pre-cooked in their own juices. Among the new products developed and launched by Le Patron were ultra-fresh menus for convenience stores, power salads packed with superfoods, and new regional products such as the “Tradition” line for consumers in French-speaking Switzerland. Pastinella enjoyed a string of successes too: Very shortly after obtaining exclusive rights to sell Garofalo’s premium al-dente pasta specialities in Switzerland, Pastinella was marketing a broad assortment of the products in retail channels nationwide and created many new concepts: pink-coloured red beet gnocchi and fiori pasta, mezzelune stuffed with two different fillings packaged together for double enjoyment, and Swiss “Triondo” products, which are made with typical local ingredients. Pastinella’s logo was also redesigned and given a warm yellow and orange Mediterranean hue.

**REVENUE ORIOR CONVENIENCE**
IN % OF TOTAL REVENUE

31.7 %



ORIOR Convenience

## Outlook

The demanding and highly competitive premium fresh convenience market in Switzerland remains a challenge. Uniqueness, anticipation of trends, speed and agility are key factors for success in this market. Convenience food is gaining momentum, driven by local, national and even global nutrition and lifestyle trends. We will focus on innovation, improve agility and drive efficiency in order to maintain and strengthen our position in the vanguard of market developments. And we will continue to focus on niches and innovation, especially on premium pasta concepts and ultra-fresh menus, and on modernising our “Le Patron” brand.

**FREDAG:** Tender slices of chicken breast from Fredag served on a bed of crisp salad greens, garnished with berries, avocado, sliced radishes and a strawberry dressing. This healthy dish, light and delicious, is a favourite choice any time of the year.

**LE PATRON:** Premium morel pâtés and pepper terrines: Two exquisite classics that deserve a spot on any starter menu. Carefully handcrafted with lots of passion along with the best of ingredients, these products are a delightful treat.

**PASTINELLA:** Double the pleasure. Two variations of mezzelune stuffed with different fillings – a creamy basil pesto and a savoury Grana Padano – offer all pasta aficionados in the food service industry an irresistible taste experience.

# ORIOR Refinement

**The ORIOR Refinement segment with its centres of competence Rapelli, Albert Spiess and Möfag produces premium refined meat specialities. Craftsmanship and strong brands are paired with the best quality ingredients to create traditional as well as newly interpreted premium products, ranging from Bündnerfleisch and a variety of ham products to Salami and Mostbröckli, as well as a steady flow of attractive new convenience meat specialities. The segment operates five processing plants and sells its products to retailers and food service providers.**

## Course of business

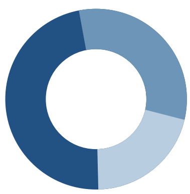
The Refinement segment was unable to meet our overall expectations. Revenues amounted to CHF 290.2 million, which is −2.9 % less than in the previous year (2016: CHF 298.8 million). Consequently, EBITDA declined by −8.4 % to CHF 20.6 million (2016: CHF 22.5 million), which resulted in a margin of 7.1 %. EBITDA drivers were promotional and price pressures, higher raw material costs, destocking effects and investments in marketing and sales operations.

## Highlights and innovations

The response to Rapelli's bottega concept has been overwhelmingly positive: "La Bottega di Mario" was opened in the Hotel Carlton in Zurich, in collaboration with Segmüller Collection. The Bottega di Mario's authentic atmosphere evokes the traditional salumeria of times gone by and is a true oasis offering pure food enjoyment right in the heart of Zurich's hectic city centre. After a months-long rebranding process, the "Ticinella" brand was unveiled in October and has displayed a remarkably positive course of business from that day on. So has its new edition of Bündnerfleisch specialities, lean dried beef freshly sliced and placed by hand in the packaging trays. Albert Spiess launched "My Energy Beef Sticks" in a nationwide campaign covering multiple sales channels. Snacking remains a sales driver for the Refinement segment too. Its to go snacks such as the Panino al Salame and Tapas have been selling very well. In addition to Spanish tapas, Albert Spiess recently launched Bündner tapas, a mix of salsiz sausages, Alpine cheese and Bündnerfleisch. The range of snack products offered by Möfag was likewise expanded, as in the preceding years. Möfag also completed the construction of an addition to its production plant.

**REVENUE ORIOR REFINEMENT**
IN % OF TOTAL REVENUE

47.0 %



ORIOR Refinement

## Outlook

Investment spending will remain high to advance the unique combination of age-old tradition, a passion for craftsmanship and strong regional roots embodied by the Refinement segment's brands. We will be actively supporting the roll-out of the "Ticinella" brand's new visual identity with a nationwide campaign, for example, and expanding the snacks product category – especially the successful "My Energy" concept.

**RAPELLI:** Premium steak tartare made from Swiss beef. Prepared with a mild hot sauce flavoured with pepper seasoning from Ticino's Maggia Valley and chili peppers from Mendrisiotto. This is culinary enjoyment at its best.

**ALBERT SPIESS:** Small servings have become very popular. Besides Spanish tapas of serrano ham and chorizo, Albert Spiess now offers Bündner tapas, a mix of salsiz sausages, cured bacon and Alpine cheese.

**MÖFAG:** Choice "Mostbröckli" from eastern Switzerland and ham and bacon specialities from the House of Möfag are perfect for a hearty afternoon snack. Fresh dates and a crusty black olive baguette round out the perfect platter.

# ORIOR International

**The ORIOR International segment consists of the competence centre Culinor Food Group and the exports of Swiss products into neighbouring countries. Culinor Food Group produces premium chilled ready meals and menu components. Its main sales channels are retailers and food service providers. The export operations are responsible for marketing a selection of branded Group products in foreign countries.**

## Course of business

The ORIOR International Segment comprises all Group activities outside Switzerland, and largely consists of the Culinor Food Group in Belgium. ORIOR International achieved revenues of CHF 124.7 million in 2017, which represents an increase of 134.4 % from the level achieved in the previous year (2016: CHF 53.2 million). The company's strategically significant expansion into the European market has been a success. As in the first half of 2017, Culinor Food Group beat expectations for the entire year too. Excluding the effect of the Culinor Food Group acquisition and currency movements, the segment achieved organic growth of 1.6 % thanks to good Bündnerfleisch exports.

## Highlights and innovations

Culinor leads the highly developed premium fresh convenience food market in the Benelux region by virtue of its pioneering spirit and the innovative mindset that permeates all levels of the organisation. Highlights from the year under review include the launch of several varieties of low-sodium, all-natural soups and "Lovely Meals", a ready meal concept consisting of pre-cooked elements and fresh ingredients. The food service concepts delivered pleasing growth again; both school meals and home delivery services showed good growth. Moreover, a line of ready meals was relaunched during the second half.

Revenues from the export business edged slightly higher in 2017 thanks to new sales channels and an increase in Bündnerfleisch exports at Albert Spiess.

## Outlook

Compared to the Swiss market, the European market is incomparably larger, it is growing steadily in several sub-segments of the premium fresh convenience market and its structural characteristics are also different. In view of Culinor Food Group's strong market position and innovation pipeline, the markets addressed by ORIOR International offer further growth potential.

**REVENUE ORIOR INTERNATIONAL**
IN % OF TOTAL REVENUE

21.3 %

ORIOR International

**CULINOR:** Fresher, crispier and ready to enjoy: Jumbo shrimp, quinoa salad and zucchini tagliatelle, a "Lovely Meals" innovation from Culinor that combines fresh ingredients with pre-cooked meal components.

**VACO'S KITCHEN:** These low-sodium, all-natural soups stand out for their premium, 100% fresh ingredients and two kinds of broth, a proprietary recipe and a classic version.

**SPIESS EUROPE:** Genuine handcrafted Bündner specialities are also loved by connoisseurs beyond Switzerland's borders, especially the truly unique Bündnerfleisch from the highest meat drying facility in Europe, located in the Alps at 1,500 meters above sea level.

ORIOR
EXCELLENCE IN FOOD

# *A remarkable success story*

**ORIOR is celebrating its 25th anniversary – a young yet extremely impressive history. However, its roots go back much further to the 19th century. At that time, the company was active in the tobacco industry and operated all over the world. The history of ORIOR begins in Vevey in 1992 with the adoption of a new strategy focused on producing high-quality food products. Since then, notable successes, but also setbacks, have shaped the company and made ORIOR what it is today: an outstanding food group.**

Frenchman Bernard Lacaze opens the first tobacco factory in Vevey in 1848. After his death, his son Pierre takes over the company and sells it shortly afterwards to Louis Ormond. Focusing on cigars made from Kentucky tobacco, the firm very quickly makes a name for itself and employs around 100 staff. The company grows at a rapid pace. By 1899, 800 employees are working for Ormond. Every day, 500,000 cigars are rolled. In 1903, Louis Rinsoz sets up a cigarette factory in Vevey. Inspired by the success of cigars, he creates the world-famous "Meccarillos". Ormond and Rinsoz join forces in 1930 to form Rinsoz & Ormond S.A., which operates 107 tobacco factories in Switzerland. The following years are marked by further growth. In the 1960s, Rinsoz & Ormond is regarded as one of the best employers in the region and pays the highest wages. However, in the 1970s, the company falls on hard times due to the crisis surrounding pipe tobacco. The entire tobacco industry struggles with declining sales, including Rinsoz & Ormond, which leads the firm to acquiring its first companies in the food industry and wholesale trade in order to diversify its portfolio. In 1990, the company acquires Regina Culinaire in Uetendorf (terrines and pâtés), as well as stakes in Fredag in Root (poultry). The following year, Pargesa becomes the majority shareholder and shortly afterwards decides to completely withdraw from the tobacco industry and focus on the production of food products. Rinsoz & Ormond is renamed ORIOR.

**1992 – 1994** The change of name marks a turning point in the company's history. ORIOR's challenging mission: Exit the tobacco business and orchestrate a strategic pivot focusing on food products. Within the space of a few years, ORIOR acquires stakes in 15 food manufacturers. At the same time, it steadily increases its interest in Fredag.

**1995** The existing shareholdings are continually increased; among others, the participation in Rapelli in Stabio (charcuterie) is raised to 80 %. ORIOR is now also recognised as a serious player in the food industry.

**1996** Purchase of the companies Le Patron in Böckten (pâtés and convenience foods), Pastinella in Oberentfelden (fresh pasta) and Rieder Catering in Wohlen (supplier of food to airlines), all belonging to the Rieder Group and acquisition of the firm Trinca in Quartino (fresh pasta). ORIOR is transformed into one of the largest food companies in Switzerland. Moreover, ORIOR also explores further afield into the watch industry by acquiring the Stern Group.

**1997 – 1998** The foundation and construction of Fresico Food Industries in China (poultry convenience food) marks the first step beyond the Swiss borders. At the same time, logistics for the entire Group is concentrated in Langenthal by founding Lineafresca Logistic AG. The new Rapelli factory is opened in Stabio; it is the most modern production plant for charcuterie in the whole of Europe. In addition, the ORIOR groupe purchases the firm Traiteur Seiler, in Kloten (fresh pasta).

**1999 – 2001** The Ticinella brand comprising authentic Ticino specialities is launched. Furthermore ORIOR is given a clear management structure. A large-scale strategy process entitled "Setting the Compass" is initiated and the company is consistently restructured. The five pillars making up ORIOR are defined as the competence centres Rapelli, Fredag, Le Patron, Pastinella and Lineafresca. In addition, the goal is set to become the number one in all the segments in which ORIOR is active. In 2000 ORIOR fully owns almost all of its companies. The smaller production sites are integrated into the modernised main facilities.

**2002** ORIOR celebrates its 10th anniversary in Vevey, where it was founded. In addition the legendary ORIOR House of our Success is launched.

**2004 – 2005** Crisis strikes the poultry industry; ORIOR reduces its engagement in China to a minority interest. The growth initiative known as "Hungry Eyes" is launched. This focuses on growth, innovation, brands, export and result development.

**2006** Management buyout. The principal shareholder, Pargesa, sells its share capital to the Management and to the Swiss private equity firm, Capvis.

**2008** The ORIOR Group takes over the renowned, tradition-steeped company Albert Spiess AG, in Schiers (Graubünden specialities).

**2010** In April 2010, ORIOR makes an Initial Public Offering and thus becomes listed on the main board of the SIX Swiss Exchange in Zurich. In addition ORIOR expands its food service (restaurants and catering) division, in particular by developing successful concepts for restaurants and schools.

**2011** In 2011, Salumeria Keller SA (Ticino specialities) based in Maroggia, and Bernatur, a leading Swiss tofu producer based in Mels, were acquired.

**2012** ORIOR acquires Möfag based in Zuzwil, a well-known producer of Fürstenländer meat specialities, such as Mostbröckli and ham.

**2014** Vegetarian expertise is further expanded; ORIOR acquires the organic tofu specialist Noppa AG, based in Rüti.

**2015** A comprehensive strategy process is launched under the title of "ORIOR 2020". Comprising the five key pillars "House of Innovation", "Brand strengthening and expansion", "Agility and cost efficiency", "The ORIOR responsibility" and "We are ORIOR", the new strategy lays the foundation for the continuation of ORIOR's success story.

**2016** ORIOR purchases the Culinor Food Group. This acquisition further strengthens ORIOR's core competence in the growing premium fresh convenience food market beyond the Swiss border and into the European market.

**2017** ORIOR celebrates its 25-year anniversary and honors its unique history with a sense of pride and deep gratitude. Confidently facing the future from a position of strength, ORIOR has already begun a new chapter of its corporate development.

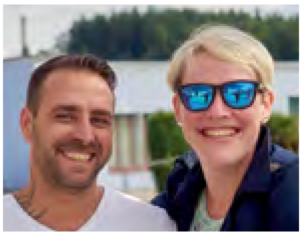
**25 years – that's not history, that's the beginning!**




*25 years young and so many talented people and defining moments that have made ORIOR what it is today.*








*We celebrated in style! And with all of our employees. Anniversary parties were organised at every centre of competence with an assortment of tasty delights from every ORIOR company and a glass of wine.*





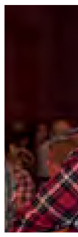








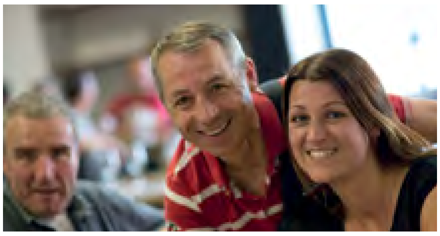










ORIOR

*25 years*

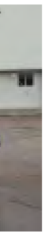






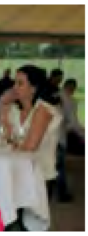







*ORIOR also celebrated and honoured its young and unique history at an anniversary event in the fall to which the Top 100 and selected guests were invited.*










# Corporate Governance Report

ORIOR Group is committed to best practices in corporate governance with a high level of transparency. Good corporate governance protects the interests of Company shareholders and other stakeholders while helping the Group achieve sustainable development. ORIOR Group's corporate governance policy follows the guiding principles of the Swiss Code of Best Practice for Corporate Governance (2016). The information disclosed hereinafter meets the current requirements of the "Directive Corporate Governance" (DCG) issued by SIX Swiss Exchange and last amended on 13 December 2016.

## 1. Group structure and shareholders

The registered office of ORIOR AG, the parent company of ORIOR Group, is in Zurich (Switzerland). Information on the security number and ISIN code of its shares and its stock-market capitalisation is given in the "Share information" section of this annual report.

The subsidiaries included in the Group's scope of consolidation are listed in the Notes to the Consolidated Financial Statements, Note 43, along with their legal domicile, share capital and the percentage interest held by the Group. Apart from the parent company, only unlisted companies are included in the scope of consolidation.

**Group structure as at 31 December 2017**

**Board of Directors**
Rolf U. Sutter, Chairman
Edgar Fluri, Vice Chairman
Christoph Clavadetscher
Walter Lüthi
Dominik Sauter
Monika Walser

**Management Board**
Daniel Lutz, CEO ORIOR Group
Ricarda Demarmels, CFO ORIOR Group
Filip De Spiegeleire, Head ORIOR Europe and Head Culinor Food Group

**ORIOR Corporate**
Sven Maushake, CIO ORIOR Group
Milena Mathiuet, Head Corporate Communication & Investor Relations
Stefan Graf, Head Supply Chain Excellence

**Convenience segment**
Max Dreussi, Head Fredag
Daniel Lutz, a.i. Head Le Patron
Oscar Marini, Head Pastinella
Bernhard Pfulg, COO Convenience

**Refinement segment**
Glauco Martinetti, Head Rapelli
Bruno Bürki, Head Albert Spiess
Walter Koller, Head Möfag

**International segment**
Filip De Spiegeleire, Head ORIOR Europe and Head Culinor Food Group

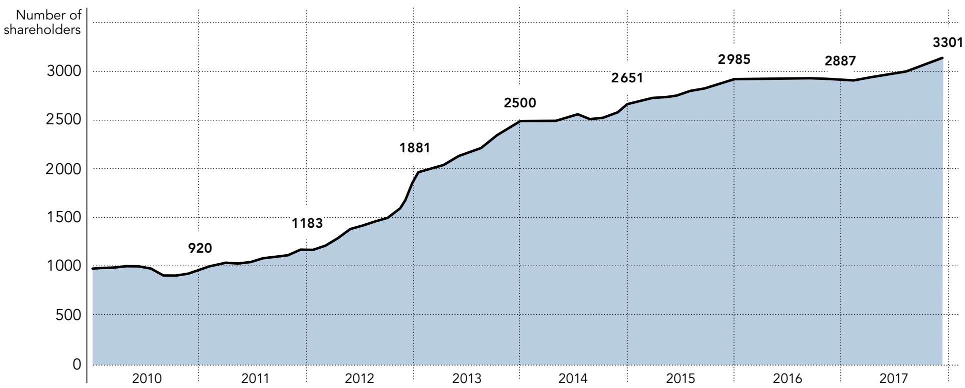
The departure of Bruno de Gennaro as Head of the Convenience segment and a member of the Management Board, already announced in October 2016, became effective in June 2017. After stepping down, he assumed the chairmanship of ORIOR's pension fund and has been delegated special tasks by Group CEO Daniel Lutz. Bruno de Gennaro passed on management responsibility for Fredag to Max Dreussi already in April 2017. Max Dreussi was concurrently appointed a member of the Extended Management Team.

In June 2017 Urs Mösli stepped down as Head of Möfag and a member of the Extended Management Team. The Management Board named Walter Koller as the new Head of Möfag and appointed him to the Extended Management Team.

In May 2017, Michel Nick left the company and was succeeded by Roger Würth as Head of Le Patron. In October 2017 ORIOR was deeply saddened to learn that Roger Würth, Head of Le Patron and a member of the Extended Management Team, had passed away suddenly. His position has been filled by Daniel Lutz, CEO of ORIOR Group, on an ad interim basis. In the meantime, ORIOR has been recruited Jann Gehri as the new Head of Le Patron. Jann Gehri will assume his position in February 2018 and become a member of the Extended Management Team.

## ORIOR shareholders

According to the share register, ORIOR had 3301 shareholders as of 31 December 2017, meaning there was an increase in the number of shareholders during the year under review. The development in the number of shareholders entered in the share register since the IPO in April 2010 is depicted below:

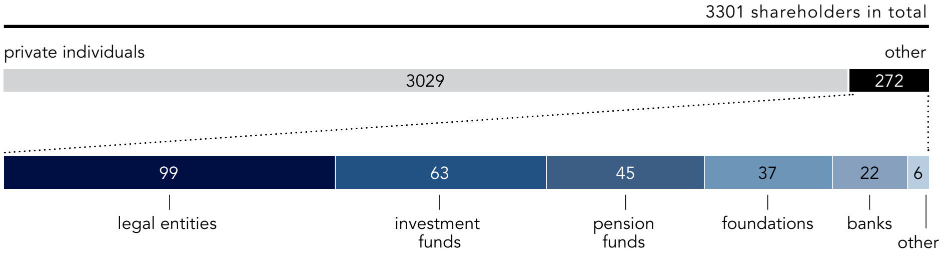



The 3301 registered shareholders at 31 December 2017 held 76.9% of total share capital. Information on the distribution of shareholdings as of 31 December 2017 by size of shareholding, by category and by country is given below.

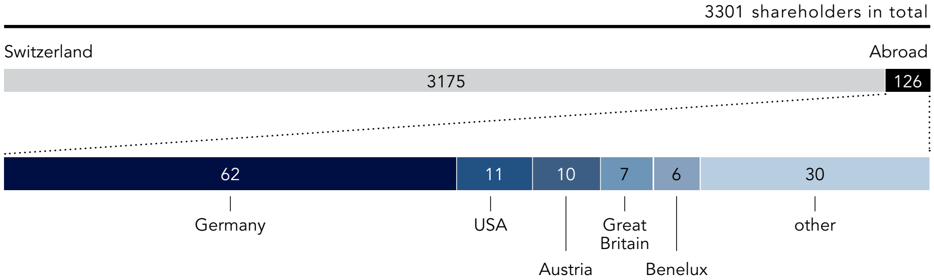
Number of shareholders entered in the share register as of 31 December 2017, by number of shares held:

| Number of shares held | Number of shareholders | Total number of shares |
|---|---|---|
| 1 – 10 | 208 | 1 276 |
| 11 – 100 | 832 | 53 647 |
| 101 – 1 000 | 1 922 | 711 316 |
| 1 001 – 10 000 | 288 | 826 407 |
| 10 001 – 100 000 | 45 | 1 348 343 |
| > 100 000 | 6 | 1 612 570 |
| **Total** | **3 301** | **4 553 559** |

Number of shareholders entered in the share register as of 31 December 2017, by category:




Number of shareholders entered in the share register as of 31 December 2016, by country:




## Major shareholders

According to notifications received, as of 31 December 2017 the following shareholders each own more than 3 % of ORIOR AG's share capital:

| Shareholder | Number of shares | % | Source |
|---|---|---|---|
| Ernst Göhner Stiftung (CH) | 620 000 | 10.46 | Notification 05.10.2012 |
| UBS Fund Management (Switzerland) AG (CH) | 368 121 | 6.21 | Notification 28.02.2012 |
| Schroders Plc (GB) | 288 856 | 4.88 | Notification 05.02.2015 |
| Rolf U. Sutter / Group (CH) | 199 800[1] | 3.37 | Notification 25.09.2015 |
| Swisscanto Fondsleitung AG (CH) | 194 429 | 3.28 | Notification 24.06.2015 |

1 This includes 500 ORIOR shares purchased by Rolf U. Sutter in October 2015 at special terms under an employee stock ownership programme. The shares are subject to a mandatory holding period expiring 31 October 2018. The corresponding management transaction disclosure was issued on 30 October 2015.

During the period between 1 January 2017 and 31 December 2017 the following disclosure notifications were received and duly published on the website of the SIX Swiss Exchange:

| Publication date | Shareholder / Group | Reason for announcement | New shareholding |
|---|---|---|---|
| 29.06.2017 | Norges Bank (NOR) | Collateral shares returned | 2.94 % |
| 24.06.2017 | Norges Bank (NOR) | Collateral shares received | 3.02 % |
| 24.06.2017 | Norges Bank (NOR) | Collateral shares returned | 2.998 % |
| 22.06.2017 | Norges Bank (NOR) | Collateral shares received | 3.01 % |
| 16.06.2017 | Norges Bank (NOR) | Collateral shares returned | 2.95 % |
| 16.06.2017 | Norges Bank (NOR) | Collateral shares received | 3.03 % |
| 10.06.2017 | Norges Bank (NOR) | Collateral shares returned | 2.97 % |
| 10.06.2017 | Norges Bank (NOR) | Collateral shares received | 3.01 % |

Detailed information about these disclosures can be viewed at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

As of 20 February 2018, ORIOR was not aware of any other person or entity holding, directly or indirectly, 3 % or more of the Company's share capital. Neither is ORIOR AG aware of any significant agreements or arrangements among shareholders regarding their holdings of ORIOR AG registered shares.

### Cross-shareholdings

There are no cross-shareholdings with other companies.

## 2. Capital structure

### Share capital

| in CHF | 31.12.2017 | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| Ordinary share capital | 23 700 000 | 23 700 000 | 23 700 000 |
| Conditional share capital | 714 256 | 714 256 | 714 256 |
| Authorised share capital | 4 400 000 | 4 400 000 | 4 761 704 |
| Treasury shares | 2 062 906 | 699 471 | 174 139 |

### Ordinary capital

ORIOR AG's share capital is fully paid in and amounts to CHF 23 700 000. It is divided into 5 925 000 registered shares with a par value of CHF 4.00 each. There is only one category of registered shares. Further information on the shares is given in the "Share information" section of this annual report.

### Conditional capital

The share capital of the Company may be increased by a maximum of CHF 714 256 through the issue of a maximum of 178 564 registered shares with a par value of CHF 4.00 each, which must be fully paid-in, upon exercise of options rights granted to the members of the Board of Directors and employees of the Company and subsidiaries under one or more share-based compensation plans. The issue price for the new shares and the terms of the share-based compensation plans is determined by the Board of Directors. The subscription rights and preemptive rights of shareholders are excluded with respect to this conditional capital increase. The acquisition of registered shares through the exercise of option rights and every subsequent transfer are subject to the restrictions on entry in the share register stipulated in Articles 5 and 6 of the Articles of Association.

### Authorised share capital

The Board of Directors is authorised to nominally increase the share capital at any time up to 12 April 2018 by a maximum par value of CHF 4 400 000 through the issue of a maximum of 1 100 000 registered shares with a par value of CHF 4.00 each, to be fully paid in. Partial capital increases are permitted. The issue price, the date of the dividend entitlement, and the type of contribution will be determined by the Board of Directors. When acquired, the new registered shares are subject to the registration restrictions laid down in Art. 5 and 6 of the Articles of Association.

The Board of Directors shall be authorised to restrict or withdraw the preemptive subscription rights of shareholders and to allocate them to third parties,

(i) if the new shares are to be used to acquire another enterprise, parts of an enterprise or equity interests, or to finance investment projects or to finance or refinance any such transactions by the Company, or

(ii) if the new shares are being placed nationally and internationally for the purpose of raising equity in a swift and flexible manner that would be difficult to arrange or only at much less favourable conditions if the preemptive subscription rights to the new shares were not restricted or withdrawn.

The Board of Directors may allow subscription rights that have not been exercised to lapse, or it may place these subscription rights, or registered shares for which subscription rights were granted but not exercised, at market conditions, or use them otherwise in the interests of the Company.

### Changes in capital

At the Extraordinary Meeting of Shareholders on 9 April 2010, shareholders voted to split the share capital consisting of 170 000 registered shares with a par value of CHF 100.00 each into 4 250 000 registered shares with a par value of CHF 4.00 each. Shareholders at the Extraordinary Meeting of Shareholders on 9 April 2010 also authorised the Board of Directors to increase the share capital from CHF 17 million to a maximum of CHF 97 million during a three-month period following this Extraordinary Meeting of Shareholders. On 21 April 2010 the share capital of ORIOR AG was increased by CHF 6.7 million through the issue of 1 675 000 registered shares. The Extraordinary Meeting of Shareholders on 9 April 2010 also voted to create conditional share capital of CHF 714 256 and authorised share capital of CHF 4 761 704. The shareholders at the Annual General Meeting on 12 April 2016 approved to renew the authorised share capital, with a reduced maximum amount of CHF 4 400 000.00, corresponding to 1 100 000 fully paid registered shares with a nominal value of CHF 4.00 each, as well as various other amendments to Article 3b of the Company's Articles of Association in connection with authorised share capital.

ORIOR AG has purchased own shares through numerous transactions on the open market:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Number of own shares bought on the market | 63 612 | 84 975 | 46 750 |
| Average share price in CHF | 76.20 | 69.17 | 55.66 |

### Participation certificates and non-voting equity securities

ORIOR Group has not issued any participation certificates or non-voting equity securities.

### Restrictions on share transfer, registration of nominees

There are no restrictions on the transfer of the registered shares of ORIOR AG. The sole condition attaching to entry of a shareholder in the share register is a written statement signed by the person acquiring the shares that he is acquiring them in his own name and for his own account. There are no further restrictions on shareholder registration. Any persons not expressly stating in their application form that the shares have been acquired for their own account (Nominees) may be entered as shareholders in the share register with voting rights if the Nominee concerned is subject to recognised banking and financial market supervision and has entered into an agreement with the Board of Directors regarding its position. The total share capital held by the Nominee may not exceed 2 % of the issued share capital of the Company. In excess of this limit, the Board of Directors may register Nominees in the share register with voting rights, if the Nominees disclose the names, addresses, citizenship and shareholdings of those persons for which they hold 2 % or more of the issued share capital. No nominees with voting rights exceeding the 2 % limit were registered during the year under review.

### Convertible bonds and warrants

ORIOR AG has not issued any bonds or warrants convertible into and/or exchangeable for equity securities of ORIOR AG. The same applies with regard to the other Group companies.

## 3. The Board of Directors

The duties and responsibilities of the Board of Directors of ORIOR AG are defined by the Swiss Code of Obligations, the Articles of Association and the Organisational Regulations.

### Members of the Board of Directors

The Board of Directors consists of at least three and no more than nine members. The Board of Directors consisted of six directors as at 31 December 2017. All members of the Board of Directors are non-executive directors. None of the directors held an executive position with ORIOR Group during the three fiscal years preceding the period under review. Unless otherwise noted, the members of the Board of Directors do not have significant business relationships with ORIOR AG or with ORIOR Group. All of the directors are Swiss nationals.

Below is an overview of the current members of the Board of Directors as at 31 December 2017, their functions within the Board, their first year of election to the Board and their current term of office.

| Name | Year of birth | Position | First term of office | Elected until AGM |
|---|---|---|---|---|
| Rolf U. Sutter | 1955 | Chairman of the Board of Directors, Member of the Nomination and Compensation Committee | 2006[1] | 2018 |
| Edgar Fluri | 1947 | Vice Chairman of the Board of Directors, Chairman of the Audit Committee | 2010 | 2018 |
| Christoph Clavadetscher | 1961 | Member of the Board of Directors, Chairman of the Nomination and Compensation Committee | 2007 | 2018 |
| Walter Lüthi | 1953 | Member of the Board of Directors, Member of the Audit Committee | 2016 | 2018 |
| Dominik Sauter | 1963 | Member of the Board of Directors, Member of the Audit Committee | 2013 | 2018 |
| Monika Walser | 1965 | Member of the Board of Directors, Member of the Audit Committee | 2013 | 2018 |

[1] Delegate to the Board of Directors from 2006 to 2011.

### Changes in the composition of the Board of Directors

There were no changes in the composition of the Board of Directors of ORIOR AG in 2017.

## Rolf U. Sutter

**Chairman of the Board of Directors, Member of the Nomination and Compensation Committee**

Rolf U. Sutter holds a bachelor degree from the Lausanne Hotel School and pursued a degree programme at Cornell University in Ithaca (USA). From 1981 to 1989 he held various positions at Railway Buffet, Zurich and Moevenpick Holiday Inn, Moevenpick Hotel and Moevenpick / Marché Schweiz. From 1989 to 1997 he served as Managing Director / CEO of Moevenpick / Marché International. From 1993, he was also a member of the Executive Board of Moevenpick Holding AG. During this time, he worked in Germany for three years, established several companies in several countries, opened and developed various restaurants in North America, Asia (with registered offices in Hongkong and Singapore), the Middle East and Europe. From 1997 to 1999, he was Managing Director of all food service operations within the Moevenpick Group. After assuming the position of CEO of ORIOR in 1999, Rolf U. Sutter was elected Executive Board delegate to the Board of Directors. He resigned as ORIOR's CEO on 30 April 2011. The Board of Directors elected Rolf U. Sutter as its Chairman at the constituting meeting of the Board after the Annual General Meeting on 6 April 2011.

**Other activities and functions:** Rolf U. Sutter is Chairman of the Board of Directors of Biella-Neher Holding AG, Biel, and a member of the Board of Directors of Schweizer Getränke AG, Meilen.

## Edgar Fluri

**Vice Chairman of the Board of Directors, Chairman of the Audit Committee**

Edgar Fluri earned a Doctorate in Economics from the University of Basel and is a Swiss Certified Public Accountant. From 1977 to 1998 he was with STG-Coopers & Lybrand, where he served from 1991 to 1996 as Deputy Chairman and from 1997 to 1998 as Chairman of the Management Committee and held a seat on the Coopers & Lybrand International and European Boards. After the merger to form PricewaterhouseCoopers, Edgar Fluri served from 1998 to 2008 as Chairman of the Board of Directors of PricewaterhouseCoopers Switzerland. From 1998 to 2001 he was also Head of Assurance and Business Advisory Services EMEA and from 2002 to 2005 a member of the Global Board of PricewaterhouseCoopers. Edgar Fluri was a part-time lecturer in public accounting and auditing at the University of Basel from 1987 to 2012 and was appointed titular professor in 1997.

**Other activities and functions:** Edgar Fluri is a member of the Board of Directors of LAROBA AG, Basel, a member of the Board of Trustees of the Beyeler Foundations, Basel, a member of the Board of Directors of Beyeler Museum AG, Basel, and a member of the Board of Directors of Galerie Beyeler AG, Basel.

## Christoph Clavadetscher

**Member of the Board of Directors, Chairman of the Nomination and Compensation Committee**

Christoph Clavadetscher earned a degree in business studies. Up to 1991 he worked in sales and marketing at various retail companies. From 1992 to 2005 he held various positions at Coop. He was Head of the Coop Central Switzerland-Zurich sales region, Head of Trading operations and a member of the Management Board with responsibility for the "Coop-City" department stores and building supply stores as well as Chairman of the Board of TopTip AG and Importparfümerie AG. From 2005 to 2009 he served as managing director of Dohle Handelsgruppe, Siegburg (Germany). From 2009 to 2011 he served as CEO of Dolma Holding AG in Schlossrued (Switzerland). From 2011 to 2013 he was CEO of Möbel Hubacher AG. Since 2013 he has been owner and Managing Director of Christoph Clavadetscher Consulting GmbH, acting as a professional board member and taking on temporary CEO roles.

**ORIOR Member of the Board of Directors**
From left to right: Walter Lüthi, Christoph Clavadetscher, Edgar Fluri (Vice Chairman), Rolf U. Sutter (Chairman), Dominik Sauter, Monika Walser

**Other activities and functions:** Christoph Clavadetscher is Chairman of the Board of Directors of PEG Papeteristen-Einkaufsgenossenschaft, Aarburg, and member of the Board of Directors of the company affiliated to PEG Papeteristen-Einkaufsgenossenschaft (OFFIX Holding AG), Chairman of the Board of Directors of Talsee AG, Hochdorf, Chairman of the Board of Directors of famoc AG, Zug, and member of the Board of Directors of companies affiliated to famoc (Bewilux AG, HOLCLA AG, Unicorn S.A.), Chairman of the Board of Directors of Carl Heusser AG, Cham, Chairman of the Board of Directors of Convidis AG, Glattbrugg, Vice Chairman of the Board of Directors of Agrovision AG, Alberswil, and a member of the Board of Directors of Karl Vögele AG, Uznach.

## Walter Lüthi

**Member of the Board of Directors and Member of the Audit Committee**

Walter Lüthi initially obtained a basic technical education and is a graduate of a college-level business management programme. From 1973 to 1978 he worked in research and development at Autophon AG, a specialist for telecommunications devices. From 1978 he was Senior Account Manager at Burroughs AG and in 1983 he joined Hawe-Neos Dental AG as Head of European Sales. In 1986 Walter Lüthi went into business for himself and in the following years established two companies active in the fields of consulting and electronic media. After their successful start-up he sold them and subsequently accepted a position as executive manager of the Swiss operations of ADIA Interim AG in Zurich. In 1992 he was retained by the Board of Directors of Intersport E+H Holding AG to turn the company around, after which he was elected to its board. In 1993 Walter Lüthi assumed the chairmanship of Mühlebach Holding AG with a mandate to focus on modernising the group and setting up new business areas. In 1998 he established Success Factory AG and has been engaged as a professional investor and as a professional director. In the ensuing years he has advised Swisscom AG on strategic issues and he managed Betty Bossi AG as CEO from 2000 to 2015, where he played a crucial role in the very successful development of the Betty Bossi brand.

**Other activities and functions:** Walter Lüthi is the owner and Chairman of Success Factory AG, Lucerne, Chairman of the Board of Directors of Artum AG, Zurich, a member of the Board of Directors of Büro Schoch Werkhaus AG, Winterthur, a member of the Board of Directors of Alipro AG, Hittnau, a member of the Board of Directors of Bergbahnen Destination Gstaad AG, Gstaad, a member of the Board of Trustees of SOS Kinderdorf, Bern, a member of the Advisory Board of Isolutions AG, Bern, and CEO Coach of MS-Direct AG, St. Gallen.

## Dominik Sauter

**Member of the Board of Directors and Member of the Audit Committee**

Dominik Sauter holds a degree in engineering from the Swiss Federal Institute of Technology in Zurich (ETH). He worked as a process engineer at Ems-Chemie in Domat-Ems and in Japan until 1991. From 1991 to 2000 he worked for Sauter AG, a family-owned company in Sulgen, where he ultimately held the position of Head of Sales & Marketing and also served as Chairman of the Board of Directors. From 2000 to 2008 he worked for Belimed, a manufacturer of cleaning and sterilisation equipment marketed to hospitals, laboratories and pharmaceutical companies worldwide, as a member of the Group Executive Board in charge of sales, marketing and business development. Dominik Sauter is CEO of EGS Beteiligungen AG in Zurich, an investment company that belongs to the Ernst Göhner Foundation and is focused on Swiss industrial and services companies.

**Other activities and functions:** Dominik Sauter is Vice Chairman of the Board of Directors of Biella-Neher Holding AG, Biel, a member of the Board of Directors of Boucledor SA, Meyrin, a member of the Board of Directors of Bauwerk Boen AG, St. Margrethen, and a member of the Board of Directors of Golf Lipperswil AG, Lipperswil.

## Monika Walser

**Member of the Board of Directors and Member of the Nomination and Compensation Committee**

Monika Walser holds a master degree in rhetoric and technical communications from the University of Michigan (USA) and other educational credentials. In the years prior to 2000 she was mainly active in the field of marketing and sales. From 2000 to 2004 she served as Chief Communication Officer and a Member of the Executive Board of TDC Switzerland AG (Sunrise). From 2005 to 2009 she was Head of Communications and Human Resources as well as Deputy CEO of Swissgrid AG and, from 2006 onward, concurrently Head of Communications and Political Affairs at UCTE, the Union for the Coordination of Transmission of Electricity, in Brussels. Since 2009 she has been a partner at WAEGA-Group AG, Zurich, in which capacity she was CEO of the Swiss bag and accessories maker Freitag lab AG, Zurich, until January 2014. In spring 2014 she became CEO and Delegate to the Board of Directors of de Sede AG.

**Other activities and functions:** Monika Walser is a member of the Board of Directors of de Sede AG, Klingnau, and of its affiliated sister company Ligno AG, a member of the Board of Directors of Sanitas Beteiligungen AG, Zürich, and a member of the Board of Directors of Carletto AG, Wädenswil.

### Other activities and functions

The members of the Board of Directors may simultaneously carry out no more than five additional mandates outside the Group in the supreme managing or supervising body of other listed companies, and eight such mandates at unlisted entities that are obliged to be entered in the Swiss Commercial Register or a comparable foreign register. If a member does not reach the maximum number of mandates at listed companies, the number of mandates permitted at unlisted entities increases accordingly. Subject to approval by the Board of Directors, a member may exceed these limits for a short period of time.

With the exception of the positions already listed under "Members of the Board of Directors", none of the directors holds any positions or exercises any activities of relevance to corporate governance in

– governing or supervisory bodies of an important organisation, institution or foundation under private or public law;
– a permanent management or consultancy function for important interest groups;
– a public or political office.

### Elections and organisation of the Board of Directors

The members of the Board of Directors are elected individually by the General Meeting for a term of office of one year up to the end of the next Annual General Meeting. Re-election is permitted.

The Chairman of the Board of Directors is elected by the General Meeting for a term of office of one year up to the end of the next Annual General Meeting. Re-election is permitted. If the Chairman is unable to perform his duties, the Board of Directors shall appoint one of its members as interim Chairman for the remaining term of office. If the Chairman is absent, the Vice Chairman or another member of the Board of Directors shall represent him.

The Board of Directors shall constitute itself subject to the provisions of the law and the Articles of Association. It shall appoint a Vice Chairman from among its members and may designate a secretary who needs not be a member of the Board of Directors.

Even for non-delegable and inalienable duties, the Board of Directors may form committees from among its members and entrust these committees or their individual members with the preparation and execution of its resolutions, the supervision of transactions and related special duties. The main role of the committees is to help the Board of Directors prepare the decision-making process, prepare resolutions, and fulfil its supervisory obligations. The committees do not have the power to pass resolutions. Two specialist committees, the Audit Committee and the Nomination and Compensation Committee, are appointed by the Board of Directors as standing committees.

The Board of Directors meets as often as business requires, but no less than six times a year. The Board of Directors convened nine meetings between 1 January 2017 and 31 December 2017, one of which was a telephone conference. There were also two Board of Directors' workshops. No resolutions were adopted by means of circular letter. The meetings lasted approximately five hours each, the telephone conference approximately 45 minutes, the workshops 1.5 days each. Christoph Clavadetscher did not attend the meetings on 22 February 2017, on 13 June 2017 and on 14 July 2017; Monika Walser did not attend the meeting on 25 October 2017. Apart from the aforementioned absences, all members were in attendance at all meetings held during their term of office.

Any director may request the Chairman to call a Board meeting or to add an item to the agenda. Besides the directors, the Board meetings are attended by the CEO and CFO and may, depending on the agenda items, be attended by other members of the Management Team.

The Board of Directors has a quorum if and as long as at least the majority of its members are present. Resolutions shall be passed by the majority of the votes of the members present. Each member shall have one vote. The Chairman shall have the casting vote.

#### Compensation, Shareholdings and Loans

Information on the compensation and shareholdings of members of the the Board of Directors and any loans extended to them is presented and explained in the "Compensation Report" along with the applicable regulations.

#### Function and powers

The Board of Directors is, subject to the duties and powers of the General Meeting, the Company's supreme management body. The Board of Directors is further responsible for the ultimate supervision of the Company. The Board of Directors shall have the power to perform all acts that the business purpose of the Company may entail. The Board of Directors shall be authorised to pass resolutions on all matters that are not reserved to another corporate body by law or by the Company's Articles of Association.

According to Art. 18 of the Company's Articles of Association the Board of Directors has, in particular, the following non-delegable and inalienable duties:

- Ultimate management of the Company and issuance of the necessary directives;
- Establishment of the organisation;
- Structuring of the accounting system, of the financial controls and of the financial planning;
- Appointment and removal of the persons entrusted with the management, and assignment of signing authority;
- Ultimate supervision of the persons entrusted with the management, in particular, in view of compliance with the law, the Articles of Association, regulations and directives;
- Preparation of the business report and the compensation report as well as preparation of the General Meeting and implementation of its resolutions;
- Passing of resolutions regarding the subsequent payment of capital with respect to not fully paid-in shares, and amendment of the Articles of Associations to that effect;
- Passing of resolutions regarding capital increases, to the extent that they are in the power of the Board of Directors (Art. 651 Para. 4 CO), recording of capital increases, preparation of the capital increase report, and amendment of the Articles of Association to that effect;
- Non-delegable and inalienable duties and powers of the Board of Directors pursuant to the Merger Act and other laws;
- Notification of the court in case of over-indebtedness.

According to Art. 3.4 of the Organisational Regulations, moreover, the Board has the following exclusive powers and duties:

– Approval of the business strategy, passing of resolutions on the commencement of new and cessation of existing business activities, as well as approval and adoption of the Company's budget;
– Approval of transactions that the CEO or the Management Board, in accordance with the rules on the division of powers issued by the Board of Directors, has to submit to the Board of Directors or voluntarily submits to the Board of Directors;
– Adoption and any amendment or modification of any employee incentive programme, such as share schemes, stock option plans, restricted stock purchase agreements, etc.;
– Issuing bonds (including bonds with warrants and options) or other financial market instruments;
– Decisions on entering into any financial commitments or contingent liabilities exceeding CHF 2 million that are not within the budget approved by the Board of Directors.

In addition to the duties and powers specified in the Articles of Association and the Rules and Regulations of the Company, the Board of Directors evaluates its own performance and effectiveness at periodic intervals.

To the extent allowed by the law, and subject to the powers reserved for the Board of Directors by the Articles of Association and the Organisational Regulations, the Board of Directors delegates the entire management of the Company's operational business to the Management Board.

As detailed in Art. 3.5 of the Company's Organisational Regulations, the Board of Directors has delegated certain duties to the Chairman of the Board of Directors. The Chairman of the Board of Directors convenes and chairs Board meetings and General meetings. He also represents the Board of Directors in dealings with the public, the authorities and shareholders. The Chairman ensures that all directors are informed in a timely and sufficient manner. He also monitors the implementation of resolutions adopted by the Board.

In the case of exceptional, very urgent events, the Chairman is authorised and obliged to order immediate measures even if they are within the competence of the Board of Directors as a whole. The Board of Directors must as soon as possible be informed and appropriately involved in the decision-making process.

### Audit Committee

The Audit Committee is a standing committee pursuant to Art. 4.1 of the Organisational Regulations that is formally appointed by the Board of Directors. Its main role is to help the Board of Directors fulfil its supervisory obligations to the extent that this concerns the integrity of the financial statements, compliance with legal and regulatory guidelines, the performance of the internal control system and appraisal of the performance of the internal and external auditors.

The Audit Committee consists of at least three members of the Board of Directors. The Board of Directors appoints the members of the Audit Committee and its Chairman for a term of one year from among independent members of the Board of Directors who are not involved in operational management of the Company. At least one of the members of the committee possesses relevant, up-to-date knowledge of accounting and financial matters (Financial Expert). As of 31 December 2017, the Audit Committee consisted of Edgar Fluri (Chairman, Financial Expert), Walter Lüthi and Dominik Sauter. Ricarda Demarmels attended the meetings as CFO without the right to vote.

The Audit Committee has the following responsibilities:

- To review and assess the effectiveness of the external and internal auditors, in particular their independence;
- To review and assess the audit scope and plan, the examination process and the results of the external and internal audit, and to examine whether the recommendations of the external and internal auditors have been implemented;
- To review the auditors' reports and to discuss them with the auditors;
- To make recommendations about the appointment of the external auditor, which the Board of Directors can then put to shareholders for approval at the General Meeting;
- To approve the remuneration and terms of engagement of the external auditor;
- To assess internal controls as well as the risk management system and risk mitigation measures set up by management;
- To assess compliance with statutory and regulatory rules, Organisational Regulations and corporate governance within the Company;
- To review in cooperation with the auditors, the CEO and the CFO whether the accounting principles and financial control mechanisms of the Company and its subsidiaries are appropriate to the size and complexity of the business;
- To review and discuss with management and auditors the annual and interim statutory and consolidated financial statements and any other Company documents relating to the accounts, prior to submission to the Board of Directors;
- To consider any other matters as may be requested by the Board of Directors;
- To review its own performance and effectiveness, and recommend any necessary changes to the Board of Directors.

The committee holds at least four regular meetings a year. It can convene additional meetings at its discretion. During the period from 1 January 2017 to 31 December 2017 the Audit Committee held six meetings, two of which were telephone conferences. All members of the Audit Committee attended all meetings held during the year under review.

### Nomination and Compensation Committee

The Nomination and Compensation Committee is a standing committee pursuant to Art. 4.2 of the Organisational Regulations that is formally appointed by the Board of Directors. Its main role is to help the Board of Directors prepare the decision-making process, prepare resolutions, and fulfil its supervisory obligations.

In terms of its organisation and duties, the committee meets all the requirements of a compensation committee as defined in Art. 7 OAEC and Art. 23 of the Company's Articles of Association.

More information about the organisation and the responsibilities and duties of the Nomination and Compensation Committee can be found in the "Compensation Report" of this annual report.

### Division of powers and responsibilities between the Board of Directors and the Management Board

The Board of Directors bears ultimate responsibility for the business activities and affairs of the Company and the Group. The Board of Directors has delegated responsibility for operational management of the Company to the Management Board within the limits imposed by law and in accordance with the Company's Organisational Regulations. The CEO chairs the Management Board and is authorised to issue instructions to this board's other members. The members of the Management Board conduct their day-to-day business on their own initiative within the framework of the corporate strategy, corporate targets and budgetary targets approved by the Board of Directors.

The demarcation lines between the responsibilities of the Board of Directors and the Management Board have been laid down in the Organisational Regulations of ORIOR AG.

The Organisational Regulations, the Audit Committee Charter and the Nomination and Compensation Committee Charter can be downloaded from the Company's website at http://www.orior.ch/en/Corporate-Governance.

### Reporting and control instruments in dealings with the Management Board

At each meeting of the Board of Directors the CEO reports on the general course of business, any deviations from budget and significant business occurrences.

During the periods between meetings the members of the Board of Directors receive monthly written reports on the general course of business and the Company's financial situation. These monthly reports contain up-to-date information on the course of business and detailed comments on the results of the Group, the individual segments and the competence centres. They also contain information on the Company's share price and developments relating to shareholder structure.

Once a year the Board of Directors holds a strategy workshop that lasts approximately 1.5 days to review strategic goals, risk management policy and the medium-range forward planning for the following three years, among other matters. Planning is discussed in detail with the heads of the segments and competence centres. The Board of Directors is directly briefed on the ongoing strategic and operational projects and the results achieved during these discussions.

Besides the 3-year plan, the Board of Directors is also given a projection of the expected annual results twice a year.

Furthermore, the Chairman of the Board of Directors maintains close contact with the CEO. The course of business and all major issues of corporate relevance are discussed at regular meetings scheduled at least twice a month. The Chairman of the Board of Directors is closely involved with the Company and focuses his attention primarily on strategic issues and projects. Each member of the Board of Directors can request information on the course of the Company's business from persons entrusted with management of the Company.

Any exceptional incidents must be reported to the members of the Board of Directors either by the CEO or the Chairman of the relevant committee without delay.

### Risk management

The ORIOR Group has risk management systems in place at all its Group companies. Potential risks are reviewed periodically and significant risks to which the Company is exposed are identified and assessed for probability of occurrence and effect. Action to manage and contain these risks is approved by the Board of Directors. In addition to this periodic risk review by the Board of Directors, the ORIOR Group practices active risk management at the Group's competence centres as integrated part of the planning processes.

### Internal Control System

The Internal Control System (ICS) is constantly being expanded and improved. The ICS contributes to the continual improvement of ORIOR's business activities and is designed to ensure that the necessary procedures and tools for identifying and controlling risk are in place. It fulfils Swiss legal requirements and is adequate for the needs of a group of ORIOR's size.

The ORIOR Group's ICS is based on the COSO framework. Besides the controls ensuring adherence to strategic and operating targets as well as regulatory compliance, the main priorities of the ICS are to monitor risks in connection with the financial reporting activities of all Group companies.

Compliance with the ICS and its effectiveness is reviewed on a regular basis by internal auditors. The focus of their review in 2017 was the process surrounding risk management. The external auditors also perform appropriate test procedures to ascertain whether an ICS exists, which they must confirm in their audit report.

### Internal auditing

The internal auditors support the Board of Directors in fulfilling its tasks of control and supervision, particularly within the Group's subsidiaries. The internal auditors provide an independent and objective auditing and consultancy service aimed at creating added value and improving business processes. Internal auditing supports the Company in the achievement of its aims by using a systematic and targeted approach to evaluating the effectiveness of risk management, controls and management and supervision processes, and helping to improve these.

The tasks of internal auditing include the following activities:

- Auditing and assessing the appropriateness and effectiveness of planned and existing internal controls;
- Supporting the exchange of best practices and know-how within the organisation;
- Verifying the reliability and integrity of ORIOR's financial and operational information, including the ways and means for the identification, measurement, classification and reporting of such information;
- Checking the systems established by management to ensure adherence to guidelines, workflows, laws and statutory regulations that may have a significant influence on operations or on compliance;
- Checking and assessing the economic and efficient use of resources;
- Checking work processes and projects to ensure that specified targets are achieved and that work processes and projects are executed as planned.

The internal auditors are functionally independent and have no competence to issue instructions or make decisions in regard to any part of the Company being audited.

They report directly to the Audit Committee. Administratively, the internal auditors are managed by the Management Board. Both internal and external resources can be used to carry out their tasks.

In cooperation with the Audit Committee, the internal auditors draw up a strategic audit plan at regular intervals, which is presented to the Board of Directors for approval. On the basis of this multi-year plan, an operational audit plan is devised by the internal auditors, setting out in detail the planned audits to be carried out over the following year. This plan is presented to the Audit Committee for approval. In addition the Board of Directors can issue special instructions to the internal auditors.

Following each completed audit, the internal auditors draft a written audit report. In addition to the findings and recommendations of the internal auditors, this report contains input from management, stating the planned measures in response to the findings of the report and the period of time required for the completion of these measures. The Management Board verifies the implementation of the defined measures and keeps the Audit Committee informed on an ongoing basis.

The internal auditors did not attend any meetings of the Board of Directors in 2017 and they did not attend any meetings of the Audit Committee during the year under review.

The external auditors are provided with information concerning the audit plan and the auditing activities of the internal auditors, and also receive the audit reports. The internal auditors have access to the reports of the external auditors.

From 2011 internal auditing has been outsourced to PricewaterhouseCoopers.

## 4. Management Board

The Management Board is responsible for operational management of ORIOR and for all affairs which do not lie within the responsibility of the Board of Directors or another body according to the law, the Articles of Association or the Organisational Regulations. The delegation of duties and responsibilities by the Management Board to third parties or subordinate bodies is permitted. Ultimate responsibility for all Management Board tasks pursuant the Organisational Regulations of ORIOR AG rests with the CEO and the Management Board. The CEO issues the necessary regulations and arranges appropriate measures as required. The Management Board also holds regular institutionalised meetings with members of the Extended Management Team.

### Members of the Management Board

The members of the Management Board are appointed by the Board of Directors upon recommendation by the CEO and a corresponding recommendation by the Nomination and Compensation Committee. There were three persons on the Management Board as of 31 December 2017. The following table provides an overview of the members of the Management Board (MB) as at 31 December 2017, the year of birth, the nationality, the function within the Group and the year they were appointed to the board.

| Name | Year of birth | Nationality | Position | Year of appointment to MB |
|---|---|---|---|---|
| Daniel Lutz | 1966 | Swiss | CEO ORIOR Group | 2015 |
| Ricarda Demarmels | 1979 | Swiss | CFO ORIOR Group | 2015 |
| Filip De Spiegeleire | 1961 | Belgian | Head ORIOR Europe and Head Culinor Food Group | 2016 |

### Changes in the Management Board

The departure of Bruno de Gennaro as Head of the Convenience segment and a member of the Management Board, already announced in October 2016, became effective in June 2017. After stepping down, Bruno de Gennaro assumed the chairmanship of ORIOR's pension fund and has been delegated special tasks by Group CEO Daniel Lutz.

## Daniel Lutz
### CEO ORIOR Group

Daniel Lutz graduated from the Executive Development course at IMD Lausanne and has a Bachelor of Business Administration degree from the St. Gallen University of Applied Sciences. From 1992 to 2001 he worked for Nestlé Switzerland in various sales and marketing roles. Between 2002 and 2004 he was Marketing Manager at Nestlé for the development and strategic implementation of the ice cream market in Malaysia and Singapore. From 2004 to 2006 he did the same job for Nestlé in Mexico. In 2006 he was appointed as Marketing Director Nestlé Ice Cream Switzerland and one year later, in 2007, took charge of Nestlé Frisco Findus in Rorschach as Division Executive Manager. In 2011 Daniel Lutz moved to Nestlé China Ltd., where he was responsible for ice cream and frozen foods for two years. He then became Managing Director with overall responsibility for Nestlé Food & Beverage Greater China Region. In October 2014 the Board of Directors of ORIOR AG appointed him as CEO; he took over operational management of the Group in February 2015.

**ORIOR Management Board**
From left to right: Filip De Spiegeleire, Daniel Lutz (CEO ORIOR Group), Ricarda Demarmels (CFO ORIOR Group)

## Ricarda Demarmels

**CFO ORIOR Group**

Ricarda Demarmels holds a master degree in Economics from the University of St. Gallen (lic. oec. HSG). Up to 2005, she worked at, among other places, the Swiss National Bank. Between 2005 and 2009, she worked at the strategy consulting firm Oliver Wyman Financial Services, in London and Zurich, where she led strategy, M&A and integration projects all over the world. In 2009, she moved to the private equity company Capvis Equity Partners, where she was in charge of various acquisitions and divestments and supported the strategic development of portfolio firms. In this role, Ricarda Demarmels was also involved in ORIOR's IPO in 2010. In addition to her work, she has published a number of industry and research papers. Ricarda Demarmels took over the position of Chief Financial Officer in April 2015.

## Filip De Spiegeleire

**Head ORIOR Europe and Head Culinor Food Group**

Filip De Spiegeleire holds an MBA from the Drucker School of Management of Claremont Graduate University in Los Angeles (USA). He joined Amando NV, his family company specialising in fine meats, in 1987 and managed the company as its CEO from 1992 to 2000. In 1989 Filip De Spiegeleire established its own company Culinor, a company that specialises in premium fresh convenience food, and, as a result of the increased focus on the growing market of fresh convenience food, Amando was sold in 2000. Under the leadership of its founder and CEO Filip De Spiegeleire, Culinor developed into a successful food group that is well-known in the Benelux. In August 2016 Culinor Food Group became an autonomous competence centre of ORIOR. Filip De Spiegeleire continues to lead Culinor Food Group and was named Head ORIOR Europe as well as appointed to the Management Board of ORIOR AG.

**Other activities and functions:** Filip De Spiegeleire is the managing director of Depot 52 BVBA and a member of the Board of Directors of Patisserie Alsacienne Bloch NV.

### Other activities and functions

According to the Articles of Association and subject to approval by the Board of Directors, members of the Management Board may simultaneously carry out no more than one additional mandate outside the Group in the supreme managing or supervisory body of another listed company, and four such mandates at unlisted entities that are obliged to be entered in the Swiss Commercial Register or a comparable foreign register. A member may exceed these limits for a short period of time.

With the exception of the positions already listed under “Members of the Management Board”, none of the Management Board members holds any positions relevant to corporate governance in

– Governing or supervisory bodies of an important organisation, institution or foundation under private or public law;
– A permanent management or consultancy function for important interest groups;
– A public or political office.

### Management contracts

There are no management contracts.

### Compensation, Shareholdings and Loans

Information on the compensation and shareholdings of members of the Management Board and any loans extended to them is presented and explained in the “Compensation Report” along with the applicable regulations.

## 5. Shares held by members of governing bodies

As at 31 December 2017, the members of the Board of Directors and the Management Board held the following shares:

| Name and function | Number of freely disposable shares as at 31.12.2017 | Number of restricted shares as at 31.12.2017[1] | Total number of shares as at 31.12.2017 | in % | Total number of shares as at 31.12.2016 |
|---|---|---|---|---|---|
| **Rolf U. Sutter** Chairman of the Board of Directors | 199 300 | 500 | 199 800[2] | 3.37 % | 199 800[2] |
| **Edgar Fluri** Vice Chairman of the Board of Directors | 4 500 | 500 | 5 000 | 0.08 % | 5 000 |
| **Christoph Clavadetscher** Member of the Board of Directors | 10 000 | 0 | 10 000 | 0.17 % | 10 000 |
| **Walter Lüthi**[3] Member of the Board of Directors | 150 | 0 | 150 | 0.00 % | 0 |
| **Dominik Sauter** Member of the Board of Directors | 550 | 0 | 550 | 0.01 % | 550 |
| **Monika Walser** Member of the Board of Directors | 200 | 500 | 700 | 0.01 % | 700 |
| **Daniel Lutz** CEO ORIOR Group | 0 | 2 000 | 2 000 | 0.03 % | 2 000 |
| **Ricarda Demarmels** CFO ORIOR Group | 650 | 1 500 | 2 150 | 0.04 % | 2 150 |
| **Bruno de Gennaro**[4] Head Convenience segment | n/a | n/a | n/a | n/a | 93 075 |
| **Filip De Spiegeleire**[5] Head ORIOR Europe | 7 100 | 0 | 7 100 | 0.12% | 0 |
| **Total** | **222 450** | **5 000** | **227 450** | **3.84 %** | **313 275** |
| Total ORIOR Shares | | | 5 925 000 | 100.00 % | 5 925 000 |

1 Shares allocated within the framework of an employee stock ownership plan (see stock ownership programme, p. 54 ff.).
2 Personal and group shareholdings (see Corporate Governance Report, p. 20).
3 Elected as member of the Board of Directors as of 12 April 2016.
4 Resigned on 30 June 2017.
5 Appointed Head ORIOR Europe and a member of the Management Board, effective 1 September 2016.

The former Vice Chairman Rolf Friedli owns 500 ORIOR shares that were purchased in 2015 within the framework of a stock ownership programme; these shares are restricted until 31 October 2018. Bruno de Gennaro, a former member of the Management Board, holds 1,000 ORIOR shares that were acquired through the same programme and that are restricted until 31 October 2018.

Members of the Board of Directors and the Management Board are granted no special terms or rights when purchasing shares other than those offered under the share purchase offer.

## 6. Shareholders' rights of participation

### Restriction of voting rights, voting by proxy

Holders of registered shares are registered on request in the Company's share register, subject to their signature of a written statement expressly confirming that they have acquired the shares in their own name and for their own account.

Share capital held by any single nominee must not exceed 2% of the Company's total issued share capital. The Board of Directors can permit registration of nominees holding shares (with voting rights) in excess of this limit, provided that the said nominees disclose the names, addresses, nationalities and shareholdings of the persons for whose account they are holding 2% or more of the Company's issued share capital. No registrations exceeding the 2% limit were made during the year under review.

At the General Meeting, each share carries one vote. Voting rights can only be exercised if the shareholder is registered (with voting rights) in ORIOR AG's share register. A shareholder with voting rights can have himself represented at the General Meeting by written proxy, either by a representative appointed by him, or by the independent proxy. The Board of Directors ensures that shareholders can also use electronic means to give power of proxy and instructions to the independent proxy. All shares held by a shareholder can only be represented by one person.

Persons who have been involved in the Company's management in any way whatsoever must abstain from voting on resolutions granting discharge to the Board of Directors. The Company's Articles of Association contain no other voting restrictions and their provisions on voting by proxy conform to Swiss law.

### Statutory quorum

Unless otherwise stipulated by mandatory law or by provisions contained in the Articles of Association, the General Meeting of Shareholders passes its resolutions and confirms elections by an absolute majority of the votes represented. Abstentions are disregarded for the purpose of establishing a majority.

Should the first ballot in any election fail to produce a valid result and if more than one candidate is standing for election, the Chair shall order a second ballot that is decided by a relative majority of the votes represented. Abstentions are disregarded for the purpose of establishing a majority.

### Convening of General Meeting

Ordinary General Meetings are convened by the Board of Directors and must be held annually within six months of the close of the Company's fiscal year. Invitations must be sent not less than 20 days prior to the date of the meeting. Extraordinary General Meetings shall take place as necessary, in particular in those cases stipulated by law. General Meetings are called by the Board of Directors or, if necessary, by the auditors or a liquidator.

The Annual General Meeting on 28 March 2017 was attended by 583 shareholders. They represented 309 384 voting shares or 5.22% of the total share capital of 5 925 000 issued shares. The independent proxy was asked to represent 3 206 161 registered shares on behalf of absent shareholders. Consequently, 59.33% of the total share capital, i.e. 3 515 545 registered shares with a nominal value of CHF 14 062 180 were represented. All proposals submitted by the Board of Directors were approved by shareholders.

The annual report and the 2016 parent-company and consolidated financial statements were approved, and the acts of the Board of Directors and Management Board were discharged.

In the elections, an overwhelming majority of shareholders voted to re-elect Rolf U. Sutter as Chairman and Christoph Clavadetscher, Edgar Fluri, Walter Lüthi, Dominik Sauter and Monika Walser as directors for another one-year term. Christoph Clavadetscher, Rolf U. Sutter and Monika Walser were elected as members of the Compensation Committee. In addition, Ernst & Young AG, Basel, was confirmed as auditor for the 2017 financial year and Ines Pöschel was elected as independent proxy until the end of the Annual General Meeting in 2018.

Shareholders also approved the Board's proposal to pay out a dividend of CHF 2.09 per registered share for 2016.

In accordance with the Articles of Association of ORIOR AG and the provisions of the Ordinance Against Excessive Compensation in Public Corporations (OAEC), the Board of Directors held a binding vote on the maximum total amount of compensation to be paid to the members of the Board of Directors and the Management Board. Shareholders approved the maximum total compensation of CHF 765 000 for the members of the Board of Directors for the period up to the 2018 Annual General Meeting, the total variable compensation of CHF 636 000 for the members of the Management Board for 2016 fiscal year and the maximum total fixed compensation of CHF 1 400 000 for the members of the Management Board for the 2018 fiscal year.

### Inclusion of agenda items proposed by shareholders

One or more shareholders whose combined shareholdings represent in the aggregate not less than 10 % of the Company's share capital or an aggregate par value of not less than CHF 1 million can demand inclusion of an item in the agenda of a General Meeting. Such a demand must be received in writing by the Company's Board of Directors at the latest 60 days prior to the date of the meeting, stating the agenda item and the motions proposed by the shareholder(s).

### Entries into share register

Unless other cut-off dates are stipulated by the Board of Directors, no entries into the share register are permitted as from the date of dispatch of the invitations to the General Meeting until the day after the date of the meeting.

## 7. Changes of control and defence measures

### Obligation to make an offer

According to the Swiss Financial Market Infrastructure Act (FMIA), shareholders or a group of shareholders acting in concert who acquire more than 33.3 % of the voting rights of a company domiciled in Switzerland and listed on an exchange in Switzerland are required to issue a public offer to acquire all listed equity securities of that company. Although it is possible to opt out of this mandatory offer obligation by amending the Articles of Association ("opting-out", Art. 125 para. 3 FMIA) or to raise the minimum threshold for this mandatory offer obligation to as high as 49 % of the outstanding ORIOR shares ("opting-up", Art. 135, para. 1, FMIA), there are no such clauses in ORIOR's Articles of Association. Therefore, the aforementioned mandatory offer obligation is applicable without any restrictions in the case of ORIOR shares.

### Clauses on changes of control

There are no change-of-control agreements with members of the Board of Directors or the Management Board or other executives.

## 8. Auditors

### Duration of mandate and term of office of Head Auditor

Ernst & Young AG, Aeschengraben 9, 4002 Basel, Switzerland, have acted as auditors for ORIOR AG since 2006. Ernst & Young, Basel, were re-elected as Company auditors for another term of one year by the General Meeting on 28 March 2017. Roger Müller (Partner) is the lead auditor and he has held this position since the audit of the 2011 financial statements. As stipulated under Art. 730a para. 2 of the Swiss Code of Obligations (CO) the lead auditor is rotated at least every seven years. In the 2015 fiscal year, however, Martin Gröli (Partner) assumed the function of lead auditor due to the absence of Roger Müller.

### Auditing fees / additional fees

| in CHF thousand | 2017 | 2016 | 2015 |
|---|---|---|---|
| Auditing fees | 313.9 | 303.3 | 318.5 |
| Additional fees | | | |
| Tax advisory | 0.0 | 57.1 | 129.2 |
| Transaction-related services | 0.0 | 109.0 | 0.0 |
| Other audit-related services | 65.5 | 9.0 | 8.3 |
| Total additional fees | 65.5 | 175.1 | 137.5 |
| **Total** | **379.4** | **478.4** | **456.0** |

Auditing services consist of auditing work that needs to be performed in order to issue an opinion on the consolidated financial statements of ORIOR Group and the local statutory financial statements.

### Supervision and control of auditors

The Board of Directors exercises its responsibilities for supervision and control of the auditors through the Audit Committee. The Audit Committee prepares an annual appraisal of the independence and quality of the auditors and the fees paid to them. The Audit Committee also examines the audit plan and scope as well as the results of the external audit. In addition the audit committee coordinates cooperation between the external auditors and the internal auditors.

As well as the audit report on the annual accounts and on the remuneration report, pages 48-52, the auditor draws up a comprehensive report for the Board of Directors pursuant to Art. 728b CO and Art. 17 OAEC. This report contains the findings of its auditing activities (including an existence check on the internal control system) and its recommendations, as well as the status of findings and recommendations from previous audits. This report is discussed in detail with the Audit Committee. The Audit Committee also monitors whether and how the Management Board is implementing measures that have been approved on the basis of the external auditor's findings. To this end, the auditor will also draw up an annual status report for presentation to the Audit Committee. In addition the Audit Committee has regular meetings with the senior external auditors.

The external auditors participated in all meetings and conferences of the Audit Committee in 2017 except for one telephone conference, but they did not attend any meetings of the Board of Directors.

Selection procedure: The current auditors were elected in 2006 for the first time by the then shareholders of the Company. The grounds for selection of Ernst & Young AG were customary criteria such as quality and cost of services.

The performance of the external auditors and the fees paid to them were reviewed in a questionnaire circulated to functions at Group level and to staff responsible for financial matters at the audited Group subsidiaries. The questions focused mainly on efficiency of the audit process, the auditors' technical knowledge of accounting principles and their understanding of Group processes and procedures, validity of the priorities addressed in the audit and justification of the audit fees. Either the CFO or the Group Controller also attended all the exit meetings with the auditors at subsidiary company level.

The Audit Committee verifies that any additional services of the auditors not relating to the actual audit work are provided strictly within the framework of the regulations on independence of service providers. The auditors are required to confirm that their performance of these additional services will not affect the independence of their auditing mandate.

## 9. Information policy

ORIOR publishes an annual and an interim report every year containing information on its business operations and the financial results of ORIOR Group. ORIOR also provides information on current events and developments through press releases, employee and customer newsletters and through online publications at www.orior.ch. As a company listed on SIX Swiss Exchange, ORIOR must comply with the rules governing ad hoc publicity, i.e. it is obligated to disclose potentially price-sensitive events and developments.

Ongoing communications with shareholders, the capital market and the general public are maintained by CEO Daniel Lutz, CFO Ricarda Demarmels and Head of Corporate Communication & Investor Relations Milena Mathiuet. E-mails can be sent to investors@orior.ch at any time.

Interested persons may join our mailing list for ad-hoc disclosures and other Company information by visiting http://www.orior.ch/en/investor-relations/news-service/.

### Events calendar

| | |
|---|---|
| Annual General Meeting | 12 April 2018 |
| Publication of 2018 interim results | 22 August 2018 |
| Publication of Half Year Report 2018 | 22 August 2018 |

# Compensation Report

ORIOR makes every endeavour to attract and retain talented, qualified and motivated executives and specialists. These endeavours are supported by a fair compensation system designed to match the levels of compensation offered by comparable corporations. With a view to facilitating sustainable corporate growth, due allowance is made for short-, medium- and long-term aspects.

This Compensation Report gives an overview of compensation paid to and, where applicable, loans granted to present and former members of the Board of Directors and the Management Board, and also of their holdings of shares in the Company. It also provides information on the compensation system and the basic principles of compensation, powers and duties, and the procedures for setting and approving compensation levels. This combination of quantitative and qualitative elements is designed to efficiently inform shareholders. The auditors examine the quantitative data only.

This report is based on the guiding principles given in the Swiss Code of Best Practice for Corporate Governance (2016). The information on compensation paid to the Board of Directors and the Management Board is also in accordance with IFRS Accounting Standards, Swiss law, the Ordinance Against Excessive Compensation in Public Corporations (OAEC), the SIX Directive Corporate Governance (DCG), and the Company's Articles of Association.

## 1. Underlying compensation principles

The principles of the Company's compensation policy, the various elements of compensation and the approval process for determining compensation awards for the members of the Board of Directors and the Management Board are set out in the Articles of Association. The Articles of Association can be downloaded from ORIOR AG's website: http://www.orior.ch/en/corporate-governance/articles-of-association/.

### Compensation system

The compensation paid by the ORIOR Group consists of three principal elements – basic or fixed compensation, variable compensation and employee stock ownership plans.

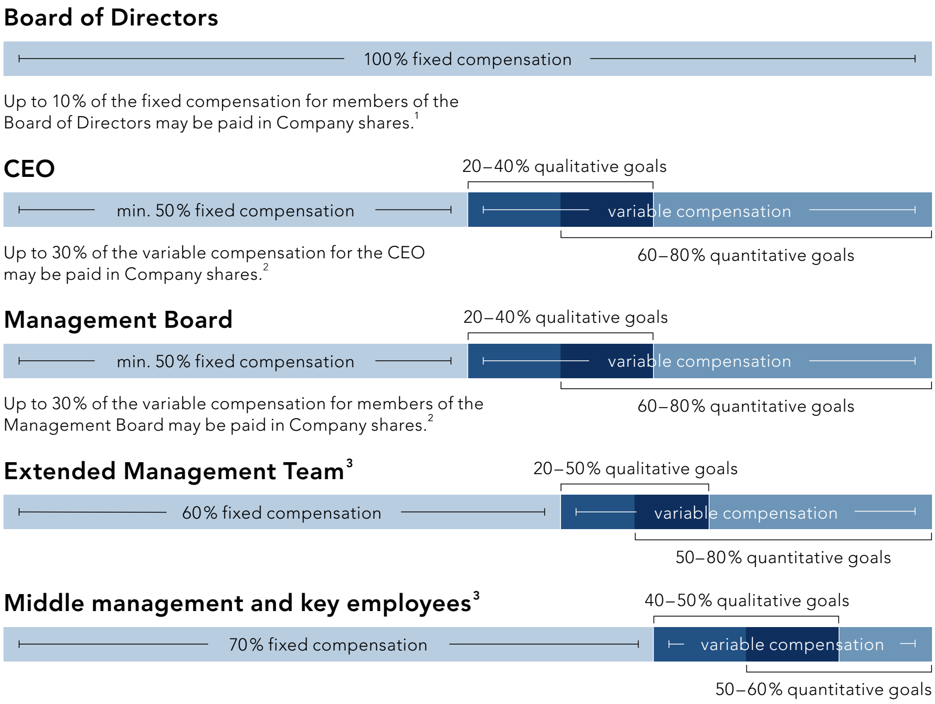
The fixed compensation is determined on the basis of reference salaries paid by comparable corporations, local market and wage standards and on the experience and ability of each individual employee. All persons whose employment contract with ORIOR is of unlimited duration receive fixed compensation equivalent to at least 50% of their total compensation. The fixed compensation is paid in cash. Part of the fixed compensation awarded to members of the Board of Directors can, however, be paid in shares.

The level of variable compensation is linked to achievement of quantitative and qualitative targets. The quantitative targets are based on Company results. The qualitative compensation is based primarily on predetermined aspects of individual performance and the extent to which they meet the given expectations. At least one-fifth of the variable compensation is based on qualitative targets. Part of the variable compensation awarded to members of the Management Board can be paid in shares.

In addition to the Management Board, members of the Company's Extended Management Team, other executives and key employees are entitled to receive variable compensation.

The third compensation element is a stock ownership plan. Stock ownership plans are designed as performance incentives for employees possessing specialist and personal capabilities that are of importance to ORIOR with the aim of creating a stronger bond between these employees and the Company. The Board of Directors reviews which employees are to be included in these programmes on an annual basis; participants may include members of top management, executives and other key employees.

The following rules provide a guide to the split between fixed and variable compensation. According to the Company's Articles of Association, variable compensation paid to the CEO and members of the Management Board must not exceed 50 % of the total compensation paid to the person in question.




1 According to the agreement on the allocation and purchase of ORIOR AG shares (p. 49).
2 According to the agreement on the allocation and purchase of ORIOR AG shares (p. 53).
3 Guidelines; individual figures may be different.

In addition to the above arrangements, employees at all levels are offered a wide range of training and development opportunities. Further information can be obtained in the section headed "Corporate Responsibility" of the 2017 Annual Report.

### Responsibility and procedure for setting compensation levels

The Nomination and Compensation Committee is responsible for the design and the regular review and evaluation of the Company's compensation system. External experts are only used to help determine the compensation system in the event of a fundamental reorganisation. In the context of new appointments or promotions to Management Board level, function-specific benchmarks are used depending on the situation, with companies from the convenience food sector (to which the ORIOR Group belongs) forming the reference market.

Responsibilities for the various levels of the hierarchy are as follows:

| Recipient of compensation | Compensation recommendation | Compensation decision | Approval required from General Meeting |
|---|---|---|---|
| **Member of the Board of Directors** | Nomination and Compensation Committee | Board of Directors as recommended by the Nomination and Compensation Committee | Yes: maximum total amount of fixed compensation to be paid to the Board of Directors |
| **CEO** | Nomination and Compensation Committee | Board of Directors as recommended by the Nomination and Compensation Committee | Yes: maximum total amount of fixed compensation to be paid to the Management Board and total amount of variable compensation to be paid to the Management Board. |
| **Members of the Management Board (excl. CEO)** | Nomination and Compensation Committee as proposed by CEO | Board of Directors as recommended by the Nomination and Compensation Committee | |
| **Extended Management Team and key employees reporting directly to CEO** | CEO | Nomination and Compensation Committee as recommended by CEO | No |
| **All other employees** | Line manager | Line manager in consultation with their line manager | No |

At the request of the Nomination and Compensation Committee, the Board of Directors annually approves the compensation payable to each member of the Board of Directors and the compensation payable to individual members of the Management Board. Its proposals for salaries payable to the Management Board (excl. CEO) are prepared in advance by the CEO and submitted to the Nomination and Compensation Committee. Individual members of the Board of Directors abstain from voting on the resolution approving payment of their personal compensation.

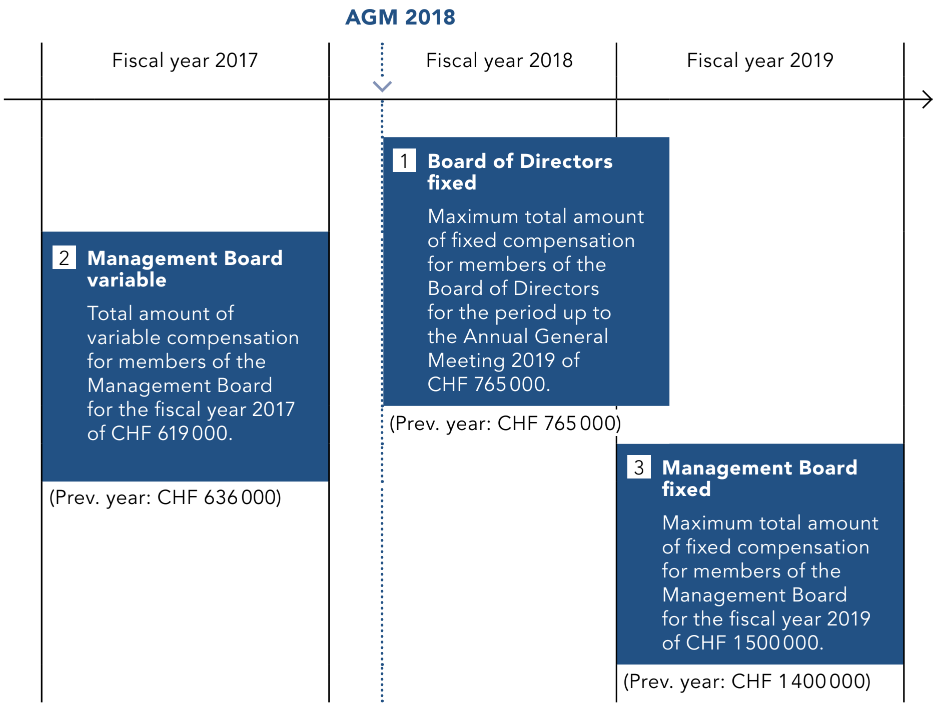
The Board of Directors decides on the amounts of compensation paid to its members and members of the Management Board and then proposes this to the General Meeting for binding approval pursuant to Art. 18 OAEC and Art. 26 and Art. 29 of the Company's Articles of Association.

The extent to which the targets of relevance for the calculation of variable compensation have been attained is determined, in the case of the CEO, by the Board of Directors based on a proposal submitted by the Nomination and Compensation Committee and, in the case of the other Management Board members, by the Nomination and Compensation Committee based on a proposal submitted by the CEO. The full Board of Directors will determine the total amount of variable compensation for the members of the Management Board for the last fiscal year and submit a corresponding resolution to the General Meeting for approval in a binding vote.

### Approval mechanism for compensation paid to the Board of Directors and the Management Board

1. Binding approval of the maximum total amount of fixed compensation to be paid to members of the Board of Directors for the period up to the next Annual General Meeting.
2. Binding approval of the total amount of variable compensation to be paid to members of the Management Board for the last fiscal year.
3. Binding approval of the maximum total amount of fixed compensation to be paid to members of the Management Board for the next fiscal year.

The following chart shows which components of compensation and for which periods the shareholders will be voting on at the Annual General Meeting of 12 April 2018.




Owing to the rules set out in the Articles of Association, there is no need for the General Meeting to approve additional compensation for new Management Board members pursuant to Art. 19 OAEC. For more information about the additional amount, please see “Additional amount for new Management Board members” on page 52 of the Compensation Report.

## 2. Nomination and Compensation Committee

The Nomination and Compensation Committee is a standing committee that is formally appointed by the Board of Directors. Its main role is to help the Board of Directors prepare the decision-making process, prepare resolutions, and fulfil its supervisory obligations.

In terms of its organisation and duties, the committee meets all the requirements of a compensation committee as defined in Art. 7 OAEC and Art. 23 of the Company’s Articles of Association.

The Nomination and Compensation Committee consists of at least three members of the Board of Directors. The members are elected individually by the General Meeting for a term of office of one year up to the end of the next Annual General Meeting. The majority of members are independent and non-executive. The Board of Directors appoints the chairman of the committee from among its members.

On 31 December 2017 Christoph Clavadetscher (Chairman), Rolf U. Sutter and Monika Walser sat on the Nomination and Compensation Committee.

The Nomination and Compensation Committee has the following responsibilities and duties according to Art. 23 of the Company's Articles of Association and according to the Nomination and Compensation Committee Charter:

- To ensure long-term planning of appropriate appointments to positions on the Board of Directors and the Management Board; and general management development and succession planning to ensure the Company has the best possible leadership and management talent;
- To nominate candidates to fill vacancies on the Board of Directors or the position of CEO;
- To appoint candidates for the Management Board in response to proposals by the CEO;
- To make recommendations to the Board of Directors on the composition of the Board of Directors and to identify appropriate candidates;
- To make determinations regarding the independence of members of the Board of Directors;
- To recommend to the Board of Directors whether to reappoint a director at the end of their term of office;
- To recommend to the Board of Directors the terms of employment of the CEO and members of the Management Board;
- To submit proposals to the Board of Directors on the definition of principles for compensating the members of the Board of Directors and Management Board within the parameters of the law and the Articles of Association;
- Regularly to check the Company's compensation system for compliance with the compensation principles pursuant to the law, Articles of Association, Regulations and the remuneration-related resolutions of the General Meeting;
- To review matters related to the general compensation rules for employees as well as the Company's human resource practices;
- To submit proposals to the Board of Directors about the amounts of fixed compensation to be paid to members of the Board of Directors;
- To submit proposals to the Board of Directors on the assessment criteria for qualitative and quantitative targets for calculating variable compensation paid to members of the Management Board;
- To submit proposals to the Board of Directors about the amounts of fixed and variable compensation to be paid to the CEO;
- To recommend to the Board of Directors in response to a proposal by the CEO the amounts of fixed and variable compensation paid to members of the Management Board, all senior employees and key people who report directly to the CEO;
- To submit the Compensation Report to the Board of Directors for approval;

- To make recommendations to the Board of Directors about granting options or other securities, including employee share schemes, to employees of all levels;
- To consider any other matters as may be requested by the Board of Directors;
- To take all other action required of it by law, the Articles of Association or the Regulations;
- To review its own performance and effectiveness, and recommend any necessary changes to the Board of Directors.

The Nomination and Compensation Committee meets at least two times a year at regular meetings called by the committee chairperson. The CEO, members of the Management Board or other guests may be invited, but hold no voting rights.

During the period from 1 January 2017 to 31 December 2017 the Nomination and Compensation Committee held five meetings. All members attended all meetings held during their term of office.

## 3. Compensation awarded to the Board of Directors

The elements of compensation, the mechanisms by which these are approved, as well as other principles underlying the compensation paid to the Board of Directors are set out in the Company's Articles of Association.

### Components of compensation

Members of the Board of Directors receive fixed compensation for their role. Additional payments may be made for membership in committees or for taking on special responsibilities or tasks. The members of the Board of Directors are compensated in cash. Part of their compensation may be paid in shares of the Company (allocation).

For activities in legal entities directly or indirectly controlled by the Company, and for mandates performed as part of the member's position on the Board of Directors, the legal entity concerned may make payments to the member of the Board of Directors provided these payments are within the amount approved by the General Meeting.

Within the framework of the stock ownership plan (see employee stock ownership plan, p. 54 ff.), members of the Board of Directors may, in addition to the compensation awarded, be offered shares at a discount to the market price (stock purchase offer).

Members of the Board of Directors also have their expenses reimbursed. Reimbursement of expenses does not count as compensation.

In addition and to the extent permitted by law, the Company may indemnify members of the Board of Directors for losses suffered in connection with lawsuits, trials or settlements relating to their work for the Company, or advance appropriate amounts or take out insurance. Such indemnities, advances and insurance do not count as compensation.

### Overview of the compensation awarded to members of the Board of Directors

The Board of Directors consisted of six members throughout 2017. All members of the Board of Directors were re-elected to another term at the General Meeting of shareholders on 28 March 2017. Further information on the Board of Directors, its powers, the delegation of its duties and responsibilities, its spheres of influence, and its composition can be found in the "Corporate Governance Report" 2017.

All compensation awarded to the Board of Directors is reported according to the accrual principal, which states that transactions are recorded in the period (i. e. fiscal year) in which they actually occur.

| in CHF | Gross compen-sation | Post-employ-ment benefits | Other social costs | Total compen-sation 2017 | Gross compen-sation | Post-employ-ment benefits | Other social costs | Total compen-sation 2016 |
|---|---|---|---|---|---|---|---|---|
| **Rolf U. Sutter** Chairman of the Board of Directors | 274 478 | 51 263 | 23 967 | 349 708 | 274 540 | 52 760 | 24 076 | 351 376 |
| **Edgar Fluri** Vice Chairman of the Board of Directors | 88 684 | 0 | 5 031 | 93 715 | 85 171 | 0 | 4 784 | 89 955 |
| **Christoph Clavadetscher** Member of the Board of Directors | 79 980 | 0 | 0 | 79 980 | 79 980 | 0 | 0 | 79 980 |
| **Walter Lüthi** [1] Member of the Board of Directors | 53 320 | 0 | 4 317 | 57 637 | 35 546 | 0 | 2 884 | 38 430 |
| **Dominik Sauter** Member of the Board of Directors | 53 320 | 0 | 0 | 53 320 | 52 210 | 0 | 0 | 52 210 |
| **Monika Walser** Member of the Board of Directors | 53 320 | 0 | 0 | 53 320 | 53 320 | 0 | 0 | 53 320 |
| **Rolf Friedli** [2] Vice Chairman until 12 April 2016 | 0 | 0 | 0 | 0 | 28 335 | 0 | 0 | 28 335 |
| **Total Board of Directors** | **603 102** | **51 263** | **33 315** | **687 680** | **609 102** | **52 760** | **31 744** | **693 606** |

1 Elected as member of the Board of Directors as of 12 April 2016.
2 Resigned as of 12 April 2016.

### Note to the compensation of the members of the Board of Directors

The directors receive fixed compensation of CHF 40 000 for their service on the Board of Directors. The amount of compensation awarded to the Chairman and Vice Chairman is higher given their additional duties and responsibilities. Since his resignation as CEO of ORIOR AG in 2011 and concurrent election as Chairman of the Company's Board of Directors, Rolf U. Sutter has been actively engaged in strategic issues and projects. In addition to chairing the Board of Directors, he provides guidance on strategy, acquisition projects, the longer-term evolution of the Board of Directors and the Management Board, and the screening of new talents. He also supports innovation processes, the continual improvement of the Company's business model, and other activities. The other board members receive additional compensation of CHF 10 000 for sitting on committees created by the Board of Directors, which at present are the Audit Committee and the Nomination and Compensation Committee. Christoph Clavadetscher receives additional compensation of CHF 25 000 for his role as Chairman of the Nomination and Compensation Committee.

### Approval of compensation awarded to the Board of Directors

The General Meeting gives binding approval each year to the maximum total amount of fixed compensation for members of the Board of Directors for the period up to the next Annual General Meeting. This period from General Meeting to General Meeting is not the same as the fiscal year period shown above, so the overall amounts paid to the Board of Directors for the actual terms of office for the last three years are shown below.

| Term of office | AGM 2018 to AGM 2019 | AGM 2017 to AGM 2018 | AGM 2016 to AGM 2017 |
|---|---|---|---|
| Number of Board members | 6 | 6 | 6 |
| Maximum total amount of compensation to the Board of Directors in CHF | 765 000 | 765 000 | 765 000 |
| Total amount of fixed compensation actually awarded to the Board of Directors in CHF | n/a | n/a | 688 800 |
| Approval status | Proposal to the AGM on 12 April 2018 | Approved by the AGM on 28 March 2017 | Approved by the AGM on 12 April 2016 |

The Board of Directors will propose at the Annual General Meeting of 12 April 2018 a maximum total amount of fixed compensation to be paid to the Board of Directors of CHF 765 000 for the period up to the next Annual General Meeting.

### Shares allocated to the Board of Directors

Under the terms of the agreement on the allocation and purchase of Company shares, the members of the Board of Directors may receive 10 % of their fixed compensation in shares (allocation). The calculated price of the shares corresponds to the volume-weighted average price paid for ORIOR shares on the SIX during the preceding six months, less a discount of 25 %. The Board of Directors is empowered to increase the aforementioned discount in the event of extraordinary performance. The shares are subject to a holding period of three years beginning on the date of allocation. If a party to this agreement leaves the Board of Directors during the three-year holding period, the Board of Directors will decide whether to maintain or terminate the holding period.

No shares were allocated to members of the Board of Directors between 1 January 2017 and 31 December 2017. Compensation was paid entirely in cash.

### Share purchase agreement for members of the Board of Directors

Within the framework of the stock ownership plan (see employee stock ownership plan, p. 54 ff.), members of the Board of Directors may, in addition to the compensation awarded, be offered shares at a discount to the market price (stock purchase offer).

An offer to purchase shares at a discount was not made to the members of the Board of Directors during the period from 1 January 2017 to 31 December 2017.

### Options

The Company has no stock option plans.

### Additional compensation and remuneration

No additional compensation or remuneration was paid to members of the Board of Directors in 2017.

### Loans and credit facilities

In accordance with Art. 20 of the Company's Articles of Association, loans and credit facilities may be extended to members of the Board of Directors only in exceptional cases that are well justified. Moreover, the total amount of such loans and credit facilities must not exceed CHF 200 000 per member. All loans extended to members of the Board of Directors will be on market terms. ORIOR Group did not provide any loans, credit facilities, cash advances or credit to the members of the Board of Directors or parties closely related to them in 2016 and 2017.

### Compensation paid to former members of the Board of Directors

In 2017 no compensation, fees or other additional remuneration were paid to former members of the Board of Directors. No loans, credit, cash advances or collateral were provided to former members of the Board of Directors in 2016 and 2017 and there are no such arrangements outstanding from previous periods.

## 4. Compensation awarded to the Management Board

The elements of compensation, the mechanisms by which these are approved, as well as other principles underlying the compensation paid to the Management Board are set out in the Company's Articles of Association.

### Components of compensation

Members of the Management Board receive fixed and variable compensation for their work.

The fixed compensation is determined on the basis of reference salaries paid by comparable corporations, local market and wage standards, and experience and ability. Fixed compensation is paid in cash and, as stipulated by the Company's Articles of Association, must correspond to at least 50% of the total compensation awarded to each director.

The variable compensation for members of the Management Board is based on qualitative and quantitative goals, may account for no more than 50 % of overall compensation, and can be paid partly in Company shares (allocation). The percentage of this share-based compensation is set by the Board of Directors every year. The portion of this variable amount linked to achievement of the quantitative targets constitutes approximately 60 % to 80 % of the total variable amount and is calculated against Company parameters: e.g. revenues, EBITDA, capital expenditure, net working capital and cash flow. The qualitative performance component (approximately 20 % to 40 % of the variable amount) is payable for achievement of predefined individual targets (e.g. strategy, leadership qualities, innovation, value-enhancing initiatives). The weightings between the components are reviewed when performance objectives are set and adjusted as necessary. The assessment of the degree to which goals have been achieved is made for the CEO by the Board of Directors in response to a proposal by the Nomination and Compensation Committee, and for members of the Management Board by the Nomination and Compensation Committee in response to a proposal by the CEO.

For activities in legal entities directly or indirectly controlled by the Company, and for mandates performed as part of the member's position on the Management Board, the legal entities concerned may make compensation payments to members of the Management Board provided these payments are within the amounts approved by the General Meeting.

Within the framework of the stock ownership plan (see employee stock ownership plan, p. 54 ff.), members of the Management Board may, in addition to the compensation awarded, be offered shares at a discount to the market price (stock purchase offer).

In addition the members of the Management Board also have their expenses reimbursed. Reimbursement of expenses does not count as compensation.

To the extent permitted by law, the Company may indemnify members of the Management Board for losses suffered in connection with lawsuits, trials or settlements relating to their work for the Company, or advance appropriate amounts or take out insurance. Such indemnities, advances and insurance do not count as compensation.

### Overview of compensation awarded to the Management Board

The Management Board had three members on 31 December 2017. Bruno de Gennaro, member of the Management Board, resigned as of 30 June 2017. The fixed compensation awarded to new members of the Management Board can exceed the supplementary amount of compensation stipulated in the Articles of the Association (see Art. 29, para. 4) if the maximum total compensation approved by the General Meeting is not sufficient; it is not subject to renewed approval by the General Meeting. Further information on the supplementary amount of compensation is given in the section “Additional amount for new Management Board members” on page 52 of this Compensation Report.

Compensation paid to the Management Board members is reported according to the accrual principal, which states that transactions are recorded in the period (i. e. fiscal year) in which they actually occur.

| in CHF | Management Board excl. CEO | Daniel Lutz (CEO) | Total compensation 2017 | Management Board excl. CEO | Daniel Lutz (CEO) | Total compensation 2016 |
|---|---|---|---|---|---|---|
| Average number of Management Board members | 2.5 | 1 | 3.5 | 2.33 | 1 | 3.33 |
| Gross fixed compensation | 690 267 | 407 082 | 1 097 349 | 594 557 | 407 082 | 1 001 639 |
| Post-employment benefits | 75 809 | 123 957 | 199 766 | 75 131 | 46 725 | 121 856 |
| Other social contributions | 31 046 | 34 648 | 65 694 | 42 937 | 34 804 | 77 741 |
| **Total amount of fixed compensation actually awarded to the Management Board in CHF** | **797 122** | **565 687** | **1 362 809** | **712 625** | **488 611** | **1 201 236** |
| Total amount of fixed compensation approved by the General Meeting | | | 1 395 000 | | | 1 275 000 |
| Maximum available amount of supplementary compensation | | | 586 333[1] | | | 190 077 |
| Amount of supplementary compensation actually expended | | | 0 | | | 0 |
| Gross variable compensation | 230 160 | 350 000 | 580 160 | 241 000 | 350 000 | 591 000 |
| Other social contributions | 9 824 | 28 194 | 38 018 | 16 592 | 28 328 | 44 920 |
| **Total variable compensation** | **239 984** | **378 194** | **618 178**[2] | **257 592** | **378 328** | **635 920** |
| **Total compensation** | **1 037 106** | **943 881** | **1 980 987**[3] | **970 217** | **866 939** | **1 837 156** |

1 Filip De Spiegeleire was appointed to the Management Board after shareholder approval of the maximum total fixed compensation for the Management Board for the 2017 fiscal year had been obtained. A supplementary amount of compensation is therefore available, as stipulated in the Articles of Association, from which his fixed compensation may be paid, provided the approved maximum total fixed compensation for the Management Board is not sufficient.
2 Subject to approval of the total amount of variable compensation for the members of the Management Board by the Annual General Meeting on 12 April 2018.
3 Includes the compensation paid in euros to Filip De Spiegeleire. The sum was calculated into Swiss francs using the average exchange rate for the year of CHF 1.1116.

The total fixed compensation actually awarded to members of the Management Board, including Filip De Spiegeleire, for fiscal year 2017 amounts to CHF 1 362 809. From the available supplementary compensation for the year 2017 of CHF 586 333 for new Management Board members pursuant to the Articles of Association, CHF 0 are expended as compensation.

There is an executive pension plan for the members of the Management Board and other executives. The members of the Management Board and other executives also have a Company car at their disposal, including for personal use subject to certain rules. No other benefits in kind are granted.

### Additional amount for new Management Board members

If new members of the Management Board are appointed after approval has been given by the General Meeting, the additional amount of compensation per new member, according to Art. 29 Para. 4 of the Articles of Association, is 120 % pro rata of the highest fixed compensation paid to a member of the Management Board in the fiscal year preceded by the last Annual General Meeting. According to the Articles of Association, the General Meeting is not required to approve this additional compensation.

### Approval of compensation awarded to the Management Board

The General Meeting approves the total amount of variable compensation awarded to the members of the Management Board for the past fiscal year and the maximum total amount of fixed compensation to be awarded to the members of the Management Board for the coming fiscal year in a binding, annual vote at the ordinary general meetings.

Variable compensation awarded to the Management Board:

| | Fiscal year 2017 | Fiscal year 2016 | Fiscal year 2015 |
|---|---|---|---|
| Average number of Management Board members | 3.5 | 3.3 | 3.2 |
| Total amount of variable compensation awarded to the Management Board in CHF | 619 000 | 636 000 | 539 785 |
| Approval status | Proposal to the AGM on 12 April 2018 | Approved by the AGM on 28 March 2017 | Approved by the AGM on 12 April 2016 |

The Board of Directors proposes to the General Meeting of 12 April 2018 that it approve the total amount of variable compensation for the Management Board for the 2017 fiscal year at CHF 619 000.

Fixed compensation awarded to the Management Board:

| | Fiscal year 2019 | Fiscal year 2018 | Fiscal year 2017 |
|---|---|---|---|
| Average number of Management Board members | n/a | n/a | 3.5 |
| Maximum total amount of fixed compensation awarded to the Management Board in CHF | 1 500 000 | 1 400 000 | 1 395 000 |
| Maximum amount of supplementary compensation available | n/a | n/a | 586 333 |
| Total amount of fixed compensation actually awarded to the Management Board in CHF | n/a | n/a | 1 362 809 |
| Approval status | Proposal to the AGM on 12 April 2018 | Approved by the AGM on 28 March 2017 | Approved by the AGM on 12 April 2016 |

The Board of Directors proposes to the General Meeting of 12 April 2018 that it approve the total amount of fixed compensation for the Management Board for the 2019 fiscal year at CHF 1 500 000.

### Shares allocated to the Management Board

Under the terms of the agreement on the allocation and purchase of Company shares, the members of the Management Board may receive between 10 % and 30 % of their individual variable compensation in shares (allocation). The calculated price of the shares corresponds to the volume-weighted average price paid for ORIOR shares on the SIX during the preceding six months, less a discount of 25 %. The Board of Directors is empowered to increase the aforementioned discount in the event of extraordinary performance. The shares are subject to a holding period of three years beginning on the date of allocation.

No shares were allocated to members of the Management Board between 1 January 2017 and 31 December 2017. Compensation was paid entirely in cash.

### Share purchase agreement for members of the Management Board

Within the framework of the stock ownership plan (see employee stock ownership plan, p. 54 ff.), members of the Management Board may, in addition to the compensation awarded, be offered shares at a discount to the market price (stock purchase offer).

An offer to purchase shares at a discount was not made to the members of the Management Board during the period from 1 January 2017 to 31 December 2017.

### Options

The Company has no stock option plans.

### Additional compensation and remuneration

No additional compensation or remuneration was paid to members of the Management Board in 2017.

### Loans and credit facilities

In accordance with Art. 20 of the Company's Articles of Association, loans and credit facilities may be extended to members of the Management Board only in exceptional cases that are well justified. Moreover, the total amount of such loans and credit facilities must not exceed CHF 200 000 per member. All loans extended to members of the Management Board will be on market terms. ORIOR Group did not provide any loans, credit facilities, cash advances or credit to the members of the Management Board or parties closely related to them in 2015 and 2016. The accounts receivable listed in Note 38 of the financial statements have arisen from operating activities with a related party at standard market conditions.

### Contracts with Management Board members

In accordance with Art. 22 of the Company's Articles of Association, contracts with Members of the Management Board may be fixed-term or permanent. The maximum duration of fixed-term contracts is one year. The notice period for an unlimited term contract may not exceed one year.

### Compensation paid to former members of the Management Board

In 2017 no compensation was paid to former members of the Management Board. No loans, credit, cash advances or collateral were provided to any former members during fiscal years 2016 and 2017 nor were there any such arrangements in effect from earlier periods.

## 5. Shares held by members of governing bodies

As at 31 December 2017, the members of the Board of Directors and the Management Board held the following shares:

| Name and function | Freely disposable shares as at 31.12.2017 | Restricted shares as at 31.12.2017[1] | Total number of shares as at 31.12.2017 | in % | Total number of shares as at 31.12.2016 |
|---|---|---|---|---|---|
| **Rolf U. Sutter**<br>Chairman of the Board of Directors | 199 300 | 500 | 199 800[2] | 3.37 % | 199 800[2] |
| **Edgar Fluri**<br>Vice Chairman of the Board of Directors | 4 500 | 500 | 5 000 | 0.08 % | 5 000 |
| **Christoph Clavadetscher**<br>Member of the Board of Directors | 10 000 | 0 | 10 000 | 0.17 % | 10 000 |
| **Walter Lüthi**[3]<br>Member of the Board of Directors | 150 | 0 | 150 | 0.00 % | 0 |
| **Dominik Sauter**<br>Member of the Board of Directors | 550 | 0 | 550 | 0.01 % | 550 |
| **Monika Walser**<br>Member of the Board of Directors | 200 | 500 | 700 | 0.01 % | 700 |
| **Daniel Lutz**<br>CEO ORIOR Group | 0 | 2 000 | 2 000 | 0.03 % | 2 000 |
| **Ricarda Demarmels**<br>CFO ORIOR Group | 650 | 1 500 | 2 150 | 0.04 % | 2 150 |
| **Bruno de Gennaro**[4]<br>Head Convenience segment | n/a | n/a | n/a | n/a | 93 075 |
| **Filip De Spiegeleire**[5]<br>Head ORIOR Europe | 7 100 | 0 | 7 100 | 0.12% | 0 |
| **Total** | **222 450** | **5 000** | **227 450** | **3.84 %** | **313 275** |
| Total ORIOR Shares | | | 5 925 000 | 100.00 % | 5 925 000 |

1 Shares allocated within the framework of a stock ownership plan (see stock ownership programme, pp. 54 ff.).
2 Personal and group shareholdings (see Corporate Governance Report, p. 20).
3 Elected as member of the Board of Directors as of 12 April 2016.
4 Resigned on 30 June 2017.
5 Appointed Head ORIOR Europe and a member of the Management Board, effective 1 September 2016.

Rolf Friedli, the former Vice Chairman, owns 500 ORIOR shares that were purchased in 2015 within the framework of the stock ownership plan; these shares are restricted until 31 October 2018. Bruno de Gennaro, a former member of the Management Board, holds 1,000 ORIOR shares that were acquired through the same stock ownership plan and that are restricted until 31 October 2018.

## 6. Employee stock ownership plan

The stock ownership plan approved by the Board of Directors of ORIOR AG for members of the executive boards of the competence centres and certain employees of ORIOR Group came into effect on 3 January 2012.

Responsibility for the employee stock ownership plan and the definition thereof, and the setting of the offer periods, the share offers and the lock-in periods, rests with the Board of Directors. The Board of Directors can delegate the administration of the plan to a plan committee defined by the Board of Directors and consisting of two or more persons. Shares can be offered annually under special conditions to employees who are entitled to participate to be credited to or in addition to the payments owed under their employment contract. The Board of Directors specifies the two-month subscription period and the subscription rights of the individual participants annually within the framework of the present plan. The number of shares offered to each participant is at the discretion of the Board of Directors, which bases its decision on (alongside other considerations) how well the employee has achieved the quantitative and qualitative targets set out in the individual annual performance agreement.

The shares that are to be issued in the context of this plan can be acquired by ORIOR on the stock exchange or created by means of authorised, conditional or ordinary capital increases. The maximum number of shares to be issued in the context of this or any similar plan may not exceed 3% of the share capital of ORIOR. The Board of Directors is empowered to adjust the maximum number of shares to be issued in the context of the plan at its own discretion. The share purchase price corresponds to the volume-weighted average price paid for ORIOR shares on SIX during the preceding six month, prior to the start of the two-month offer period, minus a discount of 25%. The Board of Directors is empowered to increase the aforementioned discount in the event of extraordinary performance.

During the year under review, no shares were sold to employees within the framework of the employee stock ownership plan. Below is an overview of the total number of shares issued pursuant to the employee stock option plan since the plan was established, the date of issue, the discount granted, and the mandatory holding period:

| Year | Number of employees participating | Number of shares sold | Issue date/ Transfer | Discount granted | Blocking period ends |
|---|---|---|---|---|---|
| **2012** | 9 | 4150 | 3 January 2012 | 25% | 2 January 2015 |
| **2013** | 44 | 12480 | 2 April 2013 | 25% | 1 April 2016 |
| **2014** | – | – | – | – | – |
| **2015** | 41 | 20240 | 1 November 2015 | 25% | 31 October 2018 |
| **2016** | – | – | – | – | – |
| **2017** | – | – | – | – | – |

### Share purchase agreement for members of the Board of Directors and the Management Board

In addition to the other forms of compensation, the members of the Board of Directors and the Management Board can, by means of the share purchase agreement, be given the opportunity to purchase ORIOR shares at a discount. The number of shares that can be purchased at a discount is specified by the Board of Directors. The purchase price of these shares corresponds to the volume-weighted average price paid for ORIOR shares on the SIX during the preceding six months, less a discount of 25%. The Board of Directors is empowered to increase the aforementioned discount in the event of extraordinary performance. Under the share purchase agreement, a two-month purchase period will commence on the day the share purchase offer is made. The shares purchased will be subject to a holding period of three years beginning on the date of purchase. If a party to the share purchase agreement leaves the Company during the three-year holding period, the Board of Directors will decide whether to maintain or terminate the holding period.

During the year under review, no shares were sold to members of the Board of Directors and the Management Board through the aforementioned stock ownership plan.

### Transactions with members of the Board of Directors or the Management Board

Transactions with members of the Board of Directors or the Management Board (if any) are made on arm's length terms.

### Transactions with closely related entities and persons

The members of the Board of Directors of ORIOR AG, the members of the Management Board of ORIOR AG, shareholders exercising significant influence, and the Group's pension plans are regarded as closely related entities or persons. All transactions with closely-related entities and persons are conducted on the same market terms as with independent third parties.

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To the General Meeting of
**Orior Ltd, Zurich**

Basle, 28 February 2018

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Orior Ltd for the year ended 31 December 2017.The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 48 to 52 of the remuneration report.

**Board of Directors' responsibility**
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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

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

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

**Opinion**
In our opinion, the remuneration report for the year ended 31 December 2017 of Orior Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

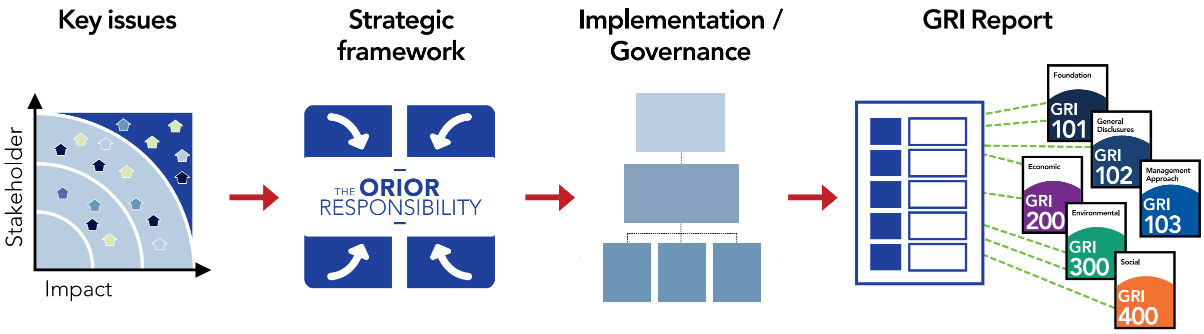
| | |
|---|---|
| Roger Müller<br>Licensed audit expert<br>(Auditor in charge) | Hortense Pfammatter<br>Licensed audit expert |

# Corporate Responsibility

**Sustainability – we call it "The ORIOR Responsibility" – is in our eyes at the core of Excellence in Food, an opportunity for differentiation and a promise we make for future generations. We assume this responsibility throughout the whole value chain and constantly seek a well-balanced improvement in our operating, environmental and social performance metrics. Sustainability is an integral part of our business activities and is therefore present in everything we do and in who we are. Our corporate responsibility and sustainability efforts are currently focused on four priority areas: 1. Sustainable procurement, 2. Preserving resources, 3. Nutrition and health and 4. Employee training and development.**

At the end of 2017 the management desided to develop a sustainability report in accordance with the internationally recognised Global Reporting Initiative (GRI) Standards. This important and significant decision was preceded by a thorough analysis of the many sustainability reporting guidelines and standards available today. GRI is the most widely accepted standard for sustainability reporting purposes and it will allow ORIOR to give a well-balanced view of its sustainability goals, action plans and progress. The immediate objectives for the fiscal year 2018 is to determine all parameters and the overall reporting structure of ORIOR's future reports, to bring these findings into context with our strategy and operating activities and then present the resulting data in an appropriate manner. ORIOR tentatively plans to publish a GRI-based sustainability report for the fiscal year 2018 in the first quarter of 2019.

The process leading to the publication of this report consists of four major stages:




In the initial stage ORIOR will determine, in accordance with GRI standards, which sustainability issues are the most relevant to the Group. It will do so by evaluating the environmental, social and economic consequences of ORIOR's business activities as well as the expectations of its stakeholders. In the second stage a team of employees from throughout the Group representing quality management, human resources, production, sales and communications departments will formulate the key issues in a strategic framework for sustainability at ORIOR – "The ORIOR Responsibility" – and will elucidate the related goals, action plans and performance indicators. The third stage will be about translating and embedding sustainability into good corporate governance practices. Roles, responsibilities, internal policies, procedures and other factors will be defined during this stage. Once this strategic framework for sustainability is in place, ORIOR will formulate and publish its sustainability report.

## 1. Sustainable procurement

Excellence in Food is derived from craftsmanship and the recipes and processes we use to make our products and in particular on the agricultural raw materials we start with. Demand for products made with locally sourced raw materials is steadily increasing. Consumers are displaying an increasing sensitivity to environmentally and socially responsible manufacturing practices. We are, therefore, continuously expanding our range of regional products. With imported raw materials, we guarantee quality and sustainability by applying extremely strict controls and standards. Respect for the environment and for animals is a non-negotiable criterion of our procurement policy and we monitor and enforce this through the use of sustainability labels such as the "Better Life" animal welfare label and other means.

Consumers are showing greater interest in the origin of food products and the ingredients they are made with. Therefore ORIOR pledges highest transparency with regard to product certifications and the declaration of product information. It is essential these days that products are certified to indicate their origin, method of production and quality. Customers look for these certificates and base purchasing decisions on them. ORIOR sources and refines a wide range of products with such certificates. Among the most important labels that adorn products throughout ORIOR's entire range are "Suisse Garantie", "Knospe Bio Suisse", "IP-Suisse / Terra Suisse", "Aus der Region. Für die Region.", "V-Label", "Bio Suisse", "Migros-Bio", "Miini Region", "MSC" and "Fairtrade".

Wherever possible and sourceable, the raw materials purchased by ORIOR Group's competence centres will come from regional or local producers. In principle ORIOR would like to buy even more Swiss meat, but availability, especially for poultry, is limited. ORIOR seeks partnerships with foreign producers who agree to comply with Swiss food production standards to alleviate this situation. Agricultural raw materials sourced from suppliers in foreign countries are subject to special inspections. Whenever possible, we will seek to establish strong ties with local producers through a partnership agreement which allows us to exert influence on their production standards. To ensure sustainability and quality, we audit our suppliers on a regular basis. An immediate warning will be issued to any supplier that fails to attain or adhere to our strict guidelines and standards. Remedial action must be quickly taken. All procurement activities with a supplier will be terminated if a subsequent review finds that it failed to comply with the given guidelines a second time.

**EXAMPLE**

### PALM OIL USE AND POLICIES

Palm oil has been the subject of controversy for years because tropical areas are being deforested to make way for oil palm plantations. A very small percentage of ORIOR products contain palm oil. We take our corporate responsibility seriously and use exclusively RSPO-certified SG palm oil (Roundtable on Sustainable Palm Oil, Segregated) in our products. Palm oil that has been certified by the Roundtable on Sustainable Palm Oil is kept separately from ordinary palm oil throughout the supply chain in order to ensure end-to-end compliance with its standards. Moreover, we are constantly revising and improving our recipes, one aim being to eliminate palm oil from all our products.

**EXAMPLE**

### QUALITY MANAGEMENT CHAMPION TEAM

The Champion Model for group-wide quality management was introduced in 2016. The Champion Team consists of specialists from every ORIOR centre of competence and the objectives here are to take a holistic, collaborative approach with respect to specific issues and joint projects and to facilitate knowledge transfer so as to improve communications and learning outcomes. This is seen as a way of reducing overlap, duplication and complexity, while optimising systems, resource and material management. The Champion Team reports directly to the Extended Management Team of ORIOR AG on a regular basis.

## 2. Preserving resources

ORIOR is aware of its environmental footprint. One of our declared aims is to manage resources in a responsible way, and this is given a high priority by all our competence centres. We want to attain high energy efficiency scores, reduce greenhouse gas emissions, and minimize food as well as production waste.

In order to ensure professional implementation of climate protection measures, all competence centres work with the Energie Agentur der Wirtschaft (EnAW) energy agency. As a service platform for companies, the EnAW helps industrial firms reduce $CO_2$ emissions and increase energy efficiency. ORIOR's voluntary accession to the EnAW programme reflects its commitment to these goals. The associated objectives are audited by the Swiss government. All activities are geared to suit the particular company and follow the principle of cost-effectiveness. In addition, all new investments are reviewed in terms of their $CO_2$ footprint.

ORIOR AG's centres of competence have continuously optimised their production processes and logistics for years with the objective of reducing waste. Avoidance of production waste deserves utmost attention not only from a moral standpoint but also for reasons of cost efficiency. However, no matter how hard we try, food waste cannot be entirely eliminated; sometimes, due to damaged packaging, short use-by periods, excess production, etc., products cannot be brought to market through the normal sales channels. In such cases we collaborate with partners to find solutions for selling the food that is still safe to eat. For example, all ORIOR operations work with partners like "Tischlein deck dich", "Schweizer Tafel" or the Ticinese "Tavolino magico". These three organisations collect discarded food and distribute it to needy people in Switzerland.

**EXAMPLE**

### RELEVANT REDUCTION OF WASTE

Food waste was reduced once again thanks to further investment in process improvement and in our production facilities. Five of the 7 centres of competence lowered the ratio of waste per kilogram of food produced by about 10% from already very low waste levels. Every reduction in food waste promotes the sustainability of our business operations and is good for our financial performance as well. ORIOR will therefore continue to optimize its processes and invest in modern infrastructure with the aim of reducing waste even further.

**EXAMPLE**

### AUTOMATED PAYMENT PROCESSING SYSTEM

In the summer of 2017, we began to migrate to an automated payment processing system for ORIOR Switzerland. Paperless routing, approval, payment and archiving of tens of thousands of invoices simplify internal workflows and reduce our workloads. Moreover, almost no paper is used when processing payments with the new system, which reduces consumption of this resource and helps the environment. By the end of 2017, 3 of 6 centres of competence in Switzerland had migrated to the new system. The remaining migrations are scheduled to take place during the current fiscal year.

## 3. Nutrition and health

ORIOR aspires to produce tasty and healthy food products. All products undergo a constant process of improvement from a nutritional and physiological as well as from a culinary perspective. New products are also being developed for people with food intolerances or special dietary needs. When it comes to the quality and safety of the food they eat, customers rightly have very high standards. ORIOR's work in this area goes far beyond what food standards and other laws require. ORIOR has clear quality assurance processes and it rigorously adheres to them. Compliance is ensured by internal and external audits.

Recipes and production processes are continuously being improved at all centres of competence. Efforts here focus on retaining as much of the natural vitamins and other nutrients as possible and on reducing the added sodium and fat content as well as on strict avoidance of artificial additives wherever possible – which is standard policy for almost every ORIOR product. Current investment in plant, equipment and business processes enables us to produce top-quality products that meet demanding nutritional physiological standards and that are also pleasing to the palate. ORIOR has also shown a flair for creating food products for people with special dietary needs; for example Wellness or Care products and range of gluten- and lactose-free fresh pasta.

ORIOR competence centres conduct regular supplier assessments. In addition to quality, other aspects ranked in these assessments include accuracy of labelled quantities, adherence to delivery schedules, general collaboration and service, and compliance with environmental standards. The vast majority of suppliers achieved good to very good scores. Suppliers who fall short are required to initiate corrective action immediately and are reaudited a short time later. Should there be any uncertainty, suppliers must undergo and successfully complete a verification process covering environmental and sustainability issues before being admitted to the pool of authorised suppliers.

**EXAMPLE**

### "RECIPE MANAGEMENT" PROJECT

Given the Group's decentralized competence centre structure and differing product portfolios, recipe management was historically handled locally. A "Recipe Management" project initiated in 2017 is now transferring all relevant recipe data into the Group's SAP system, where it will be readily available for all competence centres to use. This will improve the speed of our development units, enhancing their agility and their product cadence to the benefit of our customers. Moreover, the quality control departments will be able to easily produce automated recipe evaluations which will form the basis for exploring additional improvement potential, for example with regard to clean label food.

**EXAMPLE**

### CULINARY ASPECTS AND CLEAN LABELS

Recipe modification and improvement is an ongoing process at every centre of competence. We strive to produce food products with "clean labels", i.e. without any E number ingredients or other synthetic additives. Culinary aspects, sensory perceptions and product quality are just as important as before, however. Thanks to ingenious, natural flavourings and ultra-modern production techniques, we repeatedly succeed at further reducing or completely eliminating the need to add salt or synthetic additives to our products without compromising taste.

## 4. Employee training and development

Competent employees with an entrepreneurial mind-set are one of ORIOR's obvious strengths. They are the ones who have made ORIOR the company it is today and they are laying the foundation for future success through their craftsmanship and the entrepreneurial spirit they display every day. To retain our sharp competitive edge, employees at all levels of the organisation receive training and development.

ORIOR attaches great importance to employee motivation and development at every level of the work force. ORIOR Group employed an average of 1574 people in 2017, about 20 of whom were apprentices in the fields of the butchery trade, logistics, and office administration. As in the past, temporary workers were also employed to handle peak periods, particularly during the Christmas season.

ORIOR promotes continual employee development through joint setting of targets, performance appraisals, and a wide choice of training and development opportunities. Each competence centre provides specific professional training while managers and key employees are also offered internal training and development inputs. Employee skills and resources are also promoted and developed on an individual basis. The ORIOR Campus was established in 2016 within the scope of the ORIOR 2020 strategy. Strategy execution, uniqueness and digitization were the main topics of our training and development activities in 2017. Various training courses on leadership, workplace safety and other topics were also organized for the centres of competence.

ORIOR offers its employees a safe and healthy work environment. It also invests in targeted improvements as well as in courses on occupational safety and it periodically contracts external safety experts to examine additional ways of improving work safety.

**EXAMPLE**

### ORIOR CAMPUS STRATEGY EXECUTION

The Campus training program in 2017 revolved around the topic of strategy and a two-day course called "Strategic Management" focusing in particular on strategy execution was organised. Strategy is a multifaceted subject. The right priorities must be set in order of their importance, business strategy must be effectively woven into the operational side of the business, and strategic goals and initiatives must be scalable at all levels of the organisation. ORIOR uses a so-called strategy cockpit to monitor its progress on the relevant fronts. This is a tool that compares the progress of strategy execution with the given targets and facilitates corrective action at an early stage if necessary.

**EXAMPLE**

### MANAGEMENT WORKSHOP «MAKE THE DIFFERENCE»

The Top 100 key executives and specialists from throughout ORIOR Group were invited to an internal management workshop dedicated to our new "Make the difference" slogan in late September 2017. Besides a general update and an assessment of the latest progress towards the given goals and strategic priorities by the heads of the centres of competence, the major items on the agenda concerned topics and speeches such as "The path to innovation", today's trends, digitalisation and "Making decisions with gusto". Workshop presentations were accompanied by small, focused workgroup sessions and by lively discussions among the participants.

# ORIOR GROUP
FINANCIAL REPORT 2017

# Financial Review

**The 2017 jubilee fiscal year was successful for the ORIOR Group, both strategically and operationally. Steadfast execution of the ORIOR 2020 strategy produced desired results. The strategically significant expansion abroad and the efforts to extend the core business activities in the fast growing premium fresh convenience market beyond Switzerland's borders was executed successfully. From an operational perspective, the Group improved its position, despite persisting market headwinds: A large number of projects encompassing a variety of strategic cornerstones were successfully initiated and implemented. This, in turn, improved the operating results and margins as well as the Group's already high cash conversion. During the fall, the ORIOR Group also placed a very successful bond issue of CHF 110 million at a yield of 0.625 %. The above achievements affirm ORIOR's commitment to its 2020 strategy and further strengthen its foundation for future growth and attractive dividend yields.**

**RICARDA DEMARMELS**
CFO ORIOR GROUP

Our ambition:
Continuous improvement.
A clearly defined financial target system and measurability are its basis.

«We have set ambitious targets in our ORIOR 2020 strategy. We will set priorities, and we will be focused and responsible in our execution. Part of our successful strategic execution is the implementation of our financial target system. We are focusing on attractive niche markets and are improving our portfolio mix by focusing on promising trends and consumer needs. Steady value creation is the compass that guides us in all our entrepreneurial decisions and actions: Safeguarding our margins is more important to us than unsustainable top-line growth; thus, we focus relentlessly on high-margin niche markets with attractive growth prospects. We are consistently improving our operating efficiency and effectiveness and promoting a strong focus on cost control in order to maintain our ongoing investments in innovation, brands and employees and, ultimately, can keep on growing over the long term. We personify entrepreneurship from the boardroom to our apprentices and we strive to get better every day. That applies with respect to our profitability, our capital efficiency, our use of resources and our agility. That is how we steadily create value for our stakeholders. Our entrepreneurial corporate culture supports and inspires us in every aspect of this process.»

## Sales

The ORIOR Group generated revenues of CHF 585.5 million in 2017, +10.9 % more than in the previous year (2016: CHF 527.7 million). Organically, excluding (i) the acquisition effect of 13.3 % from the Culinor Food Group as of 1 September 2016 and (ii) the positive FX effect of +0.1 %, consolidated group sales declined by −2.4 %. This decline is largely attributed to persisting headwinds in ORIOR's domestic market in Switzerland, fanned by pressure on the pricing, promotional and competitive environment as well as by consolidation activity within the marketplace. In response, we continued to focus on sustainable value growth and refrained from engaging in low-margin business. Although this resulted in loss of revenue, we are confident that this is vital for our future profitable growth.

The Convenience segment generated revenues of CHF 187.7 million in 2017, a decline of −3.3 % compared to the previous year (2016: CHF 194.2 million), notwithstanding the significant improvement in sales during the second half. Primary drivers were persistent stiff competition, especially in the food service business, and insourcing of some retail customers. On the positive side, attention should be drawn to the growth triggered by new concepts for ultra-fresh menu products in the growing convenience store segment, as well as on vegetarian specialities and the pasta segment.

The Refinement segment generated revenues of CHF 290.2 million in 2017, a decline of −2.9 % compared to the previous year (2016: CHF 298.8 million). Primarily driven by – given our clear focus on profitable growth – consolidation within the marketplace and insourcing by some of our customers. Positive revenue drivers were the "Rapelli" brand, which generated renewed growth thanks to increased marketing spending and a flurry of innovation. The latest innovation from Albert Spiess – My Energy Beef Sticks – was met with a very positive response in all sales channels.

The International segment achieved revenues of CHF 124.7 million in 2017, 134.4 % more than the previous year (CHF 53.2 million). Organically excluding (i) the acquisition effect of 132.2 % from the Culinor Food Group and (ii) the positive FX effect of 0.6 %, the segment's organic growth amounted to 1.6 %. The export of Bünderfleisch returned to growth thanks to improved customer penetration. As in the first half of 2017, Culinor surpassed expectations for the full year. Also, the integration was successfully completed in 2017.

## Profits

The gross margin of 41.1 % was 88 basis points above the previous year. The improvement was driven by improved mix, and an increased focus on high-margin core product groups, savings in procurement, the successful execution of productivity-enhancing measures, unrelenting efforts to reduce food and packaging waste, and the refusal to engage in business with inadequate margins.

Consolidated EBITDA increased by 12.1% to CHF 57.7 million and the margin rose by 10 basis points to 9.9 % (2016: CHF 51.5 million). Drivers here were the acquisition of the Culinor Food Group, strict cost discipline and a focus on operational efficiency. The ORIOR Group again increased its investments in its brands and its innovation, sales and distribution activities. Operating profit (EBIT) consequently rose by 11.5 % to CHF 39.2 million (2016: CHF 35.2 million) and EBIT margin increased by 3 basis points to 6.7 %.

Negative currency translation effects, primarily stemming from the EUR loan, had a negative effect of CHF –2.7 million on the financial result (2016: CHF +0.4 million). Profit before tax excluding currency translation effects showed an increase of 10.9 % to CHF 37.1 million; the resulting margin was unchanged at 6.3 % (2016: CHF 33.5 million).

Taxes amounted to CHF –2.4 million compared to CHF –5.5 million in the previous year. This decline is primarily attributable to a one-off reversal of deferred taxes of CHF +2.5 million, which is primarily a consequence of a corporate tax reform passed in Belgium at the end of December that will lower corporate tax rates in several stages from the current level of 34 % to 25 % in of 2020. Profit for the year increased 12.8 % to CHF 32.0 million (2016: CHF 28.4 million). The net profit margin increased by 9 basis points to 5.5 %. Profit for the year excluding the aforementioned currency translation and one-off tax effects increased 13.1 % to CHF 31.7 million (2016: CHF 28.1 million). The corresponding adjusted net profit margin widened 10 basis points to 5.4 %.

## Cash flow and balance sheet

Operating cash flow amounted to a very strong CHF 55.7 million. This corresponded to a cash conversion ratio of 97%. Net debt declined to CHF 102.6 million, a decline of CHF 23.7 million, and the net debt to EBITDA ratio fell from 2.45 x to 1.78 x. Shareholders' equity rose by 15.1% to CHF 280.3 million; the equity ratio climbed to a very strong 50.8 % (2016: 44.3 %).

## Dividend

ORIOR's strives towards a long-term, stable and attractive dividend policy. The Board of Directors is proposing a renewed increase in the dividend to CHF 2.17 per share for 2017, which would be the seventh consecutive increase in the dividend since the IPO in 2010; the attractive dividend policy is underpinned by the Group's high cash conversion ratio and strict focus on capital efficiency.

## Key figures for 2017

**REVENUES:** CHF 585.5 million
Up +10.9 % from the previous year

**EBITDA:** CHF 57.7 million
Up 12.1 % from the previous year

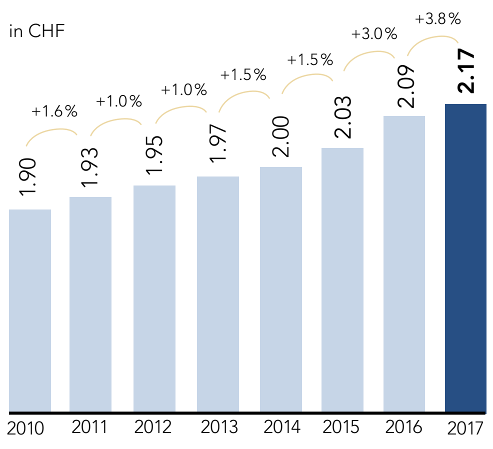
**PROFIT BEFORE TAX:** CHF 34.4 million
Up 1.6 % from the previous year

**Adjusted for currency translation effects: CHF 37.1 million**
Up 10.9 % from the previous year

**PROFIT FOR THE YEAR:** CHF 32.0 million
Up 12.8 % from the previous year

**OPERATING CASH FLOW:** CHF 55.7 million
Cash conversion rate of 97 %

**DIVIDEND PER SHARE**
Sixth consecutive increase in the dividend since IPO



# Consolidated Income Statement

| in CHF thousand | Note | 2017 | Δ in % | 2016 |
|---|---|---|---|---|
| **Revenues** | 7 | **585 485** | **+10.9%** | **527 738** |
| Raw materials / goods and services purchased | | –339 880 | | –320 613 |
| Changes in inventories | 8 | –5 146 | | 4 966 |
| Personnel expense | 9 | –110 029 | | –96 108 |
| Other operating income | 10 | 887 | | 296 |
| Other operating expense | 11 | –73 630 | | –64 829 |
| **EBITDA**<br>**Earnings before interest, taxes, depreciation and amortisation** | | **57 687** | **+12.1%** | **51 450** |
| as % of revenues | | 9.9% | | 9.7% |
| Depreciation - tangible assets | 21 | –14 639 | | –13 402 |
| Amortisation - intangible assets | 23 | –3 853 | | –2 891 |
| **EBIT**<br>**Earnings before interest and taxes** | | **39 195** | **+11.5%** | **35 157** |
| as % of revenues | | 6.7% | | 6.7% |
| Financial income | 12 | 1 288 | | 951 |
| Financial expense | 13 | –6 075 | | –2 232 |
| **Profit before taxes** | | **34 408** | **+1.6%** | **33 876** |
| as % of revenues | | 5.9% | | 6.4% |
| Income tax expense | 14 | –2 400 | | –5 499 |
| **Profit for the year** | | **32 008** | **+12.8%** | **28 377** |
| as % of revenues | | 5.5% | | 5.4% |
| **Earnings per share in CHF** | | | | |
| Basic earnings per share | 15 | 5.42 | | 4.79 |
| Diluted earnings per share | 15 | 5.42 | | 4.79 |
| Weighted Ø number of shares outstanding in '000 | 15 | 5 901 | | 5 921 |

The notes in the appendix are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

| in CHF thousand | | 2017 | Δ in % | 2016 |
|---|---|---|---|---|
| **Profit for the year** | | **32 008** | +12.8% | **28 377** |
| Exchange differences on translation of foreign operations | | 7 957 | | –2 085 |
| **Items that are or may be reclassified subsequently to income statement, net of tax** | | **7 957** | | **–2 085** |
| Revaluation of pension plan | 36 | 12 425 | | –4 885 |
| Taxes on revaluation of pension plan | | –2 017 | | 791 |
| **Items that will not be reclassified to income statement, net of tax** | | **10 408** | | **–4 094** |
| **Other comprehensive income for the year, net of tax** | | **18 365** | | **–6 179** |
| **Total comprehensive income for the year, net of tax** | | **50 373** | +126.9% | **22 198** |

The notes in the appendix are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

| in CHF thousand | Note | 31.12.2017 | in % | 31.12.2016 | in % |
|---|---|---|---|---|---|
| Cash and cash equivalents | 16 | 38 191 | | 40 130 | |
| Current financial assets | 17 | 301 | | 303 | |
| Trade accounts receivable | 18 | 67 426 | | 65 788 | |
| Other current receivables | 19 | 3 202 | | 3 331 | |
| Inventories and work in progress | 20 | 71 953 | | 77 245 | |
| Current income tax assets | | 150 | | 59 | |
| Prepaid expenses / accrued income | | 1 862 | | 1 522 | |
| **Current assets** | | **183 085** | 33.2% | **188 378** | 34.2% |
| Property, plant and equipment | 21 | 111 501 | | 108 497 | |
| Intangible assets | 23 | 256 534 | | 253 062 | |
| Long-term financial assets | | 320 | | 0 | |
| Deferred tax assets | 29 | 20 | | 291 | |
| **Non-current assets** | | **368 375** | 66.8% | **361 850** | 65.8% |
| **Total assets** | | **551 460** | 100.0% | **550 228** | 100.0% |
| Derivative financial instruments | | 0 | | 11 | |
| Current financial liabilities | 27 | 61 | | 1 965 | |
| Trade accounts payable | 24 | 52 795 | | 45 595 | |
| Other current payables | 25 | 4 509 | | 5 752 | |
| Current income tax liabilities | | 2 838 | | 3 182 | |
| Accrued liabilities | 26 | 21 897 | | 26 277 | |
| Current portion of provisions | 28 | 1 791 | | 1 809 | |
| **Current liabilities** | | **83 891** | 15.2% | **84 591** | 15.4% |
| Non-current financial liabilities | 27 | 140 691 | | 164 396 | |
| Defined benefit obligations | 36 | 2 187 | | 16 317 | |
| Provisions | 28 | 2 887 | | 2 965 | |
| Deferred tax liabilities | 29 | 41 551 | | 38 453 | |
| **Non-current liabilities** | | **187 316** | 33.9% | **222 131** | 40.4% |
| **Total liabilities** | | **271 207** | 49.2% | **306 722** | 55.7% |
| Share capital | 30 | 23 700 | | 23 700 | |
| Treasury shares | 31 | –2 063 | | –699 | |
| Retained earnings | | 252 219 | | 222 069 | |
| Foreign currency translation | | 6 397 | | –1 564 | |
| **Total equity** | | **280 253** | 50.8% | **243 506** | 44.3% |
| **Total liabilities and equity** | | **551 460** | 100.0% | **550 228** | 100.0% |

The notes in the appendix are an integral part of these consolidated financial statements.

# Consolidated Statement of Equity

| in CHF thousand | Note | Share capital | Additional paid-in capital | Treasury shares | Retained earnings | Foreign currency translation | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 01.01.2016** | | **23 700** | **10 235** | **–174** | **199 361** | **521** | **233 643** |
| Profit for the year | | 0 | 0 | 0 | 28 377 | 0 | 28 377 |
| Other comprehensive income for the year | | 0 | 0 | 0 | –4 094 | –2 085 | –6 179 |
| **Total comprehensive income for the year** | | **0** | **0** | **0** | **24 283** | **–2 085** | **22 198** |
| Dividends / repayment of capital contributions | 32 | 0 | –10 235 | 0 | –1 782 | 0 | –12 017 |
| Share-based payments | 37 | 0 | 0 | 0 | 109 | 0 | 109 |
| Movement in treasury shares | 31 | 0 | 0 | –525 | 98 | 0 | –427 |
| **Balance as at 31.12.2016** | | **23 700** | **0** | **–699** | **222 069** | **–1 564** | **243 506** |
| Profit for the year | | 0 | 0 | 0 | 32 008 | 0 | 32 008 |
| Other comprehensive income for the year | | 0 | 0 | 0 | 10 408 | 7 957 | 18 365 |
| **Total comprehensive income for the year** | | **0** | **0** | **0** | **42 416** | **7 957** | **50 373** |
| Dividends | 32 | 0 | 0 | 0 | –12 335 | 0 | –12 335 |
| Share-based payments | 37 | 0 | 0 | 0 | 91 | 0 | 91 |
| Movement in treasury shares | 31 | 0 | 0 | –1 364 | –18 | 0 | –1 382 |
| **Balance as at 31.12.2017** | | **23 700** | **0** | **–2 063** | **252 223** | **6 393** | **280 253** |

The notes in the appendix are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

| in CHF thousand | Note | 2017 | 2016 |
|---|---|---|---|
| Profit for the year | | 32 008 | 28 377 |
| Taxes | 14 | 2 400 | 5 499 |
| Depreciation / impairment / amortisation | 21/23 | 18 492 | 16 294 |
| Share-based payments | 37 | 91 | 109 |
| Other non-cash transactions | 13 | 2 944 | –511 |
| Change in value adjustments and provisions | | –1 426 | –927 |
| Gain from disposal of fixed assets | 10 | –30 | –55 |
| Interest income | 12 | –9 | –49 |
| Dividend income | 12 | –8 | –7 |
| Interest expense | 13 | 1 735 | 1 423 |
| Change in accrued pension cost | | –1 793 | –1 014 |
| Change in working capital | | 8 245 | –12 345 |
| - Trade accounts receivable and other current receivables | | 729 | –7 802 |
| - Inventories and work in progress | | 7 046 | –7 400 |
| - Trade accounts payable and other current payables | | 3 512 | 2 224 |
| - Other | | –3 042 | 633 |
| Interest paid | | –1 350 | –1 084 |
| Taxes paid | | –5 623 | –3 776 |
| **Cash flow from operating activities** | | **55 676** | **31 934** |
| Purchase of | | | |
| - property, plant and equipment | 21 | –14 897 | –10 391 |
| - intangible assets | 23 | –421 | –861 |
| - long-term financial assets | | –350 | 0 |
| Proceeds from sale of | | | |
| - property, plant and equipment | | 149 | 247 |
| - financial assets | | 0 | 15 |
| Acquisition of companies, net of cash acquired | 5 | 0 | –81 242 |
| Interest received | | 9 | 49 |
| Dividends received | 12 | 8 | 7 |
| **Cash flow from investing activities** | | **–15 502** | **–92 176** |
| Increase in financial liabilities | | 110 600 | 91 331 |
| Payment of financing transaction costs | | –764 | 0 |
| Repayment of financial liabilities | | –138 430 | –1 206 |
| Repayment of finance lease liabilities | 22 | –181 | –36 |
| Dividends / repayment of capital contributions | 32 | –12 335 | –12 017 |
| Sale of treasury shares | 31/37 | 3 466 | 5 450 |
| Purchase of treasury shares | 31 | –4 847 | –5 878 |
| **Cash flow from financing activities** | | **–42 491** | **77 644** |
| **Net increase (+) / decrease (-) in cash and cash equivalents** | | **–2 317** | **17 402** |
| Foreign exchange differences on cash and cash equivalents | | 378 | –155 |
| Cash and cash equivalents as at 01.01. | 16 | 40 130 | 22 883 |
| **Cash and cash equivalents as at 31.12.** | 16 | **38 191** | **40 130** |

The notes in the appendix are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements 2017

## 1 General information

ORIOR is an internationally operating Swiss food company that combines craftsmanship with a pioneering spirit and is thriving on entrepreneurship and strong values. Specialised in fresh convenience foods and refined meats, the Group claims leading positions in fast-growing niches in Switzerland as well as abroad and has built an impressive portfolio of brands and companies.

The Group is divided into three operating segments: ORIOR Refinement, ORIOR Convenience and ORIOR International. The operating segments consist of competence centres with a clear focus on processes and products and clearly assigned responsibilities. The operating segments each concentrate on a specific product category and offer the whole range of products within this category, from low budget products to high premium products. For a description of the three operating segments, please see Note 6.

ORIOR AG (the "Company") is a limited liability company incorporated and domiciled in Zurich. The address of its registered office is Dufourstrasse 101, 8008 Zurich, Switzerland.

These consolidated financial statements were approved by the Board of Directors on 28 February 2018 and are subject to shareholder approval at the Annual General Meeting of shareholders on 12 April 2018.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

The figures shown in the consolidated annual financial statements are rounded up or down. The actual calculations are made with greater precision, so small rounding differences can appear.

### Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the historical cost method, except for derivative financial instruments and financial assets, which are recognised at fair value through profit and loss.

The consolidated financial statements comprise the financial statements of ORIOR AG and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

### Standards, amendment and interpretations effective in 2017

The IASB has published the following new standards, interpretations and amendments to existing standards and interpretations that are effective for 2017 financial statements:

- Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unreaslised Losses
- Amendment to IAS 7 – Disclosure initiative - Net debt
- Annual Improvements to IFRS – December 2014

The above revised IFRS standards did not have a significant impact on the accounting policies or the presentation of ORIOR Group's assets, liabilities, financial position and earnings.

## Standards, amendments and interpretations that are not yet effective and have not been adopted in advance by the Group

The following new and revised standards and interpretations, which will take effect at a later date, have not been applied in advance to the present consolidated financial statements. A final analysis of their impact on the consolidated financial statements of the Group has not yet been made; the anticipated effects disclosed below therefore represent a first appraisal by the Management Board:

| Standard / interpretation | Name | Implication | Enters into force | Group plans to introduce in |
|---|---|---|---|---|
| Amendment to IFRS 2 | Clarifications of classification and measurement of share based payment transactions | * | 1 Jan 2018 | Financial year 2018 |
| Amendment to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | * | 1 Jan 2018 | Financial year 2018 |
| IFRS 9 | Financial Instruments | ** | 1 Jan 2018 | Financial year 2018 |
| IFRS 15 | Revenue from Contracts with Customers | *** | 1 Jan 2018 | Financial year 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | * | 1 Jan 2018 | Financial year 2018 |
| Amendment to IAS 40 | Transfers of Investment Property | * | 1 Jan 2018 | Financial year 2018 |
| IFRS 16 | Leases | **** | 1 Jan 2019 | Financial year 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | * | 1 Jan 2019 | Financial year 2019 |
| IFRS 17 | Insurance Contracts | * | 1 Jan 2021 | Financial year 2021 |

* No or no significant impact on the consolidated financial statements is anticipated.

** IFRS 9 Financial Instruments includes requirements for recognition and measurement, derecognition and hedge accounting. The application of IFRS 9 is currently being analysed in detail. It is assumed that no material impact on classification and measurements of financial assets and liabilities will arise.

*** IFRS 15 was issued in May 2014 by the IASB and applies to an annual reporting period beginning on or after 1 January 2018. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This standard supersedes IAS 18 Revenue Recognition as well as the relevant interpretations. The effects have been examined for the implementation of the standard. A few cases have been identified in which, unlike under IAS 18, Orior qualifies as the agent and not as the principal anymore. Both revenue and cost of goods sold are expected to decline by approximately CHF 40-45 million in the year 2018. Therefore, the revenue and the cost of goods sold are decreased by the same amount. The adoption doesn't have any effect on the net result. The Group will implement the standard retroactively to 1 January 2018.

**** In January 2016, the IASB published IFRS 16 Leases, which will replace IAS 17 Leases. Under the new standard, lessees will have to record a leasing liability in the balance sheet for practically all leases. The current operating lease obligations of CHF 81.1 million as per 31. December 2017 and disclosed in Note 22 provide, subject to the provision of the standard, an indicator of the impact of the implementation of IFRS 16 on the consolidated balance sheet of the Group. In the income statement, EBITDA increases by CHF 7.2 million due to the elimination of the operating lease expenses as disclosed in Note 22. This CHF 7.2 million increase is offset by the depreciation of the right of use as well as by the interest components, thus there is no effect on the net profit.

## Consolidation

### 1) Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. They are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full.

### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

### 2) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the associate's net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The associate's share of profit is shown in the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. Changes in other comprehensive income of such equity holders are recognised in other comprehensive income of the Group. The Group's share of changes recognised directly in the associate's equity is recognised directly in equity by the Group and is disclosed in the statement of changes in equity.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the share of profit of an associate in the income statement.

### 3) Change in scope of consolidation

There were no changes in the scope of consolidation during the financial year 2017.

As per 1 September 2016 the Group acquired 100% of the shares of Culinor Food Group in Belgium. The Culinor Food Group is a leading producer of ready-made meals and meal components serving retailers and food service providers throughout the Benelux region. For further details of the acquisition and sale, please see Note 5. Furthermore, the companies Salumi Val Mara SA and Fredag Holding AG have been merged into Rapelli SA respectively into Fredag AG.

Please see Note 43 for an overview of the legal structure of the Group.

## Foreign currency translation

### 1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs, which is the Company's functional and presentation currency.

### 2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### 3) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income. On the loss of control of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular operation is recognised in the income statement.

## Cash and cash equivalents

Cash and cash equivalents includes cash in hand, credits on bank accounts, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## Accounts receivable

Accounts receivable are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement as a reduction in earnings. When a trade receivable is uncollectible, it is written off against the allowance for receivables. Subsequent recoveries of amounts previously written off are credited against reduction of earnings in the income statement. The carrying value less impairment provision of the receivables is assumed to approximate their fair value due to their short-term nature.

## Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cash discounts are deducted from inventory valuation. Stocks of intra-Group supplies are carried net of inter-company profits.

## Treasury shares

Own equity instruments (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

## Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated according to Group standards using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life.

The individual useful lives are:

| | |
|---|---|
| – Production equipment | 3 to 10 years |
| – Furniture and office equipment | 5 to 8 years |
| – IT equipment | 3 to 5 years |
| – Vehicles | 4 to 8 years |
| – Other mobile tangible assets | 3 to 5 years |
| – Land | no depreciation |
| – Buildings | 25 to 30 years |
| – Tangible assets under construction | no depreciation |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see "Impairment of non-financial assets").

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Gains and losses on derecognition of the asset are determined by comparing net proceeds with carrying amount. These are included in the income statement.

Property, plant and equipment acquired under finance leasing are recorded at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term (see also "Leases").

Expenses from operational leasing agreements are recognised in the income statement and future obligations are listed in the notes to the consolidated financial statements.

## Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates according to IAS 8.

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis according to IAS 8. Gains and losses on derecognition of an intangible asset are determined by comparing net proceeds with carrying amount. These are included in the income statement.

### 1) Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill related to the acquisition of a subsidiary is included in intangible assets.

After initial entry, goodwill is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each cash-generating unit or group of units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

### 2) Brands / labels

An analysis of product life cycles, markets and competitive trends has shown that there is no foreseeable limit to the period over which the brands and labels are expected to generate net cash inflows for the Group. Therefore, the brands and labels are regarded as having an indefinite useful life.

### 3) Customer base

An analysis of customer turnover has shown that due to the retail situation in Switzerland, where the market is dominated by two large retailers, part of the acquired customer base has an indefinite life whereas the other part is amortised over its respective useful life (five to twenty years).

### 4) Production patent

The production patent was acquired in the 2008 business combination. The patent was granted up to 2026. However, it was estimated that economic benefits from the production patent would only be obtained for 5 years. Therefore, the fair value was written off by 2012.

### 5) IT software

Acquired IT software licences are capitalised on the basis of the costs incurred to acquire and start using the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining IT software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of IT software programmes beyond their original specifications is added to the original cost of the software.

## Financial assets

The Group classifies its financial assets into the following categories:

- Financial assets at fair value through profit and loss (AFVTPL); and
- Loans and receivables (LAR).

Management determines the classification of its financial assets at initial recognition.

All purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### 1) Financial assets at fair value through profit and loss (AFVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The designation of marketable securities as at fair value through profit and loss is consistent with the documented risk management and investment strategy of the Group. Derivatives are classified as held for trading unless they are designated as hedges.

Realised and unrealised gains or losses on financial assets at fair value through profit or loss are recognised in the income statement.

### 2) Loans and receivables (LAR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, provided they fall due within 12 months of the balance sheet date, and are classified in the balance sheet as trade and other receivables.

After initial measurement, loans and receivables are carried at amortised costs using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans or receivables are derecognised or impaired, as well as through the amortisation process.

**Fair value** – The fair values of quoted investments are based on quoted market prices at the end of the reporting period. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

An analysis of fair values of financial instruments and further details of how they are measured are provided in Note 3 Section 5.

**Amortised cost** – The amortised cost of loans and receivables is computed using the effective interest rate method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is only deemed to be impaired if an event or events occur after the initial recognition of the asset that have an impact on the expected future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include: indications that the debtor or a group of debtors is experiencing significant financial difficulty; default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganisation; and where observable data indicate that there is a measurable decrease in estimated future cash flows that correlates with a default.

### Financial liabilities

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at fair value through profit or loss (LFVTPL); and
- Other financial liabilities (OFL).

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, including directly attributable transaction costs in the case of other financial liabilities.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### 1) Financial liabilities at fair value through profit or loss (LFVTPL)

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Realised and unrealised gains or losses on financial liabilities at fair value through profit or loss are recognised in the income statement.

### 2) Other financial liabilities (OFL)

Other financial liabilities include all financial liabilities which are not classified as financial liabilities at fair value through profit or loss.

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

### Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps and forward currency contracts to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

### Impairment of non-financial assets

Goodwill and non-financial assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

## Borrowings

### 1) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

When an existing borrowing is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### 2) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

## Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

The Group recognises a provision for onerous contracts when the expected economic benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Provisions are not recognised for future operating losses.

## Employee benefits

### 1) Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating the terms of the related pension liability.

Pension costs consist of three elements: service costs, net interest, and remeasurements of employee benefits. Service costs are part of personnel expenses and consist of current service costs, past service costs from plan amendments and from plan settlements. Net interest is recorded in the financial result and is determined by applying the discount rate to the net defined benefit liability or net defined benefit asset that exists at the beginning of the year. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately recorded in other comprehensive income as remeasurements of employee benefits.

### 2) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised under accrued liabilities when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus / profit share and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### 3) Other long-term employment benefits

Other long-term employment benefits include anniversary and other long-term service benefits. The measurement of these obligations differs from defined benefit plans in that all actuarial gains and losses are recognised immediately in profit or loss.

### Management participation plan

The management participation plan is a share-based remuneration scheme. Equity-settled share-based payments are recognised in the income statement over the vesting period while equity is increased accordingly. On the day when the payment is granted (grant date), its fair value is determined based on the share price on that day minus the subscription price. Expenses for equity-settled stock-based payments are adjusted every year based on expected subscriptions, departures (participants who no longer meet the criteria and leave the plan) and advance subscriptions. If granted equity instruments are cancelled, they must be treated as if they were exercised on the date of cancellation; expense that has not yet been recognised for the granting is recognised immediately.

## Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminated sales within the Group.

The Group records sales revenue if this can be determined reliably and the future economic benefits are known. The Group bases its assessment of how collectable claims are on past results, taking account of the type of customer, type of business and the particularities of the specific contractual relationship.

Revenue is recognised as follows:

### 1) Sales of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

### 2) Rendering of services

Revenue from services is recognised in the accounting period in which the services are rendered and is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

### 3) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset.

### 4) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

### 5) Dividend income

Dividend income is recognised when the right to receive payment is established.

## Taxes

### 1) Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are in force on the balance sheet date.

### 2) Deferred tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be used.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 3) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other current receivables or other current payables in the balance sheet.

## Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date based on whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(i) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(ii) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(iii) There is a change in the determination of whether fulfilment is dependent on a specified asset; or

(iv) There is a substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstance gave rise to the reassessment.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement over the period of the lease.

## 3 Financial and business risk management

### Financial risk factors

The Group's principal financial liabilities, other than derivatives, comprise bank loans, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in derivatives shall be undertaken.

The Group's business activities and its financial instruments expose it to a variety of financial risks, including credit risks and the effects of changes in debt market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### 1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to EUR and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Approximately 0.04% (2016: 0.08%) of the Group's sales and 8.7% (2016: 10.3%) of costs are denominated in currencies other than the functional currency of the operating unit making the sale or incurring the cost.

To manage their foreign exchange risk and to protect against losses, entities in the Group use forward currency contracts. However, as the exposure is relatively small, forward currency contracts are only used on individually significant transactions and not on a regular basis.

If the Swiss Franc had been 10% weaker / stronger against the EUR and USD in 2017, with all other variables held constant, post-tax profit for the year would have been kCHF 3 617 higher / lower, mainly as a result of purchases denominated in foreign currencies. Equity would have been kCHF 3 028 higher / lower. In the previous year (with a sensitivity of 15%) post-tax profit for the year would have been kCHF 5 910 and equity would have been kCHF 2 819 higher / lower.

The Company has investments in foreign operations whose net assets are exposed to foreign currency translation risk.

#### 2) Interest rate risk

As the Group has no significant interest-bearing assets other than bank deposits, the Group's income is substantially unaffected by changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings expose the Group to changes in market interest rates. Moreover, based on the Group's Credit Facility Agreement the interest rates are dependent on the Group's Net Senior Debt to EBITDA Adjusted Ratio, Equity Ratio and LIBOR.

A 0.2% (2016: 0.2%) shift of interest rates would have an impact of approximately kCHF 202 (2016: kCHF 166) on the post-tax profit for the year.

A table that sets out the carrying amount, by maturity, of the Group's borrowings is disclosed in Note 27.

### 3) Credit risk

The Group's credit risk is concentrated mainly on its two major clients, the largest retailers in Switzerland. As per reporting date, kCHF 19 242 (2016: kCHF 18 215) of total receivables are due from these two clients. These customers have always proven to be quick payers of invoices and have an excellent image and financial reputation in the home market. Therefore, creditworthiness is not considered to be at risk.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Cash transactions are limited to highly creditworthy financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed under "Fair values of financial assets and liabilities". The Group does not hold collateral as security for its financial assets.

### 4) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and retaining the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below splits the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the balance sheet for financial liabilities. Moreover, financial liabilities for which the Group has the discretion to refinance (see also Note 27) have been grouped based on scheduled and projected repayments.

| in CHF thousand | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **2017** | | | | |
| Current financial leasing | 52 | 0 | 0 | 0 |
| Current interest-bearing financial liabilities | 10 | 0 | 0 | 0 |
| Trade accounts payable | 52 795 | 0 | 0 | 0 |
| Other current payables[1] | 1 133 | 0 | 0 | 0 |
| Accrued liabilities[1] | 12 371 | 0 | 0 | 0 |
| Long-term interest-bearing financial liabilities | 0 | 0 | 30 863 | 113 999 |
| | | | | |
| **2016** | | | | |
| Derivative financial instruments | 11 | 0 | 0 | 0 |
| Current financial leasing | 177 | 0 | 0 | 0 |
| Current interest-bearing financial liabilities | 1 900 | 0 | 0 | 0 |
| Trade accounts payable | 45 595 | 0 | 0 | 0 |
| Other current payables[1] | 2 901 | 0 | 0 | 0 |
| Accrued liabilities[1] | 12 653 | 0 | 0 | 0 |
| Long-term financial leasing | 0 | 47 | 0 | 0 |
| Long-term interest-bearing financial liabilities | 0 | 164 441 | 0 | 0 |

[1] Only those items that are accounted for under IAS 39.

## 5) Fair values of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements. The fair values, which are virtually identical to the carrying amounts, are not shown in the table.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| in CHF thousand | 2017 | 2016 | 2017 | 2016 |
| **Financial assets** | | | | |
| Cash and cash equivalents (LAR) | 38 191 | 40 130 | 38 191 | 40 130 |
| Current financial assets at FV through profit and loss (AFVTPL) | 301 | 303 | 301 | 303 |
| Trade accounts receivable (LAR) | 67 426 | 65 788 | 67 426 | 65 788 |
| Other current receivables (LAR) | 1 005 | 882 | 1 005 | 882 |
| | | | | |
| **Financial liabilities** | | | | |
| Derivative financial instruments (LFVTPL) | 0 | –11 | 0 | –11 |
| Current financial liabilities (OFL)[1] | –10 | –1 790 | –10 | –1 790 |
| Current financial liabilities - financial leasing (OFL) | –51 | –175 | –51 | –175 |
| Trade accounts payable (OFL) | –52 795 | –45 595 | –52 795 | –45 595 |
| Other current payables (OFL) | –1 133 | –2 901 | –1 133 | –2 901 |
| Accrued liabilities (OFL) | –12 371 | –12 653 | –12 371 | –12 653 |
| Non-current financial liabilities - third parties (OFL)[1] | –140 691 | –164 349 | –140 844 | –164 441 |
| Non-current financial liabilities - financial leasing (OFL) | 0 | –47 | 0 | –47 |

[1] Current and non-current financial liabilities are allocated to Fair Value level 2.

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

– Cash and cash equivalents, trade accounts receivable, other current receivables, trade accounts payable and other current payables tend to be valued at their carrying amounts due to the short-term maturities of these instruments.
– Current financial assets at fair value through profit and loss and derivative financial instruments are derived from quoted market prices in active markets, if available. If they are not quoted on a market, fair value is estimated using appropriate valuation techniques for these instruments.
– The fair value of current and non-current financial liabilities is estimated by the Group based on discounted future cash flows using interest rates currently available for debt on similar terms, credit risk and remaining maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

– Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
– Level 2: other techniques for which all inputs with a significant effect on the recorded fair value are observable, either directly or indirectly
– Level 3: techniques which use inputs with a significant effect on the recorded fair value that are not based on observable market data.

| in CHF thousand | 2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Current financial assets at FV through profit or loss | 301 | 94 | 207 | 0 |

| in CHF thousand | 2016 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Current financial assets at FV through profit or loss | 303 | 97 | 206 | 0 |
| | | | | |
| **Liabilities measured at fair value** | | | | |
| Liability from earn-out agreement | –167 | 0 | 0 | –167 |

During the reporting periods ending 31 December 2017 and 2016, there were no transfers between the different levels of fair value measurement.

## Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the Consolidated Equity Ratio. This ratio is calculated as total equity divided by total assets as shown in the consolidated balance sheet. The ratio is monitored by management and since the initial public offering in April 2010 has been kept between 40 and 60%.

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Total equity | 280 253 | 243 506 |
| Total assets | 551 460 | 550 228 |
| **Consolidated equity ratio** | **50.8%** | **44.3%** |

The Group also closely monitors covenants included in the Credit Facility Agreement for bank loans (see Note 27). These covenants focus on the equity ratio and on the Net Senior Debt to EBITDA Adjusted Ratio. The Group met all loan covenants.

### Business risk factors / risk of changes in raw material prices

The Group's activities expose it to the risk of changes in raw material prices, mainly raw meat such as pork, beef and poultry as well as durum wheat. The Group's objective is to minimise the impact of raw material price fluctuations by taking account of alternative suppliers in Switzerland and abroad, by maintaining good relationships with existing suppliers and by agreeing on price mechanisms with the main customers. Usually, the Group can pass most of the price increases on to customers with an approximate time lag of one to three months.

### Internal Control System

The Group has an Internal Control System in place for all Group companies as requested by Art. 728a Swiss CO. Periodically, a risk identification process is carried out. The materiality and probability of the identified risks are assessed and measures to reduce or eliminate those risks are determined by the Board of Directors and the Management Board.

Besides these periodical risk assessments, the Group cultivates an active "What if" risk management. "What if" scenarios are integrated into the budget and forecast process of all Group companies.

The last risk assessment was carried out by the Management Board in the 4th quarter of 2017 and was discussed and approved by the Board of Directors on 14 December 2017.

## 4 Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have a significant effect on the amounts recognised in the financial statements:

### Operating lease commitments – Group as a lessee

Individual companies of the Group have entered into some property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that all significant risks and rewards of ownership of these properties are retained by the lessor. Therefore, the contracts are accounted for as operating leases.

### Estimated impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (Intangible assets). The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate.

The sensitivity of a potential impairment of goodwill is disclosed in Note 23.

### Estimated impairment of other intangible assets with an indefinite life

The Group tests at least annually whether other intangible assets with an indefinite life have suffered any impairment in accordance with the accounting policy stated in Note 2 (Intangible assets). The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates mainly with regard to future sales and EBIT margins.

The sensitivities of a potential impairment of other intangible assets with an indefinite life are disclosed in Note 23.

### Pension liabilities

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. For further details see Note 36.

## 5 Changes in the scope of consolidation

### In the reporting period

There were no changes in the scope of consolidation during the reporting period.

### In the prior year period

The Group acquired 100% of the shares of the Culinor Food Group in Belgium as per 1 September 2016. The Culinor Food Group is a leading producer of ready-made meals and meal components serving retailers and food service providers throughout the Benelux region. Culinor operates production plants in Destelbergen (BE), Gent (BE), Olen (BE) and Herselt (BE) as well as a logistics centre located in Destelbergen (BE).

| in CHF thousand | Fair value recognised on acquisition |
|---|---|
| Cash and cash equivalents | 10 893 |
| Trade accounts receivable | 13 486 |
| Other current receivables | 1 981 |
| Inventories and work in progress | 4 468 |
| Prepaid expenses / accrued income | 201 |
| Property, plant and equipment | 31 420 |
| Intangible assets | 36 364 |
| **Assets** | **98 813** |
| Current financial liabilities | –3 147 |
| Derivative financial instruments | –30 |
| Trade accounts payable | –12 824 |
| Other current payables | –2 264 |
| Current income tax liabilities | –3 |
| Accrued liabilities | –7 032 |
| Current portion of provisions | –1 611 |
| Long-term financial liabilities | –169 |
| Defined benefit obligations | –1 330 |
| Provisions | –34 |
| Deferred tax liabilities | –19 034 |
| **Liabilities** | **–47 477** |
| **Net assets** | **51 335** |
| Goodwill arising on acquisition | 40 799 |
| **Total consideration** | **92 135** |

| Purchase consideration: | |
|---|---|
| Cash paid (Investing activities) | 92 135 |
| Cash and cash equivalents in subsidiary acquired (Investing activities) | –10 893 |
| Transaction costs of the acquisition (Operating activities) | 1 528 |
| **Cash outflow on acquisition** | **82 769** |

The goodwill recognised above was attributed to the expected synergies and other benefits from combining business activities. Goodwill was allocated to the ORIOR International segment. The goodwill was not tax deductible.

Gross trade receivables amounted to kCHF 13 539 as at the acquisition date. The full contractual amount has since been collected.

From the date of acquisition, the Culinor Food Group generated revenues in the amount of kCHF 37 079 and contributed kCHF 2 545 to the net profit of the Group. If the combination had taken place at the beginning of the year 2016, the profit for 2016 would have been around CHF 5 million and revenue would have been around CHF 97 million.

The transaction costs of kCHF 1 528 were expensed and were included in administrative expenses.

## 6 Segment information

For management purposes, the Group is structured along the three operating segments ORIOR Convenience, ORIOR Refinement and ORIOR International. The operating segments are characterised by a clear focus on specific product categories.

- ORIOR Convenience and its competence centres Fredag, Pastinella and Le Patron operate four processing facilities in the German-speaking part of Switzerland. It produces products such as chilled ready meals, patés, terrines, fresh pasta, vegetarian specialities, poultry and meat products, and seafood. Its products are mainly sold through retail and food service channels in Switzerland. The Convenience segment includes three operating segments. These operating segments have been aggregated because their long-term financial performance is similar. The type of product and the way these products are made as well as the client groups are also similar, and in some cases identical.
- ORIOR Refinement and its three competence centres Rapelli, Albert Spiess and Möfag operate five processing and refining facilities in the cantons of Grisons, Ticino and St. Gallen. The segment is characterised by a clear focus on refined and processed meat products and produces traditional premium meat products as well as new interpretations in various categories from Bündnerfleisch and ham to salami and Mostbröckli. The products are mainly sold through retail and food service channels in Switzerland. The Refinement segment includes three main operating segments. These operating segments have been aggregated because their long-term financial performance is similar. The type of product and the way these products are made as well as the client groups are also similar, and in some cases identical.
- The Group's International operating segment consists of the Culinor Food Group with its five production sites in Belgium and the export operations for Swiss products into neighbouring countries. The Culinor Food Group produces high-quality ready-made meals and menu components. Its main sales channels are retailers and food services providers. The export operations are responsible for exporting and marketing Group products under various brands. Together with the operating segment Culinor Food Group, it forms the ORIOR International segment.

Segment performance is evaluated based on operating profit (EBITDA, EBIT), which is measured in line with the principles applied in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The corporate costs are allocated to the three segments Convenience, Refinement and International.

### 2017

| in CHF thousand | ORIOR Convenience | ORIOR Refinement | ORIOR International | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|
| External customer sales | 189 848 | 278 894 | 125 815 | 0 | 594 558 |
| Inter-segment sales | 1 898 | 14 953 | 238 | –17 089 [1] | 0 |
| **Sales of goods / rendering of services** | **191 746** | **293 847** | **126 054** | **–17 089** | **594 558** |
| Reduction in gross sales | –4 068 | –3 630 | –1 376 | | –9 073 |
| **Revenues** | **187 678** | **290 217** | **124 678** | **–17 089** | **585 485** |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | **26 257** | **20 595** | **10 777** | **58** | **57 687** |
| Depreciation / impairment - tangible assets | –5 347 | –6 182 | –3 110 | | –14 639 |
| Amortisation - intangible assets | –374 | –1 385 | –2 093 | | –3 853 |
| **Segment profit (EBIT)** | **20 536** | **13 027** | **5 574** | **58** | **39 195** |
| Net financial expense | | | | | –4 787 |
| **Profit before taxes** | | | | | **34 408** |
| **Investments in non-current assets** | **4 394** | **8 221** | **2 703** | **0** [2] | **15 318** |

### 2016

| in CHF thousand | ORIOR Convenience | ORIOR Refinement | ORIOR International | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|
| External customer sales | 196 237 | 286 783 | 53 304 | 0 | 536 324 |
| Inter-segment sales | 2 178 | 16 086 | 190 | –18 454 [1] | 0 |
| **Sales of goods / rendering of services** | **198 415** | **302 869** | **53 494** | **–18 454** | **536 324** |
| Reduction in gross sales | –4 252 | –4 035 | –299 | | –8 586 |
| **Revenues** | **194 163** | **298 834** | **53 195** | **–18 454** | **527 738** |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | **25 210** | **22 485** | **3 748** | **7** | **51 450** |
| Depreciation / impairment - tangible assets | –5 929 | –6 471 | –1 002 | | –13 402 |
| Amortisation - intangible assets | –488 | –1 752 | –651 | | –2 891 |
| **Segment profit (EBIT)** | **18 793** | **14 262** | **2 095** | **7** | **35 157** |
| Net financial expense | | | | | –1 281 |
| **Profit before taxes** | | | | | **33 876** |
| **Investments in non-current assets** | **5 542** | **5 207** | **503** | **0** [2] | **11 252** |

[1] Revenues as well as intercompany profits are eliminated on consolidation.
[2] Cash outflow from investments in property, plant and equipment as well as intangible assets.

## Segment information by country – external customer sales

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Switzerland | 460 549 | 474 159 |
| Belgium | 67 039 | 20 474 |
| Netherlands | 38 780 | 14 882 |
| France | 17 625 | 16 098 |
| Germany | 486 | 1 185 |
| Austria | 411 | 443 |
| Other | 594 | 497 |
| **Revenues** | **585 485** | **527 738** |

The revenue information above is based on the location of the customer.

## Assets by country

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Switzerland | 254 901 | 256 030 |
| Belgium | 112 965 | 105 318 |
| France | 169 | 211 |
| **Total assets** | **368 035** | **361 559** |

Assets for this purpose consist of tangible assets and intangible assets.

Sales of goods to the two major clients amounted to kCHF 206 663 and kCHF 72 048 respectively in 2017 (2016: kCHF 211 804 and kCHF 73 534). These sales were generated in the operating segments ORIOR Convenience and ORIOR Refinement.

# Notes to the Consolidated Income Statement

## 7 Revenues

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Sales of goods | 594 558 | 536 324 |
| **Gross sales** | **594 558** | **536 324** |
| Reduction in gross sales | –9 073 | –8 586 |
| **Total** | **585 485** | **527 738** |

## 8 Changes in inventories

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Movement in value adjustment of inventories | 1 212 | 799 |
| Movement in finished products and work in progress | –6 358 | 4 167 |
| **Total** | **–5 146** | **4 966** |

## 9 Personnel expenses

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Salaries and bonuses | –90 663 | –80 878 |
| Social security contributions | –11 853 | –8 620 |
| Pension fund contributions (defined benefit plan) | –4 291 | –4 339 |
| Other personnel expenses | –3 131 | –2 162 |
| Share-based payment transaction | –91 | –109 |
| **Total** | **–110 029** | **–96 108** |

## 10 Other operating income

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Other operating income | 857 | 241 |
| Gain from disposal of fixed assets | 30 | 55 |
| **Total** | **887** | **296** |

## 11 Other operating expenses

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Operating expenses | –16 028 | –11 759 |
| Energy, information and communication | –13 685 | –11 421 |
| Building outlay | –10 523 | –9 620 |
| Shipping | –14 320 | –12 529 |
| Marketing & sales | –13 507 | –12 624 |
| Administration | –5 567 | –6 876 |
| **Total** | **–73 630** | **–64 829** |

Product development costs of kCHF 2 881 (2016: kCHF 2 055) were recognised as an expense in the income statement during the period.

## 12 Financial income

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Interest income - third parties (LAR) | 9 | 49 |
| Dividend income - third parties (AFVTPL) | 8 | 7 |
| Gain on fair value adjustment on derivative instruments (LFVTPL) | 11 | 19 |
| Gain on fair value adjustment on financial assets (AFVTPL) | 5 | 33 |
| Foreign exchange gains - realised (LAR/OFL) | 450 | 292 |
| Foreign exchange gains - unrealised (LAR/OFL) | 792 | 540 |
| Other financial income | 13 | 11 |
| **Total** | **1 288** | **951** |

## 13 Financial expense

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Interest expense | –1 735 | –1 423 |
| Bank charges and commissions - third parties (LAR/OFL) | –341 | –365 |
| Foreign exchange losses - realised (LAR/OFL) | –582 | –207 |
| Foreign exchange losses - unrealised (LAR/OFL) | –3 378 | –236 |
| Other financial expense | –39 | –1 |
| **Total** | **–6 075** | **–2 232** |

Interest expense in the amount of kCHF 1 735 (2016: 1 423) includes interest expense for other financial liabilities (OFL) in the amount of kCHF 1 630 (2016: 1 352). The unrealised foreign exchange losses stem primarily from bank loans in EUR. These as well as the unrealised foreign exchange gains (Note 12) are reported under Other non-cash transactions in the Consolidated Cash Flow Statement.

## 14 Income taxes

The major components of income tax expense are:

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Current income taxes | –2 703 | –4 455 |
| Movements of deferred taxes | 303 | –1 044 |
| **Total** | **–2 400** | **–5 499** |

The tax on the Group's profit before taxes differs from the theoretical amount that would arise using the expected income tax rate of the Group as follows:

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Profit before tax | 34 408 | 33 876 |
| Expected income tax rate (average weighted) of 21.2% (2016: 18.8%) | –7 279 | –6 371 |
| Income not subject to tax[1] | 798 | 943 |
| Non-deductable expenses | 0 | –26 |
| Adjustments of prior-year income tax | 8 | –97 |
| Effects from valuation of tax losses | 1 046 | 52 |
| Effect of changes in local tax rates | 3 838 | 0 |
| Effect of intercompany dividend taxation | –376 | 0 |
| Other | –435 | 0 |
| **Total** | **–2 400** | **–5 499** |

[1] The income not subject to tax mainly derives from the Culinor Food Group, whose income is partially exempt from tax based on a ruling.

The different profit and loss contributions of the individual Group companies in relation to total Group profit and the different tax rates produced an expected income tax rate of 21.2 % (2016: 18.8 %). There are no income tax consequences for ORIOR attaching to the payment of dividends to its shareholders.

## 15 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of ORIOR by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Profit for the year attributable to shareholders of ORIOR | 32 008 | 28 377 |
| | | |
| Weighted Ø number of ordinary shares in '000 for basic earnings per share | 5 901 | 5 921 |
| Basic earnings per share in CHF | 5.42 | 4.79 |

Diluted earnings per share is calculated in the same way as basic earnings per share as there is no dilutive potential for ordinary shares. The weighted average effect of the purchase of treasury shares (see Note 31) is taken into account in the weighted average number of ordinary shares outstanding during the year.

# Notes to the Consolidated Balance Sheet

## 16 Cash and cash equivalents

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Cash, postal accounts and cheques | 45 | 26 |
| Cash at banks | 38 146 | 40 104 |
| **Total** | **38 191** | **40 130** |

Cash at banks earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## 17 Current financial assets

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Current financial assets at FV through profit and loss | 301 | 303 |
| **Total** | **301** | **303** |

Current financial assets include marketable securities and are designated as at fair value through profit and loss.

The fair value of the current financial assets at fair value through profit and loss is based on the current market price (Level 1) or on a comparable financial asset in an active market (Level 2). Changes in the fair values are recorded under financial income / financial expenses in the income statement.

## 18 Trade accounts receivable

Trade receivables are non-interest bearing and are generally settled within 30 days.

The ageing analysis of trade accounts receivable shows that 86.5 % (2016: 85.7 %) of the receivables are not yet due.

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Not yet due | 58 322 | 56 358 |
| Overdue 1 - 30 days | 8 053 | 8 170 |
| Overdue 31 - 60 days | 608 | 1 055 |
| Overdue 61 - 90 days | 290 | 145 |
| Overdue 91 - 180 days | 131 | 48 |
| Overdue more than 180 days | 22 | 12 |
| **Total trade accounts receivable - net** | **67 426** | **65 788** |

At 31 December 2017, trade receivables with initial value of kCHF 475 (2016: kCHF 465) were impaired and fully provided for. Details of movements in the allowance for bad debts are as follows:

| in CHF thousand | Individually impaired | Collectively impaired | Total |
|---|---|---|---|
| **Balance 31.12.2015** | **86** | **368** | **454** |
| Exchange differences | 0 | –1 | –1 |
| Additions | 0 | 123 | 123 |
| Utilisation | –38 | –73 | –111 |
| **Balance 31.12.2016** | **48** | **417** | **465** |
| Exchange differences | 3 | 8 | 11 |
| Additions | 50 | 51 | 101 |
| Utilisation | 0 | –102 | –102 |
| **Balance 31.12.2017** | **101** | **374** | **475** |

Information about the concentration of credit risk with regard to ORIOR's two major clients is provided in Note 3 (Financial risk factors).

Besides these two clients, the Group has a large number of customers that sell to a variety of end markets. Due to these factors, management believes that there is no additional credit risk beyond amounts provided for collection losses.

By the end of 2017, net trade accounts receivable of kCHF 0 (2016: kCHF 38 424) were pledged as security for the interest-bearing liabilities (see also Note 27).

## 19 Other current receivables

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| VAT receivables | 1 674 | 1 651 |
| Withholding tax receivables | 3 | 1 |
| Other current receivables - third parties | 1 294 | 1 089 |
| Other current receivables - social security institutions | 139 | 80 |
| Prepayments - third parties | 68 | 136 |
| Prepayments - social security institutions | 24 | 374 |
| **Total** | **3 202** | **3 331** |

"Other current receivables – third parties" include other accounts receivable not resulting from operating activities and maturing within 12 months.

The total balance of "other current receivables – third parties" as per 31 December 2017 includes financial assets in the amount of kCHF 1 005 (2016: kCHF 882).

## 20 Inventories and work in progress

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Raw materials (at cost) | 22 696 | 21 649 |
| Trade products (at cost or net realisable value) | 6 542 | 7 735 |
| Semi-finished products / work in progress (at cost) | 29 481 | 35 344 |
| Finished products (at cost or net realisable value) | 13 234 | 12 517 |
| **Total at the lower of cost or net realisable value** | **71 953** | **77 245** |

kCHF 2 099 (2016: kCHF 2 991) of the total amount of raw materials, trade and finished products recognised as of 31 December 2017 is carried at net realisable value.

The amount of write-downs of inventories recognised in the income statement is kCHF 884 (2016: kCHF 1 467), which is recognised in "raw material / goods and services purchased" and "changes in inventories".

At the end of 2017 there were purchase obligations for raw materials of kCHF 12 415 (2016: kCHF 22 776) and for trade products of kCHF 2 628 (2016: kCHF 3 822).

At the end of 2017 and 2016, no inventory was pledged as security for borrowings.

## 21 Property, plant and equipment and investment properties

| in CHF thousand | Production equipment | Furniture and office equipment | IT equipment | Vehicles | Other and assets under construction | Land and buildings | Buildings under construc-tion | Total tangible assets |
|---|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | | |
| **Balance 01.01.2016** | **86 984** | **28 743** | **4 925** | **5 749** | **1 510** | **39 422** | **1 183** | **168 516** |
| Additions | 4 024 | 773 | 248 | 628 | 3 472 | 851 | 803 | 10 800 |
| Additions from acquisitions | 11 498 | 660 | 128 | 126 | 66 | 18 942 | 0 | 31 420 |
| Disposals | –2 600 | –75 | –1 119 | –670 | –11 | –198 | 0 | –4 673 |
| Reallocation within category | 1 097 | 0 | 0 | 0 | –1 239 | 169 | –27 | 0 |
| Exchange differences | –269 | –16 | –14 | –17 | –5 | –422 | 0 | –743 |
| **Balance 31.12.2016** | **100 734** | **30 085** | **4 168** | **5 816** | **3 794** | **58 764** | **1 959** | **205 320** |
| Additions | 6 185 | 1 564 | 260 | 937 | 3 199 | 2 546 | 269 | 14 960 |
| Disposals | –596 | –32 | –45 | –728 | –31 | –196 | 0 | –1 628 |
| Reallocation within category | 1 050 | 25 | 250 | 55 | –2 013 | 1 615 | –982 | 0 |
| Exchange differences | 1 215 | 83 | 19 | 20 | 11 | 1 725 | 0 | 3 073 |
| **Balance 31.12.2017** | **108 588** | **31 725** | **4 652** | **6 100** | **4 960** | **64 454** | **1 246** | **221 725** |
| **Accumulated depreciation** | | | | | | | | |
| **Balance 01.01.2016** | **–59 007** | **–11 943** | **–4 110** | **–4 076** | **–105** | **–8 777** | **0** | **–88 018** |
| Depreciation | –7 570 | –2 624 | –526 | –695 | –21 | –1 966 | 0 | –13 403 |
| Disposals | 2 599 | 55 | 1 119 | 566 | 11 | 197 | 0 | 4 547 |
| Exchange differences | 14 | 0 | 12 | 15 | 4 | 5 | 0 | 51 |
| **Balance 31.12.2016** | **–63 964** | **–14 511** | **–3 505** | **–4 190** | **–111** | **–10 541** | **0** | **–96 823** |
| Depreciation | –8 270 | –2 753 | –486 | –705 | –29 | –2 396 | 0 | –14 639 |
| Disposals | 543 | 29 | 45 | 665 | 31 | 196 | 0 | 1 509 |
| Exchange differences | –182 | –15 | –6 | –3 | 0 | –65 | 0 | –271 |
| **Balance 31.12.2017** | **–71 873** | **–17 250** | **–3 952** | **–4 233** | **–109** | **–12 806** | **0** | **–110 224** |
| Net balance 01.01.2016 | 27 977 | 16 800 | 815 | 1 673 | 1 405 | 30 645 | 1 183 | 80 498 |
| Net balance 31.12.2016 | 36 770 | 15 574 | 663 | 1 626 | 3 682 | 48 223 | 1 959 | 108 497 |
| **Net balance 31.12.2017** | **36 715** | **14 475** | **700** | **1 867** | **4 850** | **51 648** | **1 246** | **111 501** |

At the end of 2017 there were purchase obligations for property, plant and equipment of kCHF 5 236 (2016: kCHF 3 230).

Investments in property, plant and equipment resulted in a cash outflow of kCHF 14 897 (2016: kCHF 10 391).

The net book value of leased machines amounts to kCHF 134 (2016: kCHF 233). Additional information on financial leasing is disclosed under Note 22.

## 22 Leases

The maturity structure of all future minimum finance leasing payments and the corresponding interest expense are given below:

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Maturity within 1 year | 52 | 177 |
| Maturity between 1 and 5 years | 0 | 47 |
| Maturity over 5 years | 0 | 0 |
| **Total** | **52** | **224** |
| Interest portion | –1 | –3 |
| **Total financial leasing** | **51** | **221** |

Finance lease liabilities in the amount of kCHF 181 (2016: kCHF 36) were repaid during the period.

Finance leases are attributable to leased production machines.

Maturity structure of non-capitalised operating leasing contracts:

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Maturity within 1 year | 7016 | 7049 |
| Maturity between 1 and 5 years | 26820 | 34581 |
| Maturity over 5 years | 47268 | 46454 |
| **Total** | **81104** | **88084** |

The operating leasing expenses reported in the 2017 income statement amounted to KCHF 7229 (2016: kCHF 6746).

Operational leasing is mainly attributable to the production buildings in Stabio, Root, Böckten, Uetendorf, Oberentfelden and Destelbergen (Belgium).

During 2013 the minimum contract duration of the leasing contracts for the production buildings in Stabio and Böckten was extended by 6 years to the year 2031 and the leasing contract for the production building in Oberentfelden was extended by 3 years to the year 2028. During 2016 the contract duration of the production building in Root was extended tacitly by 5 years to the year 2022.

Fixed leasing instalments are paid on a monthly basis. The leasing contracts have pre-determined contract terms of between 9 and 24 years. The Group has the option to extend the leasing term of the Swiss contracts by five years. This option can be executed four times. If the lessee does not give notice to quit the leasing contract 18 months before the contract term expires, the contract is automatically extended for five years, but only as long as the above mentioned option right exists. The Group also has the option to extend the Belgian leasing contract with a notice period of 12 months before the contract expires.

The lessee of the Swiss leasing contracts has a pre-emptive right during the whole leasing term as well as during the lease extension. Moreover, the lessee has a right of redemption. The conditions of both rights are not pre-defined and have to be negotiated. The Belgian leasing contract also has a pre-emptive right.

There are no restrictions imposed by lease arrangements such as restrictions on dividend distributions, further leasing agreements or additional debt.

Off-balance-sheet liabilities from operational leasing amounted to kCHF 81104 as at the end of 2017 (2016: kCHF 88084).

## 23 Intangible assets

| in CHF thousand | Goodwill | Brands | Label | Customer base | Production patent | IT software | Total |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| **Balance 01.01.2016** | **92 166** | **26 868** | **28 660** | **35 023** | **7 680** | **12 759** | **203 156** |
| Additions | 0 | 0 | 0 | 0 | 0 | 607 | 607 |
| Additions from acquisitions | 40 799 | 0 | 0 | 36 337 | 0 | 27 | 77 163 |
| Disposals | 0 | 0 | 0 | 0 | 0 | –634 | –634 |
| Exchange differences | –980 | 0 | 0 | –803 | 0 | –2 | –1 785 |
| **Balance 31.12.2016** | **131 985** | **26 868** | **28 660** | **70 557** | **7 680** | **12 756** | **278 506** |
| Additions | 0 | 0 | 0 | 0 | 0 | 569 | 569 |
| Disposals | 0 | 0 | 0 | 0 | 0 | –29 | –29 |
| Exchange differences | 3 647 | 0 | 0 | 3 256 | 0 | 8 | 6 911 |
| **Balance 31.12.2017** | **135 632** | **26 868** | **28 660** | **73 813** | **7 680** | **13 304** | **285 957** |
| **Accumulated depreciation** | | | | | | | |
| **Balance 01.01.2016** | **0** | **0** | **0** | **–6 110** | **–7 680** | **–9 408** | **–23 198** |
| Amortisation | 0 | 0 | 0 | –1 669 | 0 | –1 222 | –2 891 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 634 | 634 |
| Exchange differences | 0 | 0 | 0 | 11 | 0 | 0 | 11 |
| **Balance 31.12.2016** | **0** | **0** | **0** | **–7 768** | **–7 680** | **–9 996** | **–25 444** |
| Amortisation | 0 | 0 | 0 | –2 724 | 0 | –1 129 | –3 853 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 29 | 29 |
| Exchange differences | 0 | 0 | 0 | –152 | 0 | –3 | –155 |
| **Balance 31.12.2017** | **0** | **0** | **0** | **–10 644** | **–7 680** | **–11 099** | **–29 423** |
| Net balance 01.01.2016 | 92 166 | 26 868 | 28 660 | 28 913 | 0 | 3 351 | 179 958 |
| Net balance 31.12.2016 | 131 985 | 26 868 | 28 660 | 62 789 | 0 | 2 760 | 253 062 |
| **Net balance 31.12.2017** | **135 632** | **26 868** | **28 660** | **63 169** | **0** | **2 205** | **256 534** |

Investments in intangible assets resulted in a cash outflow of kCHF 421 (2016: kCHF 861).

Based on the development of the Orior business model and the corresponding adjustments in the Reporting, no data for future cash flows independently generated from intangible assets with indefinite useful life can be collected. Fore this reason, those intangible assets are tested on the level of the respective cash-generating unit (CGU).

### Goodwill and intangible assets

Goodwill and intangible assets are allocated to the Group's identified cash-generating units (CGUs). A summary of the carrying amounts of goodwill and intangible assets with indefinite useful life as per 31 December 2017 and 31 December 2016 is presented below:

| in CHF thousand | Goodwill | Brands | Label | Customer base |
|---|---|---|---|---|
| **31.12.2017** | | | | |
| ORIOR Convenience | 10 526 | 1 200 | n/a | 1 572 |
| ORIOR Refinement | 81 640 | 25 668 | 28 660 | 21 317 |
| ORIOR International | 43 466 | n/a | n/a | n/a |
| **Total** | **135 632** | **26 868** | **28 660** | **22 889** |
| | | | | |
| **31.12.2016** | | | | |
| ORIOR Convenience | 10 526 | 1 200 | n/a | 1 572 |
| ORIOR Refinement | 81 640 | 25 668 | 28 660 | 21 317 |
| ORIOR International | 39 819 | n/a | n/a | n/a |
| **Total** | **131 985** | **26 868** | **28 660** | **22 889** |

The recoverable amount attributable to a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated.

Key assumptions used for the value-in-use calculations were:

– EBIT margin;
– Growth rate;
– Discount rates.

**EBIT margins** – EBIT margins are based on average values achieved in the past and on management's expectations of market developments. For the business segment ORIOR Refinement an increase in the EBIT margin of approx. 1.2 percentage points (2016: 1.8 percentage points) over the whole budget period was applied. For the business segment ORIOR Convenience an increase in the EBIT margin of approx. 0.4 percentage points (2016: 0.3 percentage points) over the budget period was assumed. For the business segment ORIOR International an increase in the EBIT margin of approx. 1.0 percentage points over the budget period was assumed.

**Growth rates** – Rates are based on published inflation rates. The growth rate used to extrapolate revenues beyond the budget period was 1.2 % (2016: 1.2 %) for the three segments.

**Discount rates** – The discount rate was based on the average percentage of the weighted average cost of capital for the industry. As the market assessment of risks are very similar for the CGU's of the segments ORIOR Convenience and ORIOR Refinement, a pre-tax discount rate of 6.3 % (2015: 6.5 %) and post-tax discount rate of 5.2 % (2015: 5.5 %) was applied. For the segment ORIOR International a pre-tax discount rate of 6.5% and post-tax discount rate of 6.3% was applied.

The recoverable amount of goodwill would still be higher than the carrying amount if:

- The average estimated EBIT margin had been 1.0 percentage point lower than anagement's estimates at 31 December 2017; or
- The growth rate had been lower by 1.0 percentage points; or
- The estimated post-tax discount rate applied to the discounted cash flows had been 1.0 percentage point higher than management's estimates.

## 24 Trade accounts payable

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Trade accounts payable - third parties | 52 795 | 45 595 |
| **Total** | **52 795** | **45 595** |

Trade accounts payable are non-interest bearing and are normally settled on 30-day terms.

## 25 Other payables

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Other current payables - third parties | 2 613 | 4 593 |
| Other current payables - related parties | 1 352 | 568 |
| Other current payables - social security institutions | 544 | 591 |
| **Total other current payables** | **4 509** | **5 752** |

Other current payables are non-interest bearing and are generally settled within 30 days.

The total balance of "other payables" as per 31 December 2017 includes financial liabilities of kCHF 1 133 (2016: kCHF 2 901).

There is no liability from earn-out agreement in the reporting period. In the previous year there are kCHF 167 included in other current payables.

## 26 Accrued liabilities

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Vacation / overtime | 4 053 | 3 783 |
| Bonus | 2 552 | 2 889 |
| Client reimbursements | 3 733 | 4 432 |
| Operating expense | 3 034 | 3 305 |
| Taxes, duties and consultancy | 2 219 | 4 684 |
| Other accrued expenses - related parties | 800 | 859 |
| Other accrued expenses | 5 506 | 6 325 |
| **Total** | **21 897** | **26 277** |

The total balance of accrued liabilities as per 31 December 2017 includes financial liabilities of kCHF 12 371 (2016: kCHF 12 653). Other accrued liabilities of kCHF 5 506 (2016: kCHF 6 325) include financial liabilities of kCHF 3 584 (2016: kCHF 3 399) and are in particular related to liabilities for IT, administrative expenses and other operating expenses. The non-financial liabilities included in other accrued liabilities involve mainly tax at source, property taxes, capital taxes and social security institutions.

## 27 Financial liabilities

| in CHF thousand | Note | Effective interest rate % | Maturity | 31.12.2017 |
|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | |
| Short-term bank loan | | 1.70% | 2018 | 10 |
| Short-term liabilities from finance lease | 22 | 1.38% | 2018 | 51 |
| **Total** | | | | **61** |
| **Non-current - third parties** | | | | |
| kEUR 12 000 bank loan | | LIBOR + 1.5 | 30/09/22 | 13 919 |
| kEUR 14 356 bilateral bank loan | | LIBOR + 0.8 | 30/09/22 | 16 651 |
| kCHF 149 156 bank loan (not yet drawn) | | | 30/09/22 | 0 |
| kCHF 110 000 Bond | | 0.625% | 26/09/23 | 110 121 |
| **Total** | | | | **140 691** |

| in CHF thousand | Note | Effective interest rate % | Maturity | 31.12.2016 |
|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | |
| Short-term bank loan | | 0.63 - 1.13% | 2017 | 1 790 |
| Short-term liabilities from finance lease | 22 | 1.38 - 1.63% | 2017 | 175 |
| **Total** | | | | **1 965** |
| **Non-current - third parties** | | | | |
| kCHF 124 800 secured bank loan | | LIBOR + 0.8 | 31/12/18 | 124 730 |
| kEUR 36 967 secured bank loan | | LIBOR + 0.8 | 31/12/18 | 39 610 |
| kCHF 5 568 secured bank loan (not yet drawn) | | | 31/12/18 | 0 |
| kEUR 8 bank loan | | 0.63 - 1.13% | 2018 | 9 |
| Long-term liabilities from finance lease | 22 | 1.38 - 1.63% | 2017-2018 | 47 |
| **Total** | | | | **164 396** |

In connection with the refinancing of outstanding credit facilities as well as for general corporate purposes including potential acquisitions, the ORIOR Group has issued on 26 September 2017 a six year bond with a nominal value of CHF 110.0 million (ISIN CH37961096) at an issued price of 100.545%. The loan pays a fixed interest rate of 0.625% and will be repaid on 26 September 2023.

The credit limit of the current Credit Facility Agreement is CHF 80.0 million (2016: CHF 150.0 million), which can be used up to the maturity date on 30 September 2022 plus a one year extension option until 30 September 2023. By means of an increase option, the credit limit can be increased by an additional CHF 70.0 million. Furthermore, a bilateral credit up to CHF 30.0 million (2016: 20.0 million) can be used. As per the balance sheet date CHF 149.2 million (2016: CHF 5.6 million) has not yet been drawn. There are no annual repayments due. The interest rates applicable to the credit facility are based on the ratio of the Group's net debt to EBITDA and on LIBOR.

Bank loans are not secured by pledged accounts receivable (2016: kCHF 38 424).

Based on the Credit Facility Agreement the Company has the discretion to refinance the financial liabilities on a monthly basis as long as the covenants explained in Note 3 (Capital risk management) are adhered to. The Company does not see any risk that any covenants will be breached. Therefore, the whole amount of CHF 30.6 million (2016: CHF 164.3 million) is disclosed as non-current.

Financial liabilities are initially measured at fair value including direct transaction costs. In subsequent accounting periods, they are measured at amortized costs applying the effective interest method.

### Changes in financial liabilities from financing activities

| in CHF thousand | 01.01.2017 | Cash flows | Foreign exchange movement | Changes in fair values | Other | 31.12.2017 |
|---|---|---|---|---|---|---|
| Current financial liabilities (excluding items listed below) | 1 790 | –1 856 | 67 | 0 | 9 | 10 |
| Short-term liabilities from finance lease | 175 | –181 | 8 | 0 | 49 | 51 |
| Non-current financial liabilities (excluding items listed below) | 164 349 | –26 738 | 2 987 | 103 | –9 | 140 691 |
| Long-term liabilities from finance lease | 47 | 0 | 2 | 0 | –49 | 0 |
| Derivative financial instruments | 11 | 0 | | –11 | 0 | 0 |
| **Total liabilities from financing activities** | **166 372** | **–28 775** | **3 064** | **92** | **0** | **140 752** |

| in CHF thousand | 01.01.2016 | Cash flows | Foreign exchange movement | Addtions from acquisitions | Changes in fair values | Other | 31.12.2016 |
|---|---|---|---|---|---|---|---|
| Current financial liabilities (excluding items listed below) | 0 | –1 199 | –48 | 3 037 | 0 | 0 | 1 790 |
| Short-term liabilities from finance lease | 0 | –36 | –3 | 110 | 0 | 104 | 175 |
| Non-current financial liabilities (excluding items listed below) | 73 241 | 91 313 | –489 | 16 | 267 | 0 | 164 349 |
| Long-term liabilities from finance lease | 0 | 0 | –2 | 153 | 0 | –104 | 47 |
| Derivative financial instruments | 0 | 0 | 0 | 30 | –19 | 0 | 11 |
| **Total liabilities from financing activities** | **73 241** | **90 078** | **–542** | **3 346** | **248** | **0** | **166 372** |

The "Other" column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings and finance leases to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

## 28 Provisions

| in CHF thousand | Restructuring | Anniversary and other long-term service benefits | Others | Total |
|---|---|---|---|---|
| **Balance 01.01.2016** | **152** | **2 408** | **689** | **3 249** |
| Additions | 32 | 378 | 133 | 543 |
| Additions from acquisitions | 1 611 | 0 | 34 | 1 645 |
| Use | –256 | –197 | –173 | –626 |
| Reversal | 0 | –3 | 0 | –3 |
| | –34 | 0 | 0 | –34 |
| **Balance 31.12.2016** | **1 505** | **2 586** | **683** | **4 774** |
| Of which short-term | 1 505 | 194 | 110 | 1 809 |
| Of which long-term | | 2 392 | 573 | 2 965 |
| Additions | 0 | 197 | 356 | 553 |
| Use | –305 | –240 | –212 | –757 |
| Reversal | 0 | –25 | 0 | –25 |
| Exchange differences | 122 | 0 | 11 | 133 |
| **Balance 31.12.2017** | **1 322** | **2 518** | **838** | **4 678** |
| Of which short-term | 1 322 | 220 | 249 | 1 791 |
| Of which long-term | 0 | 2 298 | 589 | 2 887 |

**Restructuring** – This provision covers the restructuring costs of two subsidiary companies.

**Anniversary and other long-term service benefits** – This provision covers long-term employment benefits such as anniversary and other long-term service benefits. These are calculated annually by independent actuaries in accordance with IAS 19.

**Others** – Other provisions include the operational risks identified up to the balance sheet date and doubtful obligations.

## 29 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Deferred tax assets | –20 | –291 |
| Deferred tax liabilities | 41 551 | 38 453 |
| **Net deferred tax liabilities** | **41 531** | **38 162** |

The gross movement on the deferred income tax account is as follows:

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Opening balance as at 01.01. | 38 162 | 19 290 |
| Additions from acquisitions | 0 | 19 034 |
| Charges / (discharges) to income statement | –303 | 1 044 |
| Taxes in other comprehensive income | 2 017 | –791 |
| Exchange differences | 1 655 | –415 |
| **Net deferred tax liabilities as at 31.12.** | **41 531** | **38 162** |

Deferred income taxes are calculated for temporary differences under the liability method using local tax rates.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. In 2017 deferred income tax assets in the amount of kCHF 20 (2016: kCHF 291) are capitalised.

The Group did not recognise deferred income tax assets of kCHF 51 (2016: kCHF 1 078) in respect of losses amounting to kCHF 158 (2016: kCHF 5 080) that can be carried forward against future taxable income. The expiration of those losses is as follows:

- Expires in 1 to 3 years: kCHF 0 (2016: kCHF 0)
- Expires in 4 to 7 years: kCHF 0 (2016: kCHF 4 222)
- No expiration: kCHF 158 (2016: kCHF 858)

The deferred tax assets and liabilities can be allocated to the following balance sheet items:

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Current financial assets | 16 | 16 |
| Receivables | 403 | 439 |
| Inventories and work in progress | 2 408 | 2 646 |
| Property, plant and equipment | 10 033 | 11 459 |
| Intangible assets | 24 263 | 26 322 |
| Liabilities | 638 | 461 |
| Future intercompany dividends | 4 092 | 0 |
| **Subtotal deferred tax liabilities** | **41 853** | **41 343** |
| Benefit from tax loss carryforwards | –20 | –293 |
| Liabilities | –302 | –2 888 |
| **Subtotal deferred tax assets** | **–322** | **–3 181** |
| **Net deferred tax (assets) / liabilities** | **41 531** | **38 162** |
| Reflected in the balance sheet as follows: | | |
| deferred tax assets | –20 | –291 |
| deferred tax liabilities | 41 551 | 38 453 |
| **Net deferred tax liabilities** | **41 531** | **38 162** |

## 30 Share capital

| Number of registered shares | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Total outstanding shares** | **5 897 744** | **5 915 862** |
| | | |
| **Treasury shares** | | |
| Freely available | 27 256 | 9 138 |
| **Total treasury shares** | **27 256** | **9 138** |
| | | |
| **Total shares issued** | **5 925 000** | **5 925 000** |
| | | |
| **Total shares** | **5 925 000** | **5 925 000** |

The registered shares have a nominal value of CHF 4 each. The share capital is fully paid-in and amounts to kCHF 23 700 (2016: kCHF 23 700).

## 31 Treasury shares

| | Number | Ø price per share in CHF | Total in kCHF |
|---|---|---|---|
| **Opening balance as at 01.01.2016** | **2 920** | **59.64** | **174** |
| Purchases 01.01. - 31.12.16 | 84 975 | 69.17 | 5 878 |
| Sales 01.01. - 31.12.16 | –78 757 | 69.20 | –5 450 |
| Losses/gains from sales of treasury shares | | | 98 |
| **Closing balance as at 31.12.2016** | **9 138** | **76.55** | **699** |
| | | | |
| **Opening balance as at 01.01.2017** | **9 138** | **76.55** | **699** |
| Purchases 01.01. - 31.12.17 | 63 612 | 76.20 | 4 847 |
| Sales 01.01. - 31.12.17 | –45 494 | 76.19 | –3 466 |
| Losses/gains from sales of treasury shares | | | –18 |
| **Closing balance as at 31.12.2017** | **27 256** | **75.69** | **2 063** |

Please see Note 37 for more details about sales of treasury shares.

## 32 Dividends / repayment of capital contributions

The dividend for 2016 was paid in April 2017 in conformity with the decision taken at the Annual General Meeting on 28 March 2017. Shareholders approved the proposed dividend in the form of a repayment of capital contributions of CHF 2.09 (2016: CHF 2.03) per share, resulting in a total dividend of kCHF 12 335 (2016: kCHF 12 017).

The Board of Directors will propose to the Annual General Meeting in April 2018 that the Group distribute a dividend of CHF 2.17 per share for the 2017 financial year. These financial statements do not reflect any dividend payable.

## 33 Cash flow statement

The funds in the cash flow statement comprise the balance sheet position “Cash and Cash Equivalents”. The indirect calculation method has been applied.

## 34 Derivative financial instruments

**Forward currency contracts** – There were no open forward currency contracts as at 31 December 2017 or 2016.

## 35 Foreign exchange rates

| Currency | Unit | Average exchange rate 2017 | Average exchange rate 2016 | Closing exchange rate 31.12.2017 | Closing exchange rate 31.12.2016 |
|---|---|---|---|---|---|
| EUR | 1 | 1.1116 | 1.0899 | 1.1703 | 1.0721 |
| USD | 1 | 0.9847 | 0.9853 | 0.9743 | 1.0190 |

## 36 Defined benefit obligation

### ORIOR pension plan

#### Legal aspects of the Swiss pension plan (BVG)

Pension plans and their benefits are governed in Switzerland by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are regulated by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are set out in regulations, though the BVG specifies the minimum benefits to be provided. The employer and employees pay contributions into the pension plan. If an underfunding arises, various measures can be taken such as adjusting the pension commitment by altering the conversion rates, or increasing current contributions. The employer may also be required to make additional restructuring contributions, though the BVG specifies how employees and employer have to jointly fund potential restructurings.

The Group operates three independent pension plans, which cover all employees. ORIOR's pension plans have the legal structure of foundations. All actuarial risks are either borne by the foundations or are reinsured. These risks consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in salaries, and the return on plan assets) and are regularly assessed by the Board of Trustees. An annual actuarial report is drawn up in accordance with the requirements of the BVG.

The Boards of Trustees are responsible for the investment of assets. They continuously define the investment strategy, taking into account the foundations' objectives, benefit obligations and risk capacity. The Boards of Trustees delegate the implementation of the investment strategies to an external asset manager.

Retirement benefits are based on annual contributions, calculated as a percentage of salary, adjusted for the age of the employee and split approximately 41 % / 59 % between employee and employer. In addition to the pension contributions, yearly interest is credited to the savings account. The rate used for converting an individual savings account into a pension at retirement is fixed in the plans. The plans also provide death and long-term disability benefits for employees. The disability pension is defined as a percentage of annual salary. The spouse pension is defined as a percentage of the projected retirement pension (without future interest).

### Legal aspects of the Belgian pension plan (FSMA)

Pension plans and their benefits are governed in Belgium by the Belgian Law on Occupational Pensions, which stipulates that occupational pension plans are to be managed by independent, legally autonomous units (group insurance or pension fund). Pension plans are regulated by the FSMA, a state supervisory body.

Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are set out in the group insurance regulations. The employer and employees pay contributions into the pension plan. Based on current legislation, the employer must guarantee a minimum average rate of return at retirement or when transferring the money out if leaving the company before retirement age. If the return granted by the insurance company is not sufficient to meet the minimum borne by the employer, the employer will have to pay an additional contribution to the insurance company to cover the gap.

The Group operates five independent pension plans. All five plans are contracted with an insurance company. The rules of each plan describe the amount of employer and employee contributions as a function of the level of the employee. The contribution can be nominal amounts or salary-based, for some plans they are age-related or service-related. The employer contributions are total budget, which includes the cost of the risk benefits.

The insurance company invests the contribution in a common global fund. The contracts are “Branche 21” contracts, which means that the insurance company guarantees a minimum rate of return (to be increased with the profit-sharing).

Retirement benefits are based on the amount of annual contributions and the total return granted by the insurance company, knowing that the final average return cannot fall under the minimum return borne by the employer as stipulated by Belgian law. The plans also provide death and long-term disability benefits for employees. The cost of these risk benefits is included in the employer's contribution budget (i.e. the retirement contribution is equal to the total budget less the cost of the risk benefits).

### Technical accounting aspects of the pension plan (IFRS)

The pension plans qualify as defined benefit plans under IAS 19. Once a year, a report is prepared in accordance with IFRS requirements by an independent actuary. In this process, plan assets are valued at fair market values and liabilities are calculated according to the projected unit credit method.

The following table gives an overview of the pension obligation recognised in the balance sheet. The foreign plans also qualify as a defined benefit plan under IAS 19. As the French plan is not significant within the overall pension picture, it is not included in the information given below.

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Defined benefit obligation (Swiss Plans) | –1 380 | –15 305 |
| Defined benefit obligation (Belgian Plans) | –792 | –998 |
| Defined benefit obligation (French Plan) | –14 | –14 |
| **Total defined benefit obligation** | **–2 186** | **–16 317** |

The following table sets out the status of the three Swiss and five Belgian pension plans and the amount recognised in the consolidated balance sheet at 31 December:

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Defined benefit obligation | –153 976 | –160 313 |
| Fair value of plan assets | 151 804 | 144 010 |
| **Funded status** | **–2 172** | **–16 303** |
| Thereof: | | |
| Switzerland | –1 380 | –15 305 |
| Belgium | –792 | –998 |

The cost of the defined benefit plans are determined as follows:

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Current service costs | –6 438 | –5 481 |
| Past service costs | 2 147 | 1 171 |
| Interest income on the asset ceiling part | 0 | –29 |
| **Total service costs** | **–4 291** | **–4 339** |
| Net interest employee benefits | –92 | –54 |
| **Total pension expenses recorded in income statement** | **–4 383** | **–4 393** |
| Thereof: | | |
| Switzerland | –4 168 | –4 289 |
| Belgium | –215 | –104 |

The remeasurements of employee benefits recorded in other comprehensive income are determined as follows:

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Changes in financial and demographic assumptions | 3 240 | –4 162 |
| Other actuarial gains/losses | 1 300 | –7 219 |
| Actuarial gains/losses on plan assets | 7 875 | 2 387 |
| Effect of asset ceiling | 0 | 4 109 |
| **Total remeasurements recorded in other comprehensive income** | **12 415** | **–4 885** |
| Thereof: | | |
| Switzerland | 12 090 | –5 209 |
| Belgium | 325 | 324 |

The movements in the defined benefit obligation and fair value of plan assets are as follows:

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Defined benefit obligation at 1 January | –160 313 | –145 975 |
| Current service costs | –6 438 | –5 481 |
| Past service costs | 2 147 | 1 171 |
| Interest costs | –828 | –1 032 |
| Actuarial gains/losses | 4 540 | –11 381 |
| Employee contributions | –3 616 | –3 218 |
| Benefit payments | 10 762 | 8 868 |
| Settlements | 0 | –147 |
| Acquisitions | 0 | –3 190 |
| Currency gains (losses) | –230 | 72 |
| **Defined benefit obligation at 31 December** | **–153 976** | **–160 313** |
| Thereof: | | |
| Switzerland | –151 534 | –157 406 |
| Belgium | –2 442 | –2 907 |

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Fair value of plan assets at 1 January | 144 010 | 138 924 |
| Interest income | 736 | 978 |
| Return on plan assets (excluding interest based on discount rate) | 7 875 | 2 387 |
| Employee contributions | 3 616 | 3 218 |
| Employer contributions | 6 176 | 5 407 |
| Benefit payments | –10 762 | –8 868 |
| Settlements | 0 | 147 |
| Acquisitions | 0 | 1 860 |
| Currency gains (losses) | 153 | –43 |
| **Fair value of plan assets at 31 December** | **151 804** | **144 010** |
| Thereof: | | |
| Switzerland | 150 154 | 142 101 |
| Belgium | 1 650 | 1 909 |

The estimated company contribution to the pension plans for the financial year 2018 amounts to kCHF 6 278 (2017: kCHF 6 283).

The past service costs in the amount of kCHF 2 147 (2016: kCHF 1 171) are related to reductions of the conversion rate as well as plan amendments of the subsidiaries.

The categories of plan assets are as follows:

| Plan assets | 31.12.2017 | % | 31.12.2016 | % |
|---|---|---|---|---|
| Cash | 10 762 | 7.1% | 6 238 | 4.3% |
| Bonds | 58 805 | 38.7% | 58 696 | 40.8% |
| Shares | 50 719 | 33.4% | 43 834 | 30.4% |
| Real estate | 23 860 | 15.7% | 22 401 | 15.6% |
| Other | 7 658 | 5.0% | 12 841 | 8.9% |
| **Assets quoted in active markets** | **151 804** | **100.0%** | **144 010** | **100.0%** |
| **Total plan assets** | **151 804** | **100.0%** | **144 010** | **100.0%** |

The outflow of funds for pension payments can be planned reliably. The chosen investment strategies ensure that liquidity is maintained at all times.

The Group does not use assets belonging to the pension funds.

The pension funds' assets are divided into the following classes: cash and cash equivalents, bonds, equities, real estate, and other investments.

The cash of both pension funds is held at Credit Suisse (S&P Rating BBB+, Fitch: A-).

The bonds are all held through respected funds. The overwhelming majority are denominated in Swiss francs and have investment grade ratings. Less than 5 % of total assets are invested in funds that concentrate on higher-interest debt and convertible bonds. All investments are tradable daily.

Equity investments are also held through funds run by respected providers. The equity portion is divided between Swiss, global and emerging equities. All investments are tradable daily.

Real estate investments are divided between real estate investment funds, investment foundations and one direct mandate. This direct mandate can be liquidated within a reasonable period of time. The other investments can be redeemed on any trading day. The real estate investment funds are tradable daily.

The allocation in other investments are covered by three hedge fund products.

Calculations are based on the following assumptions:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Discount rate for Swiss plans | 0.69% | 0.50% |
| Rate of future increase in compensation for Swiss plans | 1.00% | 1.00% |
| Discount rate for Belgian plans | 1.75% | 1.55% |
| Rate of future increase in compensation for Belgian plans (for employees younger than 50) | 3.40% | 3.40% |
| Rate of future increase in compensation for Belgian plans (for employees older than 50)) | 2.40% | 2.40% |

### Sensitivities of significant actuarial assumptions

The discount rate and the future increase in salaries have been identified as significant actuarial assumptions. The fluctuation range for the sensitivity analysis amounts to 0.25 %. The following impacts on the defined benefit obligation are to be expected:

– An increase / decrease of 0.25 % (2016: 0.25 %) in the discount rate would lead to a decrease of kCHF 3 928 (– 2.6 %) (2016: kCHF 4 788 / – 3.0 %) / increase of kCHF 4 171 (+2.7 %) (2016: kCHF 5 115 / +3.2 % in the defined benefit obligation of the Swiss Plans.

– An increase / decrease of 0.25 % (2016: 0.25 %) in the rate of future increase in compensation would lead to an increase of kCHF 421 (+0.3 %) (2016: kCHF 411 / +0.3 %) / decrease of kCHF 410 (– 0.3 %) (2016: kCHF 400 / – 0.3 %) in the defined benefit obligation of the Swiss Plans.

– An increase / decrease of 0.25 % (2016: 0.25%) in the discount rate would lead to a decrease of kCHF 116 (– 4.8 %) (2016: kCHF 162 / -5.6%) / increase of kCHF 122 (+5.0 %) (2016: kCHF 170 / +5.8%) in the defined benefit obligation of the Belgian Plans.

– An increase / decrease of 0.25 % in the rate of future increase in compensation would lead to a increase of kCHF 26 (+1.1%) / decrease of kCHF 24 (-1.1 %) in the defined benefit obligation of the Belgian Plans.

The following amounts are expected to be paid out in future years as part of the defined benefit plan obligation:

| | 2017 | 2016 |
|---|---|---|
| Within the next 12 months | 8 199 | 8 150 |
| Between 2 and 5 years | 30 470 | 34 683 |
| Between 5 and 10 years | 34 082 | 41 235 |
| **Total** | **72 751** | **84 068** |

The average duration of the Swiss defined benefit plan obligation at the end of the reporting period is 14.8 years (2016: 15.6 years). The average duration of the Belgian plan is 19.8 (2016: 20.4 years).

## 37 Share-based payments

The Group has set up a stock ownership scheme for members of the Board of Directors, members of the Management Board, members of the executive boards of the competence centres, and for employees of ORIOR Group as determined by the Board of Directors. Shares can be offered annually under special conditions to employees or members of the Board of Directors who are entitled to participate as an incentive to future performance, to be credited to or in addition to the payments owed under their employment contract. The shares that are to be issued in the context of this plan can be acquired from ORIOR on the stock exchange or created by means of authorised, conditional or ordinary capital increases. The share purchase price corresponds to the volume-weighted average price during the last six months prior to the start of the two-month offer period of an ORIOR share traded on the SIX, minus a discount of 25 %. The shares are subject to a blocking period of three years from the date of grant. Within the framework of this plan no shares were sold during the year 2017. The recognised expense arising from share-based payment transactions for the financial year 2017 amounts to kCHF 91 (2016: kCHF 109).

## 38 Related parties

The Board of Directors of ORIOR AG, the Management Board of ORIOR AG, shareholders with significant influence, the Group's pension fund organisations "ORIOR Fonds de Prévoyance" and "ORIOR Fondation de Prévoyance Complémentaire" are treated as related parties.

Below please find the overview of related party transactions and balance sheet positions with related parties:

in CHF thousand

| Assets | Partner | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Trade accounts receivable | Management | 450 | 0 |

| Liabilities | Partner | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Trade accounts payable | Management | 80 | 0 |
| Other current payables | Pension fund | 1 316 | 536 |
| Other current payables | Management | 35 | 32 |
| Accrued liabilities | Board of Directors | 208 | 207 |
| Accrued liabilities | Management | 592 | 592 |
| Accrued pension cost | Pension fund | 2 187 | 16 317 |

| Expenses | Partner | 2017 | 2016 |
|---|---|---|---|
| Pension fund contributions | Pension fund | –4 291 | –4 323 |
| Board of Directors' compensation | Board of Directors | –642 | –646 |
| Administration | Management | –417 | –109 |
| Operational leasing | Management[1] | –352 | –114 |
| Interest expense | Pension fund | –106 | –71 |

| Sales & other income | Partner | 2017 | 2016 |
|---|---|---|---|
| Gross sales | Management[1] | 1 390 | 397 |
| Other operating income | Management[1] | 153 | 71 |

[1] Transactions with companies, which are controlled by a Management Board member.

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

No further claims or liabilities exist between the Company and its Board of Directors or significant shareholders except for the amounts disclosed above.

The Management Board of ORIOR AG receives performance-related compensation in addition to fixed compensation. The compensation payable to the members of the Board of Directors consists solely of a fixed component and is hence not associated with any profit components. The total amount of fixed and variable compensation in 2017 was kCHF 2 532 (2016: kCHF 2 341). The disclosed remuneration is reported on an accrual basis.

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Short-term employee benefits | 2 281 | 2 166 |
| Post-employment benefits | 251 | 175 |
| | **2 532** | **2 341** |

## 39 Contingencies

### Contingent liabilities

No guarantees or warranty obligations for third parties existed in the current financial period.

The Group is involved in legal disputes, litigation, and court proceedings in the normal course of business. From the Group's point of view, it is presently not expected that these disputes will have a material impact on the Group's financial situation or operating profits in excess of existing provisions.

## 40 Pledges for obligations

Besides the pledges reported under "trade accounts receivable" (see Note 18) and "financial liabilities" (see Note 27), there are no further assets pledged.

## 41 Commitments

As of 31 December 2017 and 31 December 2016 there were no purchase agreements or other kinds of obligations other than reported under "inventories and work in progress" (see Note 20) and under "property, plant and equipment" (see Note 21).

## 42 Events after the balance sheet date

No events occurred between the balance sheet date and the printing date of the annual report which could have a material impact on the 2017 annual financial statements.

## 43 Legal structure of ORIOR Group

| Company Name | Location | Country | Business activity | Currency | Share capital (in 1000) | %-share of capital and votes 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Orior AG | Zurich | Switzerland | Parent Company | CHF | 23 700 | | |
| Orior Management AG | Zurich | Switzerland | Services | CHF | 100 | 100% | 100% |
| Rapelli SA | Stabio | Switzerland | Premium Food | CHF | 12 500 | 100% | 100% |
| Orior Deutschland GmbH | Frankfurt a. M. | Germany | Premium Food | EUR | 25 | 100% | 100% |
| Orior Menu AG | Böckten | Switzerland | Premium Food | CHF | 1 700 | 100% | 100% |
| Fredag AG | Root | Switzerland | Premium Food | CHF | 2 000 | 100% | 100% |
| Albert Spiess Holding AG | Schiers | Switzerland | Holding | CHF | 1 000 | 100% | 100% |
| Albert Spiess AG | Schiers | Switzerland | Premium Food | CHF | 1 000 | 100% | 100% |
| Spiess Europe SARL | Haguenau | France | Premium Food | EUR | 1 130 | 100% | 100% |
| Möfag, Mösli Fleischwaren AG | Zuzwil | Switzerland | Premium Food | CHF | 200 | 100% | 100% |
| ORIOR Europe NV | Destelbergen | Belgium | Services | EUR | 79 028 | 100% | 100% |
| Culinor Food Group NV | Destelbergen | Belgium | Premium Food | EUR | 7 419 | 100% | 100% |
| Culinor NV | Destelbergen | Belgium | Premium Food | EUR | 2 390 | 100% | 100% |
| Covifood NV | Oostakker | Belgium | Premium Food | EUR | 315 | 100% | 100% |

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To the General Meeting of
Orior Ltd, Zurich

Basle, 28 February 2018

## Statutory auditor's report on the audit of the consolidated financial statements

**Opinion**

We have audited the consolidated financial statements of Orior Ltd and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of equity, consolidated cash flow statement and notes to the consolidated financial statements (pages 66 to 130), including a summary of significant accounting policies for the year ended 31 December 2017.

In our opinion, the consolidated financial statements (pages 66 to 130) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Basis for opinion**

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) 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, as well as the IESBA Code of Ethics for Professional Accountants, 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.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

**Intangible Assets**

| | |
|---|---|
| **Area of focus** | The intangible assets represent 47% of the Group's assets and 92% of the Group's equity as at 31 December 2017. As disclosed in note 23 of the consolidated financial statements, the carrying value of Goodwill, brands, labels and customer relationships are tested annually for impairment on the level of the cash generating units. The company performed its annual impairment test in the fourth quarter of 2017. The company uses assumptions for the impairment considerations in respect to future market and industry development, such as expected inflation rates, demographic developments as well as revenue and margin developments. Due to the estimations associated with the impairment assessment, we consider this area to be key to the group audit. |
| **Our audit response** | We audited the company's internal controls related to the annual impairment test. Furthermore, we assessed the company's key assumptions (the weighted average cost of capital and the input parameters of the valuation model) by comparison to external data. Moreover, we compared the future cash flows used for the strategic planning, business plans and other relevant business developments that have been approved by management and board of directors. In addition, we audited the disclosure of the sensitivities to the key assumptions in note 23 of the consolidated financial statements. |

**Income taxes**

| | |
|---|---|
| **Area of focus** | The income taxes amount 7% of the Group's profit for the year and the deferred tax liabilities amount 8% of the Group's liabilities and 15% of the Group's equity as at 31 December 2017. The company uses for the assessment process of the valuation of income taxes assumptions in respect to future market and economic developments. Changes in corporate income tax rates in the company's main markets lead to continuous changes and need to be regularly reassessed. Due to the complex valuation of the income taxes and the associated estimations, we consider this area to be key to the group audit. |
| **Our audit response** | We audited the company's process to determine and valuate income taxes. Furthermore, we audited the reasonability of the valuation of the income taxes. Moreover, we audited the disclosure of the income taxes in note 14 and 23 of the consolidated financial statements. |

**Other information in the annual report**
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, remuneration report (pages 48 to 52) and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibility 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 IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the consolidated financial statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs 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://www.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 para. 1 item 3 CO and the 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.

Ernst & Young Ltd

| | |
|---|---|
| Roger Müller<br>Licensed audit expert<br>(Auditor in charge) | Hortense Pfammatter<br>Licensed audit expert |

# ORIOR AG

# FINANCIAL STATEMENTS 2017

# Income Statement

| in CHF thousand | | 2017 | 2016 |
|---|---|---|---|
| Dividend income | | 36 300 | 51 469 |
| Financial income | | 1 494 | 494 |
| Other operating income | | 277 | 277 |
| **Total income** | | **38 071** | **52 240** |
| | | | |
| Financial expense | | –556 | –472 |
| Other operating expense | | –2 288 | –1 840 |
| Depreciation and amortisation | 7 | –1 930 | –4 174 |
| **Total expenses** | | **–4 774** | **–6 486** |
| **Ordinary earnings before taxes** | | **33 297** | **45 754** |
| Tax expense | | –68 | –65 |
| **Profit for the year** | | **33 229** | **45 689** |

# Balance Sheet

| in CHF thousand | | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|---|
| Cash and cash equivalents | | | 8 150 | 6 243 |
| Other current receivables third parties | | | 26 | 0 |
| Other current receivables subsidiaries | | | 1 297 | 76 |
| Prepaid expenses | | | 77 | 61 |
| **Total current assets** | | | **9 550** | **6 380** |
| Loans to subsidiaries | | | 223 100 | 79 250 |
| Investments | ● | 1 | 115 438 | 115 438 |
| Intangible assets | ● | 2 | 4 740 | 6 636 |
| **Total non-current assets** | | | **343 278** | **201 324** |
| **TOTAL ASSETS** | | | **352 828** | **207 704** |
| Other current payables third parties | | | 154 | 52 |
| Other current payables subsidiaries | | | 56 | 43 |
| Accrued liabilities | | | 1 764 | 986 |
| **Current liabilities** | | | **1 974** | **1 081** |
| Bonds | ● | 3 | 110 000 | 0 |
| Other long-term interest bearing liabilities subsidiaries | | | 21 200 | 6 500 |
| **Non-current liabilities** | | | **131 200** | **6 500** |
| **Total liabilities** | | | **133 174** | **7 581** |
| Share capital | ● | 4 | 23 700 | 23 700 |
| Statutory capital reserves | ● | 5 | 4 017 | 4 017 |
| Capital contribution reserves | | | 4 017 | 4 017 |
| Statutory retained earnings | | | 4 740 | 4 740 |
| Voluntary retained earnings | | | 189 260 | 168 365 |
| Free reserve | | | 5 000 | 5 000 |
| Retained earnings | | | 184 260 | 163 365 |
| Brought forward from previous year | | | 151 031 | 117 677 |
| Profit for the year | | | 33 229 | 45 689 |
| Treasury shares | ● | 6 | –2 063 | –699 |
| **Total equity** | | | **219 654** | **200 123** |
| **Total liabilities and equity** | | | **352 828** | **207 704** |

# Notes to the Statutory Financial Statements

## General information

ORIOR AG
Dufourstrasse 101
8008 Zürich

BID number / CHE-113.034.902
VAT number / CHE-113.034.902 MWSt

These annual financial statements were prepared in line with Swiss law, and in particular with the articles of the Swiss Code of Obligations concerning accounting and financial reporting (Art. 957ff OR).

The following principles are applied to the annual financial statements:

The figures shown in the annual financial statements are rounded up or down. The actual calculations are made with greater precision, so small rounding differences can appear.

### No cash flow statement and no additional information in the Notes

Because ORIOR AG prepares its consolidated financial statements in accordance with a recognised standard for financial accounting (IFRS), in these financial statements it has, as the law allows, omitted the additional information in the Notes and a cash flow statement from these financial statements.

## Information about balance sheet and income statement items

### 1 Direct and major indirect investments

| | | | | | | %-share of capital and votes | |
|---|---|---|---|---|---|---|---|
| Company Name | Location | Investment | Business activity | Currency | Share capital (in 1000) | 2017 | 2016 |
| Orior Management AG | Zurich | direct | Services | CHF | 100 | 100 % | 100 % |
| Orior Menu AG | Böckten | direct | Premium Food | CHF | 1 700 | 100 % | 100 % |
| Rapelli SA | Stabio | indirect | Premium Food | CHF | 12 500 | 100 % | 100 % |
| Fredag AG | Root | indirect | Premium Food | CHF | 2 000 | 100 % | 100 % |
| Albert Spiess AG | Schiers | indirect | Premium Food | CHF | 1 000 | 100 % | 100 % |
| Möfag, Mösli Fleischwaren AG | Zuzwil | indirect | Premium Food | CHF | 200 | 100 % | 100 % |
| ORIOR Europe NV | Destelbergen | indirect | Services | EUR | 79 028 | 100 % | 100 % |
| Culinor Food Group NV | Destelbergen | indirect | Premium Food | EUR | 7 419 | 100 % | 100 % |
| Culinor NV | Destelbergen | indirect | Premium Food | EUR | 2 390 | 100 % | 100 % |
| Covifood NV | Oostakker | indirect | Premium Food | EUR | 315 | 100 % | 100 % |

Investments are recognised in the balance sheet at cost, less the necessary value adjustments.

## 2 Intangible assets

This position includes goodwill from a transaction in 2006 and is being depreciated over a period of 15 years.

## 3 Bonds

In connection with the refinancing of outstanding credit facilities as well as for general corporate purposes including potential acquisitions, ORIOR AG has issued on 26 September 2017 a six year bond with a nominal value of CHF 110.0 million (ISIN CH37961096) at an issued price of 100.545 %. The loan pays a fixed interest rate of 0.625 % and will be repaid on 26 September 2023.

## 4 Share capital and authorised share capital

The share capital of TCHF 23 700 consists of 5 925 000 registered shares with a nominal value of CHF 4.00 each. At the Annual General Meeting on 12 April 2016, the Board of Directors was authorised to increase share capital by a maximum of kCHF 4 400, divided into 1 100 000 registered shares with a nominal value of CHF 4.00 each by no later than 12 April 2018.

### Conditional share capital

The share capital of the Company may be increased by a maximum of kCHF 714 through the issue of a maximum of 178 564 registered shares with a nominal value of CHF 4.00 each, which must be fully paid-in.

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Conditional share capital | 714 | 714 |
| Authorised share capital | 4 400 | 4 400 |

## 5 Capital contribution reserves

The reserves from capital contributions include the premium from the capital increase in 2011, less distributions made to date.

A distribution from reserves from capital contributions is treated the same as a repayment of share capital. Of the capital contribution reserves in the amount of kCHF 4 017 per 31.12.2017, kCHF 819 remain accepted by the Swiss Federal Tax Administration.

## 6 Treasury shares

| | Number | Ø price per share in CHF | Total in kCHF |
|---|---|---|---|
| **Opening balance as at 01.01.2016** | **2 920** | **59.64** | **174** |
| Purchases 01.01. - 31.12.16 | 84 975 | 69.17 | 5 878 |
| Sales 01.01. - 31.12.16 | –78 757 | 69.20 | –5 450 |
| Losses/gains from sales of treasury shares | | | 98 |
| **Closing balance as at 31.12.2016** | **9 138** | **76.55** | **699** |
| | | | |
| **Opening balance as at 01.01.2017** | **9 138** | **76.55** | **699** |
| Purchases 01.01. - 31.12.17 | 63 612 | 76.20 | 4 847 |
| Sales 01.01. - 31.12.17 | –45 494 | 76.19 | –3 466 |
| Losses/gains from sales of treasury shares | | | –18 |
| **Closing balance as at 31.12.2017** | **27 256** | **75.70** | **2 063** |

Own shares are stated at cost at the date of acquisition. The profit or loss from subsequent re-sales is recognised in the income statement as financial income or expense.

### 7 Amortisation

| in CHF thousand | 2017 | 2016 |
|---|---|---|
| Amortisation of intangible assets | 1 896 | 1 896 |
| Allowance for loan of subsidiary | 34 | 2 278 |
| **Total depreciation and amortisation** | **1 930** | **4 174** |

## Miscellaneous

### Full-time positions

No employees were employed at ORIOR AG in the year under review or the prior year.

### Sureties, guarantee commitments and pledged or assigned assets in favour of third parties

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Joint and several liabilities for rent** | **72 932** | **77 275** |
| In 2007, the production buildings of ORIOR Group were sold and rented back by the subsidiaries of the Group. ORIOR AG is jointly and severally liable with its subsidiaries for the outstanding rent instalments. The figure shown includes future rent payments up to the year 2031. | | |
| **Guarantee commitments in favour of subsidiaries** | **31 044** | **164 632** |

### Restriction of title for own liabilities

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Regarding the Credit Facility Agreement with Credit Suisse in the maximum amount of kCHF 80 000 (of which kEUR 12 has been drawn as per 31.12.2017). | | |
| **Declaration of assignment for loans to subsidiaries** | **0** | **79 250** |

### Significant shareholders

The significant shareholders of the Company were the following (> 5 %):

| | % of capital and votes | |
|---|---|---|
| Name | 31.12.2017 | 31.12.2016 |
| Ernst Göhner Stiftung (CH) | 10.46 % | 10.46 % |
| UBS Fund Management (Switzerland) AG (CH) | 6.21 % | 6.21 % |

## Share interests of Board of Directors and Management Board

The members of the Board of Directors and the Management Board owned the following shareholdings in ORIOR AG:

| | Number of shares as per 31.12.2017 | Number of shares as per 31.12.2016 |
|---|---|---|
| Rolf U. Sutter<br>Chairman of the Board | 199 800 | 199 800 |
| Edgar Fluri<br>Vice Chairman of the Board | 5 000 | 5 000 |
| Christoph Clavadetscher<br>Member of the Board | 10 000 | 10 000 |
| Walter Lüthi[1]<br>Member of the Board | 150 | - |
| Dominik Sauter<br>Member of the Board | 550 | 550 |
| Monika Walser<br>Member of the Board | 700 | 700 |
| **Total Board of Directors** | **216 200** | **216 050** |
| Daniel Lutz<br>CEO ORIOR Group | 2 000 | 2 000 |
| Ricarda Demarmels<br>CFO ORIOR Group | 2 150 | 2 150 |
| Bruno de Gennaro[2]<br>Head of Convenience and Fredag | n/a | 93 075 |
| Filip de Spiegeleire[3]<br>CEO ORIOR Europe | 7 100 | - |
| **Total Management Board** | **11 250** | **97 225** |

[1] Joined as Member of the Board as of 12 April 2016
[2] Resigned as of 30 June 2017
[3] Joined as Head of ORIOR Europe and Member of the Management Board as of 1 September 2016

## Share-based payments

The Group has set up a stock ownership scheme for members of the Board of Directors, members of the Management Board, members of the executive boards of the competence centres, and for employees of ORIOR Group as determined by the Board of Directors. Shares can be offered annually under special conditions to employees or members of the Board of Directors who are entitled to participate as an incentive to future performance, to be credited to or in addition to the payments owed under their employment contract. The shares that are to be issued in the context of this plan can be acquired from ORIOR on the stock exchange or created by means of authorised, conditional or ordinary capital increases. The share purchase price corresponds to the volume-weighted average price during the last six months prior to the start of the two-month offer period of an ORIOR share traded on the SIX, minus a discount of 25 %. The shares are subject to a blocking period of three years from the date of grant. In 2015 20 240 shares were sold to plan participants at a price of CHF 41.45 per share, which made a total of kCHF 839.

No employee shares have been issued during the current business year.

## Subsequent events

No significant events occurred after the balance sheet date that had an influence on the book values of the reported assets or liabilities or that have to be disclosed here.

# Proposal for the allocation of retained earnings as of 31 December 2017

## Allocation of retained earnings

The Board of Directors is proposing the following allocation of retained earnings:

| in CHF thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Brought forward from previous year | 151 031 | 117 677 |
| Profit for the year | 33 229 | 45 689 |
| **Available retained earnings** | **184 260** | **163 365** |
| Distribution of an ordinary dividend of CHF 2.17 (previous year: CHF 2.09) gross per share | –12 798 | –12 335 |
| **Balance brought forward** | **171 462** | **151 031** |

The Board of Directors is proposing to the 2017 Annual General Meeting of Shareholders that it pay a dividend of CHF 2.17 per share. If the shareholders approve this proposal, the total dividend payment will come to kCHF 12 798. All shares rank for dividends except for the treasury shares (27 256 as per 31 December 2017).

Building a better working world

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To the General Meeting of
Orior Ltd, Zurich

Basle, 28 February 2018

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Orior Ltd, which comprise the income statement, balance sheet and notes (pages 136 to 142) for the year ended 31 December 2017.

**Board of Directors' responsibility**
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

**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 judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 136 to 142).

**Investments**

| | |
|---|---|
| **Area of focus** | The primary functions of the company include the acquisition, the administration and the disposal of investments in subsidiaries as well as financing and monitoring the group's activities. For statutory purposes, the company is required to assess the valuation of its investments and determine potential impairments on an individual basis. We consider investments in subsidiaries significant to our audit as the assessment involves judgments in estimating future revenues and margins as well as market and industry development. |
| **Our audit response** | We audited the company's process of identifying investments, which potentially are subject to an impairment. Our work included the testing of the valuation model used in order to determine the recoverable amount. We further assessed the clerical accuracy of the valuation of the investments. Lastly, we verified the disclosure of the investments in note 1. |

**Report on other legal requirements**
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 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.

Ernst & Young Ltd

| | |
|---|---|
| Roger Müller<br>Licensed audit expert<br>(Auditor in charge) | Hortense Pfammatter<br>Licensed audit expert |

# ORIOR AG
# SHARE INFORMATION 2017

## Share information

| | |
|---|---|
| Listing | SIX Swiss Exchange |
| Security number | 11167736 |
| ISIN code | CH0111677362 |
| Ticker symbol | ORON |
| LEI (Legal Entity Identifier) | 50670020I84ZA17K9522 |
| Shares entitled to dividend | All, except for treasury shares. |
| Voting rights | All registered shares have full voting rights. |
| Major shareholders | See Corporate Governance Report, Note 1. |

## Key figures

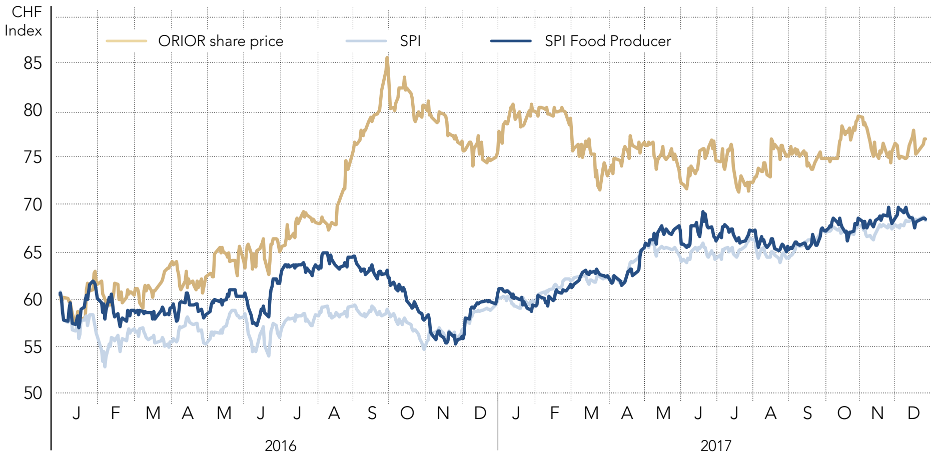
| Number of shares at 31 December | | 2017 | 2016 |
|---|---|---|---|
| Number of registered shares | Number | 5 925 000 | 5 925 000 |
| Nominal value per registered share | in CHF | 4.00 | 4.00 |
| of which treasury shares | Number | 27 256 | 9 138 |
| Number of outstanding registered shares | Number | 5 897 744 | 5 915 862 |

| Stock exchange key figures | | 2017 | 2016 |
|---|---|---|---|
| Year-end price | in CHF | 77.15 | 74.75 |
| Year high | in CHF | 82.00 | 86.00 |
| Year low | in CHF | 71.15 | 57.00 |
| Average trading volume per day | Number | 10 848 | 7 512 |
| Market capitalisation at year-end | in CHF m | 457.1 | 442.9 |

| Key figures | | 2017 | 2016 |
|---|---|---|---|
| Net result per share | in CHF | 5.42 | 4.79 |
| Net result per share (diluted) | in CHF | 5.42 | 4.79 |
| Operating cash flow per share | in CHF | 9.42 | 5.39 |
| Equity per share | in CHF | 47.49 | 41.13 |
| Dividend per share | in CHF | 2.17 | 2.09 |
| Payout ratio | in % | 40.0 | 43.6 |
| P / E ratio after tax | | 14.23 | 15.61 |
| Weighted Ø number of shares outstanding | in '000 | 5 901 | 5 921 |

The “per share” benchmark figures are calculated on the basis of the weighted average number of shares.

## Share price performance




For better comparability, ORIOR's share price was compared with dividend-adjusted indices.

## Dividend policy and dividend proposal

ORIOR's dividend policy is congruent with the Group's long-term financial development. The dividend policy takes the expected vagaries of the economy, the market situation and other factors such as liquidity needs and capital expenditure requirements as well as tax, regulatory and other legal considerations into account.

ORIOR's attractive dividend policy was confirmed in the ORIOR 2020 strategy; a further steady increase in the absolute dividend is targeted.

The Board of Directors is proposing a dividend of CHF 2.17 per share for 2017. The proposed dividend payout for fiscal 2017 corresponds to 40.0 % of net profit for the year.

## Corporate calendar

| | |
|---|---|
| 8th Annual General Meeting | 12 April 2018 |
| Half-year results 2018 | 22 August 2018 |
| Publication of half-year report 2018 | 22 August 2018 |

## Contact information

| | |
|---|---|
| **Company address** | **ORIOR AG**<br>Dufourstrasse 101<br>CH-8008 Zurich<br>Mail: investors@orior.ch<br>www.orior.ch |
| **Investor Relations** | **Milena Mathiuet**<br>Tel: +41 44 308 65 13<br>Mail: investors@orior.ch |

**CORE VALUES**

# We are convinced that …

… the company needs content employees, customers, suppliers and shareholders to achieve its goal of steady value creation;

… a steadfast focus on the constantly shifting needs and preferences of consumers and customers is a precondition for innovation and growth;

… motivated and competent employees who are happy and proud to celebrate craftsmanship day after day are the key to our success;

… each and every employee must assume full responsibility for their conduct and their work, and that our business conduct must be guided by high ethical standards and respect;

… unremitting efforts towards the attainment of superior quality and constant advancement in our daily work are a precondition for sustainable and profitable growth;

… open, honest and transparent communication is the basis for successful team work;

… sustainability is an integral part of our core business.

ORIOR
EXCELLENCE IN FOOD

Our ambition:

# Excellence in Food

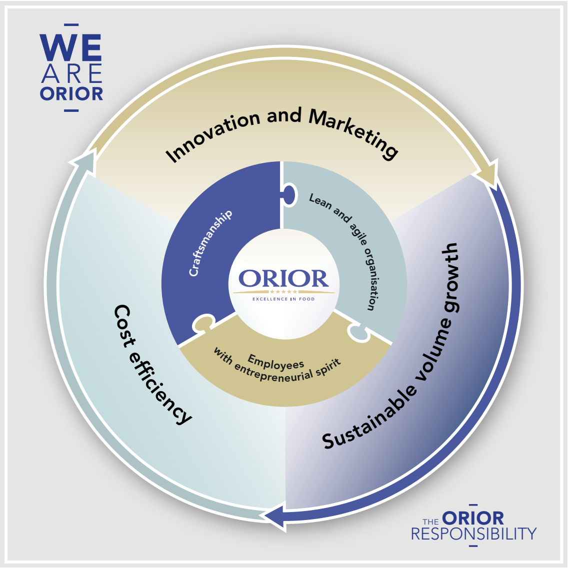
ORIOR is an internationally operating Swiss food company that combines craftsmanship with a pioneering spirit and thrives on entrepreneurship and strong values. A specialist for fresh convenience foods and refined meats, the Group claims leading positions in fast-growing niches in Switzerland and abroad. With Rapelli, Ticinella, Albert Spiess, Fürstenländer Spezialitäten, Fredag, Pastinella, Le Patron, Culinor and Vaco's Kitchen, ORIOR has built an impressive portfolio of brands and companies.

ORIOR's goal is to steadily create value for all stakeholders. Market intimacy, strong partnerships and a lean, agile structure provide the framework from which ORIOR is shaping and driving the market landscape with innovative products, concepts and services. Motivated employees who take pride in their work and who assume responsibility for themselves and for what they do are the key for creating the extraordinary.

We are striving for uniqueness and offer best quality in order to surprise our consumers time and again with enjoyable food moments. Our ambition is nothing less than **Excellence in Food.**

**Our model to create steady value creation**

The core capabilities of "craftsmanship", "lean and agile organisation" and "employees with an entrepreneurial spirit" are part of what makes ORIOR unique. There is a direct correlation and constant interaction between these capabilities and the drivers of "innovation and marketing", "sustainable volume growth" and "cost efficiency". "The ORIOR responsibility" and "We are ORIOR" – our promise and our commitment to sustainable business practices – are binding across the entire strategic model. Steady value creation is only possible by constantly working towards and advancing all premises stipulated in the model.



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