Financial Report
2012

CONTENTS

1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

in CHF '000	NOTES	2012	2011
Net revenues from sales to customers	4.1 / 4.2	281,086	285,466
Other operating income		3,387	3,560
Changes in inventories of semi-finished and finished products, capitalised costs		406	–1,244
Total operating income	4.3	284,879	287,782
Cost of materials		–120,665	–117,211
External production costs		–14,786	–13,053
Personnel expenditure	4.4 / 4.5	–83,670	–88,434
Other operating expenses	4.6	–46,969	–49,287
Depreciation and impairment on tangible assets	4.15	–12,616	–16,031
Depreciation and impairment on intangible assets	4.16	–2,602	–1,358
Earnings before interest and taxes (EBIT)	4.1	3,571	2,408
Financial income		1,115	975
Financial expenses		–2,656	–1,638
Financial result	4.7	–1,541	–663
Earnings before income taxes (EBT)		2,030	1,745
Income tax expenses	4.8	–1,279	–1,992
Net income for the period		751	–247
Attributable to the shareholders of Orell Füssli Holding Ltd		–1,014	199
Attributable to minority interests		1,765	–446

in CHF	NOTES	2012	2011
Earnings per share	4.9	–0.52	0.10

The disclosures on pages 14 to 32 form an integral part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2012	2011
Assets			
Cash and cash equivalents	4.10	17,060	19,986
Marketable securities & derivative financial instruments	4.11	1,047	670
Trade accounts receivable	4.12	31,645	24,942
Other receivables	4.13	66,056	45,648
Inventories	4.14	48,040	50,126
Current income tax receivables		1,709	4,118
Accrued income and deferred expenses		3,593	3,697
Total current assets		169,150	149,187
Tangible assets	4.15 / 4.17	81,941	89,503
Intangible assets	4.16 / 4.17	4,372	4,228
Investments	4.18	4,770	4,837
Deferred tax assets	4.23	4,621	4,655
Other non-current financial assets	4.19	5,813	5,925
Total non-current assets		101,517	109,148
Total assets		270,667	258,335
Liabilities			
Trade payables		23,292	22,082
Other current liabilities	4.20	35,120	32,813
Current income tax liabilities		660	2,499
Accrued expenses and deferred income		10,323	7,616
Current financial liabilities	4.21	26,550	11,145
Current provisions	4.22	3,098	3,979
Total current liabilities		99,043	80,134
Non-current financial liabilities	4.21	1,086	1,371
Pension fund liabilities		344	261
Non-current provisions	4.22	340	1,700
Deferred tax liabilities	4.23	2,209	2,988
Total non-current liabilities		3,979	6,320
Share capital		1,960	1,960
Capital reserves		4,160	4,160
Retained earnings		159,352	164,286
Translation differences		–14,270	–13,927
Total equity before minority interests		151,202	156,479
Minority interests		16,443	15,402
Total equity		167,645	171,881
Total liabilities		270,667	258,335

The disclosures on pages 14 to 32 form an integral part of the financial report.

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF '000	2012	2011
Net income for the period	751	–247
Depreciation	14,608	15,640
Impairment and amortisation	610	1,028
Share of loss applicable to equity method	61	–
Other non-fund related income and expenses	–1,037	453
Change in trade accounts receivable	–6,863	5,625
Change in inventories	1,839	–11,079
Change in other receivables	–17,926	–24,001
Change in trade payables	1,243	–350
Change in other liabilities	573	10,976
Change in accruals net	2,816	–1,263
Change in provisions and deferred income tax	–2,898	3,959
Cash flow from operating activities	–6,223	741
Purchase of tangible assets	–4,999	–7,383
Proceeds from disposals of tangible assets	795	1,157
Purchase of intangible assets	–2,968	–1,655
Proceeds from disposals of intangible assets	2	2
Purchase of investments in subsidiaries	–	–200
Purchase of other investments	–	–65
Proceeds from disposals of other investments	–	1
Purchase of other non-current assets	–84	–198
Proceeds from disposals of other non-current assets	–	155
Purchase of securities	–	–493
Cash flow from investing activities	–7,254	–8,679
Increase of financial liabilities	16,387	4,791
Repayment of financial liabilities	–1,171	–413
Dividends paid to minorities	–704	–1,044
Dividends paid	–3,920	–4,900
Cash flow from financing activities	10,592	–1,566
Translation effects	–41	–104
Increase (decrease) in cash and cash equivalents	–2,926	–9,608
Cash and cash equivalents at 1 January	19,986	29,594
Cash and cash equivalents at 31 December	17,060	19,986

The disclosures on pages 14 to 32 form an integral part of the financial report.

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF '000	Share capital	Capital reserves	Retained earnings and net income	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2011	1,960	4,160	169,122	–13,122	162,120	17,016	179,136
Dividends paid	–	–	–4,900	–	–4,900	–1,045	–5,945
Buyout of minority interests	–	–	–	–	–	–65	–65
Offsetting goodwill against equity	–	–	–135	–	–135	–	–135
Currency translation effects	–	–	–	–805	–805	–58	–863
Net income for the period	–	–	199	–	199	–446	–247
Total equity at 31 December 2011	1,960	4,160	164,286	–13,927	156,479	15,402	171,881
Total equity at 1 January 2012	1,960	4,160	164,286	–13,927	156,479	15,402	171,881
Dividends paid	–	–	–3,920	–	–3,920	–704	–4,624
Currency translation effects	–	–	–	–343	–343	–20	–363
Net income for the period	–	–	–1,014	–	–1,014	1,765	751
Total equity at 31 December 2012	1,960	4,160	159,352	–14,270	151,202	16,443	167,645

The share capital as at 31 December 2012 and 31 December 2011 consisted of 1,960,000 registered shares with a par value of CHF 1.– each.

The amount of accumulated non-distributable reserves stands at CHF 9,002,000 (2011: CHF 9,002,000).

The disclosures on pages 14 to 32 form an integral part of the financial report.

2 ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in conformity with existing Swiss GAAP FER standards in their entirety, as well as the provisions of the listing regulations of the SIX Swiss Exchange and Swiss company law.

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

2.2 CONSOLIDATION

Subsidiaries

Subsidiaries are all domestic and foreign entities if they are directly or indirectly controlled by Orell Füssli Holding Ltd, the latter holding more than 50% of the votes or being able to control financial and operating policies in any other ways.

Subsidiaries are fully consolidated from the date on which the direct or indirect control passes to Orell Füssli Holding Ltd. They are deconsolidated from the date that control ceases. The purchase method is used to account for the acquisition of subsidiaries by the Group. On the acquisition date all identifiable assets and liabilities of the subsidiary are measured at fair value. The excess of the cost of acquisition over the fair value of the Group's share in the net assets of the subsidiary acquired is recorded as goodwill. Minor subsidiaries are not fully consolidated.

Effects on inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in the consolidated financial statements.

Investments in associates

Investments in associates in which Orell Füssli Holding Ltd can exercise significant influence, are accounted for using the equity method. Influence is considered as significant if Orell Füssli Holding Ltd directly or indirectly holds between 20% and 50% of the voting rights or can otherwise significantly influence financial and operating policies.

Investments in associates are initially recognised at cost. Cost may include goodwill. The book value of the investment is subsequently adjusted according to the development of the share in the associate's equity held by Orell Füssli Holding Ltd.

Other investments

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

2.3 CURRENCY TRANSLATION

The items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of transaction.

The consolidated financial statements are presented in Swiss Francs. On preparation of the consolidated financial statements, assets and liabilities of subsidiaries in foreign currencies are converted into Swiss Francs at the closing rate of each balance sheet date. Revenues and expenses are translated at the average currency exchange rate of the financial year. Translation differences and foreign currency gains on long-term loans in the nature of shareholders' equity are posted under currency differences in shareholders' equity, without any impact on income. The Orell Füssli Group used the following currency exchange rates for the 2012 and 2011 financial years:

CURRENCY EXCHANGE RATES

	Closing rate		Annual average rate	
	2012	2011	2012	2011
EUR at a rate of CHF	1.2077	1.2171	1.2055	1.2336
USD at a rate of CHF	0.9139	0.9399	0.9380	0.8870
GBP at a rate of CHF	1.4768	1.4526	1.4865	1.4221

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of the annual financial statements requires management to make estimates and assumptions affecting income, expenses, assets, liabilities and contingent liabilities stated on balance sheet date. If estimates and assumptions of this kind, which were made by management on balance sheet date to the best of their knowledge, differ from actual conditions at a later date, the original estimates and assumptions are amended in the reporting period in which the conditions have changed.

2.5 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products and services that are subject to risk and returns different from those of other business segments. The Group's business activities are categorised into three segments: Industrial Systems, Security Printing and Book Retailing. Other business activities include the publishing units as well as infrastructure services. Their size is not material. Information about products and services of each business segment is provided in 4.1 of the notes to the consolidated financial statements.

2.6 REVENUE RECOGNITION

Revenue from sales of tradable, produced and printed goods is recorded as income after their delivery and their acceptance by the client. Revenue is shown net of value added tax and any rebates.

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

Revenue from services which are rendered for a certain period of time and which are invoiced periodically is recorded in the period in which the service is rendered. Revenue for settling transaction-related services is recorded at the time the service is fully rendered.

Dividend income is recorded in the reporting period in which the right to receive payments is established.

2.7 IMPAIRMENT

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

2.8 INCOME TAXES

Income taxes are recorded on the basis of the applicable tax rate of the individual countries and expensed in the period in which they occur. Tax effects resulting from tax losses are recognised as deferred tax assets if it is probable that future taxable profit will be available against which the tax losses could be used.

Deferred tax liabilities are recognised in the balance sheet based upon temporary differences between tax base of assets and liabilities and their carrying amount if they will result in future taxable profits. Deferred tax assets are recognised in the balance sheet based upon temporary differences if they will result in deductible amounts in determining taxable profits, provided that taxable profits will be available in future periods for which the temporary difference can be used.

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

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

Current and deferred taxes are recorded in the income statement as tax income or expense.

2.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, cash in banks and short-term fixed deposits with a contractual maturity period of three months or less.

2.10 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Marketable securities are initially valued at cost plus transaction costs. All purchases and sales are posted on trade date. Thereafter marketable securities are included in current assets and marked to market in the income statement.

Derivative financial instruments used to hedge underlying transactions against future cash flow and having an impact on the balance sheet are integrated at actual value. Instruments which do not yet have an impact on the balance sheet are not included in the balance sheet, but are stated in the notes. The Orell Füssli Group uses no other derivative financial instruments.

2.11 TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ACCOUNTS RECEIVABLE

Trade accounts receivable and other current accounts receivable are measured at amortised cost less any impairments. Specific charges are made for doubtful accounts receivable, which are measured in terms of expected losses based on empirical values.

An increase of the provision for doubtful accounts receivable will be recognised as other operating expense in the income statement, while any recovery of such provision will result in a decrease of the operational expense accordingly.

2.12 CONSTRUCTION CONTRACTS

Manufacturing contracts are long-term orders with a timeframe of at least three months and a contract volume of at least CHF 500,000, which are usually governed by a contract for work and services. Manufacturing contracts are recognised using the percentage of completion method (PoC). The PoC method measures the stage of completion of the contract activity in percentages; this enables revenue for the reporting period to be determined and recognised as a receivable. Each business unit uses different calculation methods that are based on the completed quantity of a production lot and/or on the portion of the production stages carried out. Expected losses on construction contracts are immediately recognised as an expense.

Advance payments for manufacturing contracts are recorded without any impact on income. If no restitution can be claimed, advance payments are offset against the manufacturing contract for which they have been made.

2.13 INVENTORIES

Inventories include raw materials, auxiliary material and supplies, semi-finished products, finished products and trading goods. Inventories are stated at the lower of cost or net realisable value. Cost is determined on the basis of the weighted average cost calculation. The cost of semi-finished and finished products contains direct production costs including materials and manufacturing costs, as well as overhead costs. The net realisable value is the estimated selling price in the ordinary course of business less the production and distribution costs. For the net realisable value of finished products, the range of coverage analyses is used, and for produced books the year of their publication. Discounts deducted are treated as reductions in costs.

2.14 FINANCIAL ASSETS

Demand and time deposits maturing in more than 90 days with third parties as well as loans are defined as current and non-current financial assets. They are measured at face value less any provisions.

2.15 TANGIBLE ASSETS
Tangible assets comprise machinery, technical installations, moveable property, leasehold improvements, vehicles, IT and systems, property, buildings, investment property and fixed facilities.

Tangible assets are initially measured at cost. Costs include the purchase price of the tangible asset plus directly related costs which occur for bringing the asset to the location and in condition necessary for it to be capable of operating in the manner intended by management.

Tangible assets are subsequently depreciated using the straight-line method over the period of their useful life. Land property is not depreciated. The period of depreciation may be adjusted according to operational necessity. Depreciation begins once the tangible asset is ready for use. The estimated useful lives of each fixed asset category are as follows:

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

in years	Estimated useful lives
Machinery and technical installations	5–10
Buildings	30–40
Fixed facilities in production premises and own properties	30–40
Fixed facilities in commercial premises	12–15
Movable property, leasehold improvements, vehicles	4–10
IT and systems	3–5

Buildings under construction are fixed assets which are not yet finished or not yet operational. They are measured at accumulated costs and are not depreciated.

Replacement investments and improvements of tangible assets are recognised in the balance sheet if additional economic use is likely.

Expenditures for repairs and maintenance of buildings and technical installations are recorded as expenses in the income statement when they occur.

2.16 INTANGIBLE ASSETS
Rights, licences and software are defined as intangible assets. They are measured at cost of acquisition/manufacture less accumulated depreciation and impairment. The cost of acquisition of rights, licences and software comprises the purchase price plus directly attributable costs. Rights, licences and software are amortised using the straight-line method over the contractually agreed duration. Software developed in-house is amortised using the straight-line method over a maximum period of three years.

2.17 GOODWILL
Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets of a company acquired by the Orell Füssli Group on the date of acquisition. Goodwill arising from acquisitions is offset against consolidated shareholders' equity on the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill is disclosed in the notes to the consolidated financial statements. Negative goodwill is recognised directly in shareholders' equity as a capital reserve.

2.18 TRADE ACCOUNTS PAYABLE
Trade accounts payable are recognised at face value.

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

2.20 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, finance lease liabilities and other financial liabilities. Financial liabilities are measured at fair value net of transaction costs incurred, and are subsequently stated at amortised costs.

Financial liabilities are classified as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months.

2.21 LEASES

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

Leases of assets in which substantially all risks and reward incidental to ownership are effectively held and used by the lessor are classified as operating leases. Lease payments under an operating lease are recorded in the income statement on a straight-line basis over the lease term.

2.22 EMPLOYEE BENEFITS

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

The Group's Swiss subsidiaries have a legally independent retirement benefit scheme funded by employer's and employees' contributions. The financial consequences for the Group of pension fund surpluses and deficits as well as changes in any employer's contribution reserves are taken to income as personnel expenses alongside deferred contributions for the period. Any surpluses or deficits are calculated on the basis of the pension fund's provisional annual financial statements under Swiss GAAP FER 26.

Foreign pension plans are of secondary importance. Certain foreign subsidiaries have pension plans without independent assets and include the corresponding pension provision directly in the balance sheet. Pension provisions are calculated according to nationally recognised methods, and changes are taken to income as personnel expenses.

2.23 PROVISIONS

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

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

2.24 SHARE CAPITAL

Ordinary shares are classified as part of the shareholders' equity. The Group applies a policy of treating transactions with minority interests as transactions with treasury shares. Therefore consideration paid for purchases of minority interests as well as consideration received from sales of minority interests are recorded in equity. Any differences between consideration received/paid and minority interests presented in the balance sheet are recorded in equity (economic entity model).

3 RISK MANAGEMENT

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

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

3.2 CURRENCY RISK
The Orell Füssli Group does not engage in business transactions in currencies which are highly volatile or must otherwise be regarded as particularly risky. In the case of substantial orders with a lead time of more than three months, the risk of currency fluctuations is assessed by the Finance Department and if necessary hedged by means of financial instruments.

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

Non-current, interest-bearing borrowings at variable rates expose the group to cash flow interest rate risk, while fixed-rate borrowings represent a fair value interest rate risk.

Management policy is to maintain approximately 80% of its borrowings in fixed-rate instruments. In principle, no interest-rate hedging transactions are entered into.

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

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

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

3.5 LIQUIDITY RISK
The Orell Füssli Group monitors its liquidity risk through prudent liquidity management, pursuing the principle of maintaining a liquidity reserve in excess of daily and monthly requirements for operating funds. This includes holding sufficient reserves of cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to make issues on the market. Rolling liquidity planning is therefore conducted on the basis of expected cash flows and is regularly updated. It has to be borne in mind that different divisions customarily hold higher liquidity reserves at year-end due to the seasonal nature of their business, and these are reduced again in the following quarter. Average liquidity reserves are usually much lower than those held at year-end.

Available liquidity on balance sheet date was as follows:

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF '000 at 31 December	2012	2011
Liquidity reserves	17,724	20,656
Committed credit facilities	71,656	72,299
./. rental guarantees	–3,353	–3,365
./. utilised credit facilities	–27,468	–11,636
Total liquidity reserves and non-utilised credit facilities	58,559	77,954

As well as committed credit facilities on the same order of magnitude in local currencies, sufficient funds should also be available to conduct ordinary business activities in future.

If additional liquidity is required for significant investments in non-current assets and expenditure on future acquisitions, an adjustment of credit facilities may be considered.

3.6 CAPITAL RISK

In managing capital, the Orell Füssli Group seeks in particular to safeguard the group's ability to continue operating as a going concern and to optimise the balance sheet structure having due regard for the cost of capital.

The Orell Füssli Group monitors the capital structure on the basis of the net gearing ratio, i.e. net debt as a proportion of total capital, expressed in percent. Net debt is calculated as the total of interest-bearing liabilities, trade accounts payable, prepayments by customers and other current liabilities, less cash and cash equivalents. Total capital is calculated as shareholders' equity as shown in the consolidated balance sheet, plus net debt.

The net gearing ratio on the relevant balance sheet dates was as follows:

NET GEARING RATIO

in CHF '000 at 31 December	2012	2011
Total financial liabilities	27,636	12,516
+ trade payables	23,292	22,082
+ prepayments from customers	61,567	41,021
+ other current liabilities	5,479	5,806
./. cash and cash equivalents	–17,060	–19,986
Net indebtedness	100,914	61,439
Total equity	167,645	171,881
Total capital	268,559	233,320
Net gearing ratio	38%	26%

4 EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

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

Industrial Systems

Production and marketing of machinery and systems for encoding and personalising any printable products.

Security Printing

Production and marketing of banknotes, security documents, passports and further documents with high and highest security requirements.

Book Retailing

Sale of books and similar products in numerous bookstores in German-speaking Switzerland and on the Internet at www.books.ch.

Other business activities

In 2012 and 2011 this segment consisted primarily of the publishing business.
Unallocated are infrastructure services, costs and revenues on holding level and consolidation effects arising from inter-segmental income.

SEGMENT RESULTS 2012

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	75,008	85,910	109,499	10,669	281,086		281,086
Inter-segment sales	557	–	7	29	593	–593	–
Net revenues from sales to customers	75,565	85,910	109,506	10,698	281,679	–593	281,086
Earnings before interest and taxes (EBIT)	1,872	2,630	2,469	–460	6,511	–2,940	3,571

SEGMENT RESULTS 2011

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	74,588	85,402	113,764	11,712	285,466	–	285,466
Inter-segment sales	1,164	–	4	–15	1,153	–1,153	–
Net revenues from sales to customers	75,752	85,402	113,768	11,697	286,619	–1,153	285,466
Earnings before interest and taxes (EBIT)	–4,935	12,272	–3,456	–513	3,368	–960	2,408

4.2 NET REVENUES FROM SALES AND SERVICES BY COUNTRY AND REGION

Industrial Systems and Security Printing are the two business units whose customer relations exist worldwide without any geographic market specifications. Customers of the Book Retailing and Other Activities business segments are mainly to be found in Switzerland and the neighbouring countries.

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

NET REVENUES FROM SALES TO CUSTOMERS BY REGION

in CHF '000	2012	2011
Switzerland	172,238	170,824
Germany	12,854	12,598
The rest of Europe and Africa	41,340	50,520
North and South America	21,777	11,384
Asia and Oceania	32,877	40,140
Total net revenues from sales to customers by region	281,086	285,466

Total sales are allocated based on the country in which the customer is located.

4.3 OPERATING INCOME

in CHF '000	2012	2011
Sales of goods and products	277,425	282,905
Revenues from license fees	3,661	2,561
Rental income from operating leases	735	619
Gain from sales of non-current assets	98	149
Other income	2,554	2,792
Changes in inventories of semi-finished and finished products	–271	–1,244
Capitalised costs	677	–
Total operating income	284,879	287,782

The "Sales of goods and products" item includes revenues from construction contracts based on PoC of CHF 65,431,000 (2011: CHF 49,472,000).

4.4 PERSONNEL EXPENDITURE

in CHF '000	2012	2011
Wages and salaries	70,648	71,792
Social security costs	6,290	6,652
Pension costs	4,450	4,623
Other personnel expenditure	2,282	5,367
Total personnel expenditure	83,670	88,434

4.5 PENSION FUNDS

The Orell Füssli Foundation has used the new 2010 BVG mortality table since 2011. The actuarial interest rate is 3.0% (2011: 3.0%).

EMPLOYER CONTRIBUTION RESERVES

in CHF '000	Nominal value ECR	Waiver of usage	Adjustments	Additions/ Reversals	Balance sheet	Balance sheet	Result from ECR in personnel expenditure	Result from ECR in personnel expenditure
	31.12.2012	31.12.2012	31.12.2012	2012	31.12.2012	31.12.2011	2012	2011
Pension schemes without funding surplus / deficit (Switzerland)	3,623	–	–	–	3,623	3,623	–	–445

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF '000	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit/obligation Group	Economic benefit/obligation Group	Translation differences with no impact on the income statement	Change to prior year or charged to income statement	Contributions limited to the period	Pension costs in personnel expenditure	Pension costs in personnel expenditure
	31.12.2012	31.12.2012	31.12.2011	2012	31.12.2012	31.12.2012	2012	2011
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	–	2,752	2,833
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,698	1,790
Total	–	–	–	–	–	–	4,450	4,623

4.6 OTHER OPERATING EXPENSES

in CHF '000	2012	2011
Marketing and distribution expenses	13,260	13,847
Operating lease expenses	12,409	14,916
Repairs and maintenance	5,410	5,217
Administration expenses	6,487	7,382
Losses on bad debts	94	253
Losses from sales of fixed assets	23	4
Impairment loss on investments and loan assets	–	203
Impairment gain on investments and loan assets	–	–924
Share of loss applicable to equity method	61	–
Other operating expenses	9,225	8,389
Total other operating expenses	46,969	49,287

4.7 FINANCIAL RESULT

in CHF '000	Expenses	Income	Balance 2012	Expenses	Income	Balance 2011
Interest income and expenses						
Bank borrowings	–1,172	118	–1,054	–542	329	–213
Finance lease liabilities	–91	–	–91	–124	–	–124
Total interest income and expenses	–1,263	118	–1,145	–666	329	–337
Other financial income and expenses						
Dividend income	–	167	167	–	169	169
Income from derivative financial instruments	–	383	383	–	–	–
Net gains (losses) from foreign exchange differences	–1,124	297	–827	–712	477	–235
Bank charges and other finance cost	–269	150	–119	–260	–	–260
Total other financial income and expenses	–1,393	997	–396	–972	646	–326
Total financial result	–2,656	1,115	–1,541	–1,638	975	–663

4.8 INCOME TAX EXPENSES

in CHF '000	2012	2011
Current income tax	2,049	2,958
Deferred income tax	–770	–966
Total income tax expenses	1,279	1,992

4.9 EARNINGS PER SHARE

at 31 December	2012	2011
Net income for the period in CHF '000	–1,014	199
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Earnings per share in CHF	–0.52	0.10

There were no dilution effects either in 2012 or in 2011.

4.10 CASH AND CASH EQUIVALENTS

in CHF '000 at 31 December	2012	2011
Cash in bank accounts and in hand	16,539	19,049
Short-term bank deposits	521	937
Total cash and cash equivalents	17,060	19,986

For purpose of the cash flow statement, the "cash and cash equivalents" item comprised liquid assets. Current account credits were not included in "cash and cash equivalents".

CHF 3,282,000 (2011: CHF 2,461,000) are for investments in the Security Printing Division.

4.11 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

in CHF '000 at 31 December	2012	2011
Marketable securities & bank deposits	664	670
Derivative financial instruments	383	–
Total marketable securities and derivative financial instruments	1,047	670

The derivative financial instruments are foreign currency hedges against future cash flows where the underlying transaction already has an impact on the balance sheet.

On balance sheet date open forward exchange contracts also exist to hedge future cash flows which are not yet reflected in the balance sheet. These result in a current value of CHF 814,000 (2011: CHF –420,000) which does not appear in the balance sheet.

Foreign currencies with a total value of CHF 20,620,000 (2011: CHF 15,772,000) were hedged.

4.12 TRADE ACCOUNTS RECEIVABLE

in CHF '000 at 31 December	2012	2011
Trade accounts receivable gross	32,676	26,658
./. provisions for doubtful trade accounts receivable	–1,031	–1,716
Total trade accounts receivable net	31,645	24,942

Provisions for doubtful trade accounts receivable are based not only on decisions by individual judgment taking into account the different customer structure in each division, but also on updated information about past experience. The loss was included in the income statement as "other operating expenses".

PROVISION FOR DOUBTFUL TRADE ACCOUNTS RECEIVABLE

in CHF '000	2012	2011
At 1 January	–1,716	–1,822
Increase in provisions for doubtful trade accounts receivable	–295	–632
Utilisation of provisions	145	332
Reversal of provisions	821	380
Exchange differences	14	26
At 31 December	–1,031	–1,716

In the 2012 financial year no subsidiaries of the Group forfeited receivables (2011: CHF 948,000).

4.13 OTHER RECEIVABLES

in CHF '000 at 31 December	2012	2011
Construction contracts gross	89,359	49,565
./. deductible customer advances received	–31,927	–14,014
Total construction contracts net	57,432	35,551
Prepayments to suppliers	3,455	3,578
Current financial assets	573	338
Other receivables	4,596	6,181
Total other receivables	66,056	45,648

4.14 INVENTORIES

in CHF '000 at 31 December	2012	2011
Raw materials, auxiliary materials and supplies	26,240	27,196
Semi-finished and finished products	17,309	16,836
Trading goods	16,739	18,695
Work-in-progress	737	719
Total inventories gross	61,025	63,446
./. allowance on inventories	–12,985	–13,320
Total inventories net	48,040	50,126

4.15 TANGIBLE ASSETS IN 2012

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and technical installations	Other tangible assets	Assets under construction	Total 2012
Cost at 1 January	94,905	365	306	112,389	43,826	339	252,130
Additions	136	–	–	2,531	2,287	721	5,675
Disposals	–6,123	–	–	–1,415	–3,293	–19	–10,850
Reclassification	8,386	–	–	146	–8,466	–996	–930
Exchange differences	–180	–3	5	–44	–108	–3	–333
Cost at 31 December	97,124	362	311	113,607	34,246	42	245,692
Accumulated depreciation and impairment at 1 January	–58,826	–	–266	–73,342	–30,193	–	–162,627
Depreciation on disposals	6,123	–	–	1,330	2,677	–	10,130
Depreciation	–3,782	–	–15	–5,877	–2,820	–	–12,494
Impairment	–51	–	–	–	–71	–	–122
Reclassification	–4,584	–	–	–27	5,752	–	1,141
Exchange differences	106	–	–4	29	90	–	221
Accumulated depreciation and impairment at 31 December	–61,014	–	–285	–77,887	–24,565	–	–163,751
Net book value at 1 January	36,079	365	40	39,047	13,633	339	89,503
Net book value at 31 December	36,110	362	26	35,720	9,681	42	81,941
Net book value of tangible assets under finance lease	2,682	–	–	–	–	–	2,682

TANGIBLE ASSETS IN 2011

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and technical installations	Other tangible assets	Assets under construction	Total 2011
Cost at 1 January	96,084	374	307	114,576	39,149	1,503	251,993
Additions	213	–	–	1,627	1,031	4,512	7,383
Disposals	–675	–	–	–2,031	–1,865	–84	–4,655
Reclassification	–394	–	–	–1,612	5,849	–5,589	–1,746
Exchange differences	–323	–9	–1	–171	–338	–3	–845
Cost at 31 December	94,905	365	306	112,389	43,826	339	252,130
Accumulated depreciation and impairment at 1 January	–57,100	–	–252	–69,751	–25,110	–	–152,213
Depreciation on disposals	911	–	–	1,666	1,005	57	3,639
Depreciation	–3,614	–	–15	–6,628	–4,028	–	–14,285
Impairment	91	–	–	–12	–1,768	–57	–1,746
Reclassification	747	–	–	1,260	–567	–	1,440
Exchange differences	139	–	1	123	275	–	538
Accumulated depreciation and impairment at 31 December	–58,826	–	–266	–73,342	–30,193	–	–162,627
Net book value at 1 January	38,984	374	55	44,825	14,039	1,503	99,780
Net book value at 31 December	36,079	365	40	39,047	13,633	339	89,503
Net book value of tangible assets under finance lease	2,804	–	–	–	–	–	2,804

4.16 INTANGIBLE ASSETS IN 2012

in CHF '000	Software and developments	Rights and licenses	Other intangible assets	Total 2012
Cost at 1 January	9,567	449	1,434	11,450
Additions	67	–	2,901	2,968
Disposals	–1,486	–	–	–1,486
Reclassification	4,155	–	–3,178	977
Exchange differences	–27	–1	–7	–35
Cost at 31 December	12,276	448	1,150	13,874
Accumulated depreciation and impairment at 1 January	–6,156	–370	–696	–7,222
Depreciation on disposals	1,484	–	–	1,484
Depreciation	–2,066	–48	–	–2,114
Impairment	–488	–	–	–488
Reclassification	–1,201	–	13	–1,188
Exchange differences	19	–	7	26
Accumulated depreciation and impairment at 31 December	–8,408	–418	–676	–9,502
Net book value at 1 January	3,411	79	738	4,228
Net book value at 31 December	3,868	30	474	4,372

INTANGIBLE ASSETS IN 2011

in CHF '000	Software and developments	Rights and licenses	Other intangible assets	Total 2011
Cost at 1 January	5,753	455	2,470	8,678
Additions	821	–	834	1,655
Disposals	–521	–	–	–521
Reclassification	3,597	–	–1,851	1,746
Exchange differences	–83	–6	–19	–108
Cost at 31 December	9,567	449	1,434	11,450
Accumulated depreciation and impairment at 1 January	–3,992	–322	–710	–5,024
Depreciation on disposals	523	–	–	523
Depreciation	–1,300	–53	–3	–1,356
Impairment	–2	–	–	–2
Reclassification	–1,440	–	–	–1,440
Exchange differences	55	5	17	77
Accumulated depreciation and impairment at 31 December	–6,156	–370	–696	–7,222
Net book value at 1 January	1,761	133	1,760	3,654
Net book value at 31 December	3,411	79	738	4,228

4.17 FURTHER DETAILS OF TANGIBLE AND INTANGIBLE ASSETS

The following changes occurred in insurance values and commitments to purchase tangible assets:

FURTHER DETAILS OF TANGIBLE ASSETS

in CHF '000 at 31 December	2012	2011
Insurance value	287,263	295,561
Commitments for purchases of property, plant and other equipment	182	1,640

The assets were examined for any evidence of impairment on balance sheet date and necessary provisions were made. In the 2011 financial year impairments to other tangible assets related to interior fittings and furnishings of outlets already closed or earmarked for closure.

In the 2012 financial year no bank borrowings were secured on land and buildings (2011 CHF 71,000). Lease rentals amounted to CHF 11,581,000 (2011: CHF 14,077,000), while CHF 828,000 (2011: CHF 839,000) were related to other leased tangible assets.

4.18 INVESTMENTS

At 31 December the Orell Füssli Group held the following investments:

INVESTMENTS

in CHF '000 at 31 December	2012	2011
Photoglob Ltd (34 %)	280	343
Bider & Tanner Ltd (25 %)	1,200	1,200
Orell Füssli Kartographie Ltd (24 %)	150	150
Total investments in associates	1,630	1,693
Participation in cooperative Schweizer Buchzentrum	2,110	2,110
Other investments	1,030	1,034
Total investments	4,770	4,837

4.19 OTHER NON-CURRENT FINANCIAL ASSETS

in CHF '000 at 31 December	2012	2011
Loan assets	1,133	1,300
Pension fund assets	3,623	3,623
Other non-current financial assets	1,057	1,002
Total other non-current financial assets	5,813	5,925

4.20 OTHER CURRENT LIABILITIES

in CHF '000 at 31 December	2012	2011
Prepayments from customers on construction contracts gross	33,129	17,932
./. deductible customer advances received	–31,927	–14,014
Prepayments from customers on construction contracts net	1,202	3,918
Prepayments from customers	28,439	23,089
Liabilities to employees	1,684	1,829
VAT and similar taxes payable	451	501
Dividends payable	430	4
Other current payables	2,914	3,472
Total other current liabilities	35,120	32,813

4.21 FINANCIAL LIABILITIES

The book values of financial liabilities have the following maturities:

MATURITIES OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2012	From borrowings	Liabilities from finance lease	Total 2011
Current financial liabilities	26,273	277	26,550	10,885	260	11,145
Non-current financial liabilities	100	986	1,086	100	1,271	1,371
Total financial liabilities	26,373	1,263	27,636	10,985	1,531	12,516

Interest expenditure on finance lease liabilities amounted to CHF 91,000 (2011: CHF 124,000).

No secured liabilities are included in financial liabilities in 2012 or 2011. Finance lease liabilities are secured effectively as the rights to the leased asset revert to the lessor in the event of a breach of contract.

4.22 PROVISIONS

Provisions are included for restructuring, warranties, outstanding commissions and unfinished projects. Restructuring provisions made in 2011 to reduce fixed costs at Atlantic Zeiser GmbH were not required in full. The remaining provisions were released and posted to net income. Further provisions were made for current and planned adjustments to the branch network of Orell Füssli Buchhandlungs Ltd.

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

Other provisions include contractual long-service payments and the cost of closing IT platforms.

No provision was made for legal claims either in 2012 or 2011.

MOVEMENT IN PROVISIONS 2012

in CHF '000	Provisions for restructuring	Warranty provisions	Other provisions	Total 2012
At 1 January	4,482	554	643	5,679
Additions (charged to income statement)	600	529	592	1,721
Reversals (charged to income statement)	–465	–294	–151	–910
Utilisation during the year	–2,563	–255	–206	–3,024
Exchange differences	–21	–5	–2	–28
At 31 December	2,033	529	876	3,438
Provisions maturing within 12 months	2,029	529	540	3,098
Provisions maturing over 1 year	4	–	336	340

MOVEMENT IN PROVISIONS 2011

in CHF '000	Provisions for restructuring	Warranty provisions	Other provisions	Total 2011
At 1 January	18	401	706	1,125
Additions (charged to income statement)	4,499	562	–	5,061
Reversals (charged to income statement)	–4	–53	–60	–117
Utilisation during the year	–	–343	–	–343
Exchange differences	–31	–13	–3	–47
At 31 December	4,482	554	643	5,679
Provisions maturing within 12 months	3,164	554	261	3,979
Provisions maturing over 1 year	1,318	–	382	1,700

4.23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities were as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

in CHF '000	Deferred tax assets	Deferred tax liabilities	Balance 2012	Deferred tax assets	Deferred tax liabilities	Balance 2011
At 1 January	4,655	–2,988	1,667	4,216	–3,438	778
Charges to income statement	6	764	770	536	430	966
Exchange differences	–40	15	–25	–97	20	–77
At 31 December	4,621	–2,209	2,412	4,655	–2,988	1,667

Deferred taxes are calculated at the effective applicable rate for each company. This results in an average, weighted group tax rate of 24.4% (2011: 24.5%) on balance sheet date. Deferred taxes include capitalised losses carried forward in the amount of CHF 4,273,000 (2011: CHF 4,857,000). Income tax assets arising from tax loss carry-forwards are recognised to the extent that the realisation of the related tax benefits through future taxable profits is likely. The Orell Füssli Group has not recognised deferred income tax assets of CHF 2,769,000 (2011: CHF 2,396,000). The unutilised tax loss carry-forwards amounting to CHF 9,988,000 (2011: CHF 8,558,000), arising mainly at Atlantic Zeiser GmbH, can be carried forward and offset against future taxable income.

4.24 DIVIDEND PER SHARE

The dividends paid in 2012 and 2011 amounted to CHF 3,920,000 (CHF 2.00 per share) and CHF 4,900,000 (CHF 2.50 per share) respectively.

It will be proposed to the shareholders at the Annual General Meeting to be held on 7 May 2013 that no dividend be paid in respect of the year ended 31 December 2012.

4.25 GOODWILL FROM ACQUISITIONS

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

THEORETICAL STATEMENT OF GOODWILL

in CHF '000	2012	2011
Cost at 1 January	5,245	5,110
Additions in scope of consolidation (acquisitions)	–	135
Cost at 31 December	5,245	5,245
Accumulated amortisation at 1 January	–2,058	–1,022
Depreciation and impairment	–1,049	–1,036
Accumulated amortisation at 31 December	–3,107	–2,058
Theoretical net book value at 1 January	3,187	4,088
Theoretical net book value at 31 December	2,138	3,187

A theoretical linear amortisation period of five years is usually applied. Goodwill items are converted into Swiss francs at a fixed rate on the date of acquisition in the above theoretical statement of assets. No currency adjustments in the statement of assets arise from this approach.

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF '000	2012	2011
Earnings before interest and taxes (EBIT) according to consolidated income statement	3,571	2,408
Goodwill amortisation	–1,049	–1,036
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	2,522	1,372
Net income for the period after minority interests	–1,014	199
Goodwill amortisation	–1,049	–1,036
Net income for the period after minority interests including goodwill amortisation	–2,063	–837

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

in CHF '000 at 31 December	2012	2011
Equity before minority interests according to the consolidated balance sheet	151,202	156,479
Theoretical capitalisation of goodwill (net book value)	2,138	3,187
Theoretical equity before minority interests including goodwill (net book value)	153,340	159,666

4.26 CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

The rental guarantees are valid for the next two to six years and include renewal options.

CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

in CHF '000 at 31 December	2012	2011
Advance payment guarantees	5,379	2,823
Rental guarantees	3,353	3,365
Bank guarantees	440	440
Liability for purchase of 25.1 % minority interests in SOFHA GmbH	1,208	1,217
Total contingencies and other off-balance sheet liabilities	10,380	7,845

4.27 PAYABLES FROM OPERATING LEASE CONTRACTS

The Orell Füssli Group rents property, machinery and fixed assets by means of operational leases. Some lease contracts are non-cancellable; others have an option for cancellation of usually less than one year.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

MATURITIES OF FUTURE AGGREGATE MINIMUM LEASE PAYMENTS

in CHF '000 at 31 December	2012	2011
No later than 1 year	11,647	11,838
Later than 1 year and no later than 5 years	37,851	39,904
Later than 5 years	18,667	29,140
Total future aggregate minimum lease payments	68,165	80,882

4.28 CHANGES IN SCOPE OF CONSOLIDATION

Orell Füssli Banknote Engineering Ltd: Orell Füssli Holding Ltd acquired the remaining 50% of Orell Füssli Banknote Engineering Ltd, Zurich, from the previous owners at the beginning of July 2011.

The acquisition balance sheet is shown below:

ACQUISITION BALANCE SHEET OF 50% OF ORELL FÜSSLI BANKNOTE ENGINEERING LTD, ZURICH

in CHF '000 at 1 July 2011	Fair value
Cash and cash equivalents	123
Receivables	5
Deferred tax assets	17
Liabilities	–14
Accrued expenses and deferred income	–1
Net assets	130
Goodwill	270
Anticipated purchase price for 100 %	400
Already owned by the Group 50 %	–200
Effective purchase price for 50 %	200
Goodwill for 50 %	135

4.29 RELATED PARTY TRANSACTIONS

All transactions with related parties are included in the consolidated annual financial statements for 2012 and 2011.

RELATED PARTY TRANSACTIONS

in CHF '000	with associated entities	with shareholers	with other related parties	Total 2012	with associated entities	with shareholers	with other related parties	Total 2011
Net revenues from sales	209	33,600	–	33,809	–	28,290	–	28,290
Other operating income	62	–	–	62	288	–	–	288
Financial income	87	–	–	87	35	–	–	35
Cost of materials	14	–	6,710	6,724	5	–	5,950	5,955
Other operating expenses	–	–	160	160	–	–	160	160

in CHF '000 at 31 December	with associated entities	with shareholers	with other related parties	Total 2012	with associated entities	with shareholers	with other related parties	Total 2011
Trade accounts receivable	54	1,044	–	1,098	–	–	–	–
Other receivables	75	32,979	–	33,054	56	2,619	318	2,993
Financial assets	717	–	–	717	–	–	–	–
Trade payables			829	829				
Other liabilities	22,041	–	–	22,041	–	–	922	922

In 2012 as in prior years, the Orell Füssli Group continued to sell books and publishing products to related parties and to employees at favourable rates.

A full list of all group and associated companies is shown in section 8: "Companies of the Orell Füssli Group".

4.30 BOARD AND EXECUIVES COMPENSATIONS

The Orell Füssli Group assigned salaries and other current compensations to the Board of Directors and Executive Board of the Group in the amount of CHF 2,357,000 (2011: CHF 2,691,000) for the financial year 2012. The social insurance contribution amounted to CHF 296,000 (2011: CHF 322,000).

For the disclosures of the remunerations to the Board of Directors and Executive Board of the Group in connection with the transparency law reference is made to note 7.12 of the financial report of Orell Füssli Holding Ltd.

4.31 EVENTS AFTER THE BALANCE SHEET DATE

Orell Füssli Holding Ltd acquired Verlag Fuchs AG in Rothenburg on 20 February 2013, thus reinforcing the textbook segment of the publishing business. This acquisition took effect retrospectively on 1 January 2013. Annual sales of some CHF 1,500,000 are expected. The purchase price was on the order of one year's sales revenues.

In response to the massive upheaval in the book trade, Orell Füssli Holding Ltd and Thalia Holding GmbH, a subsidiary of Douglas Holding AG, plan to merge their respective book retailing companies in Switzerland. The book retailing activities of Orell Füssli Book Retailing Ltd and Thalia Bücher AG are to be combined into a new company in which each partner will hold a 50% interest.

No other events occurred between the balance sheet date and 11 March 2013, when the Board of Directors approved the consolidated financial statements, that add more information to any item in the consolidated financial statements, that could call into question the status of the Group as a going concern or that are otherwise of a material nature.

5 REPORT OF THE GROUP AUDITORS

To the general meeting of Orell Füssli Holding Ltd
As statutory auditor, we have audited the consolidated financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 10 to 32), for the year ended 31 December 2012.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and the fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditors 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 paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers Ltd

Christian Kessler	**Thomas Wallmer**
Audit expert	Audit expert
Auditor in charge	

Zurich, 12 March 2013

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

in CHF '000	NOTES	2012	2011
Income from investments	7.1	5,100	9,020
Other operating income		1,816	2,188
Total operating income		6,916	11,208
Personnel expenditure		–1,952	–1,670
Other operating expenses		–1,299	–1,757
Earnings before interest and taxes		3,665	7,781
Financial income		4,015	6,541
Financial expenses		–1,518	–3,269
Financial result	7.2	2,497	3,272
Net operating income before extraordinary income and expenses		6,162	11,053
Extraordinary income	7.3	1	332
Extraordinary expenses	7.4	–2,214	–3,338
Earning before taxes (EBT)		3,949	8,047
Income tax expenses	7.5	–4	190
Net income for the period	7.6	3,945	8,237

6.2 BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2012	2011
Assets			
Cash and cash equivalents		176	667
Receivables from affiliated and associated entities	7.7	82,126	58,707
Other receivables		794	96
Total current assets		83,096	59,470
Operating assets		57	45
Investments in affialiated and associated entities	7.8	27,181	28,241
Loans to affiliated and associated entities	7.7	57,950	56,642
Total non-current assets		85,188	84,928
Total assets		168,284	144,398
Liabilities			
Trade payables		23	84
Payables to affiliated and associated entities	7.9	21,140	13,632
Current provisions		5	5
Other current liabilities		16,967	548
Total current liabilities		38,135	14,269
Provisions for restructuring		134	139
Total non-current liabilities		134	139
Share capital		1,960	1,960
Legal reserves		11,140	11,140
Unrestricted reserves	7.10	112,970	108,653
Retained earnings:			
Net income for the period		3,945	8,237
Total equity		130,015	129,990
Total liabilities		168,284	144,398

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 INCOME FROM INVESTMENTS
Income from investments relates to distributions by a subsidiary from retained earnings at 31 December 2012. The relevant annual general meeting has already approved these dividend payments.

7.2 FINANCIAL RESULT
In 2011 Orell Füssli Holding Ltd accounted for an exceptionally high adjustment of CHF 639,000 on euro-denominated loans due to the steep decline in the euro exchange rate. A further adjustment of CHF 199,000 was necessary in the 2012 financial year. Orell Füssli Holding Ltd states currency fluctuations in gross figures.

7.3 EXTRAORDINARY INCOME
The outcome for the 2011 financial year arose from the release of provisions dating from 2007 which are no longer necessary.

7.4 EXTRAORDINARY EXPENSES
In 2012 this item includes CHF 1,000,000 arising from the value adjustment to the investment in Orell Füssli Verlag Ltd and CHF 60,000 from that in Photoglob Ltd. A value adjustment of CHF 1,000,000 was made on the loan to Orell Füssli Services Ltd. CHF 3,043,000 arising from the value adjustment on the loan to Atlantic Zeiser GmbH and a CHF 150,000 goodwill write-down on the 100% acquisition of Orell Füssli Banknote Engineering Ltd. were included in 2011.

Payments of CHF 149,000 (prior year CHF 145,000) were also made to pensioners of the Orell Füssli Group and other donations disbursed.

7.5 INCOME TAX EXPENSES
Income tax is calculated on ordinary net income less income from investments.

7.6 NET INCOME FOR THE PERIOD
Reduced dividends and value adjustments to loans had a significant impact on the outcome in the 2012 financial year. In the previous year adjustments to Atlantic Zeiser loans had a negative impact.

7.7 RECEIVABLES FROM AND LOANS TO CONSOLIDATED AND ASSOCIATED ENTITIES
Orell Füssli Holding Ltd provides necessary financial resources for its subsidiaries and other associated companies in the form of loans or short-term overdraft facilities. Due to delays in the production of Orell Füssli Security Printing more funds are needed temporarily.

7.8 INVESTMENTS IN CONSOLIDATED AND ASSOCIATED ENTITIES
The changes are due to adjustments of Orell Füssli Verlag Ltd CHF 1,000,000 and CHF 60,000 at Photoglob Ltd.

7.9 PAYABLES TO CONSOLIDATED AND ASSOCIATED ENTITIES
Christmas sales generate exceptionally high levels of cash and cash equivalents in book retailing. These funds are placed at the disposal of Orell Füssli Holding Ltd in the form of short-term loans.

7.10 UNRESTRICTED RESERVES
The unrestricted reserves and retained earnings from the previous year are aggregated in accordance with the resolution adopted by the Annual General Meeting held on 11 May 2005.

UNRESTRICTED RESERVES

in CHF '000	2012	2011
Opening balance at 1 January	108,653	105,179
./. dividends paid	–3,920	–4,900
+ retained earnings from previous period	8,237	8,374
Closing balance at 31 December	112,970	108,653

7.11 RISK ASSESSMENT

The Board of Directors and the Executive Board of the Orell Füssli Group are responsible for establishing and maintaining adequate controls for financial reporting. The Board of Directors of Orell Füssli Holding Ltd is fully integrated into the risk assessment process. Processes are in place to ensure that risks are identified at an early stage and action can be taken to mitigate risks. Risk assessment is conducted within the framework of the group's management structure.

Risk management at the Orell Füssli Group is performed by the ICS officers of the divisions under the supervision of ICS officer. Risks are systematically entered in a risk register and categorised in accordance with the recommendations of the COSO report. The divisions and Executive Management are primarily responsible for risk assessment and management. The central functions of the Orell Füssli Group are responsible for providing systematic basic principles, training, coordination and monitoring. The internal control officer regularly reports to the Board of Directors of Orell Füssli Holding Ltd and the Audit Committee on the nature, extent and assessment of the risks and the action taken.

7.12 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Basic principles

The remuneration stated relates to payments made in the period under review. The tables below therefore contain in full all entitlements to remuneration in respect of the 2012 financial year. Provisions are made in the relevant financial year for all remuneration as yet unpaid, even if this is not disbursed until the following year.

The Orell Füssli Group made no payments other than those listed in the tables below to current or former members of the Board of Directors, the Executive Board or related parties, nor did it waive any claims on these parties.

Share ownership

On balance sheet date, 200 shares were held by Nick Huber and 300 shares were held by Gonpo Tsering and 200 shares by Dieter Widmer, all members of the Board of Directors, and 265 shares were held by Michel Kunz and 80 shares by Dr. Anton Gasteiger, both members of the Executive Board. Directors Dr. Hans Kuhn and Dewet Moser are officers of the Swiss National Bank (SNB), which holds 653,460 shares of Orell Füssli Holding Ltd.

Remuneration of members of the Board of Directors and members of the Executive Board

Compensation for the Chairman applies to a calendar year and for the other members applies to a period of office.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2012

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2012
	in cash	in cash	Special allowances	Social security and pension costs	
Dr. Klaus Oesch, Chairman until 10 May 2012	75,375	–	–	5,435	80,810
Heinrich Fischer, Chairman from 10 May 2012	100,000	–	–	7,940	107,940
Dr. Hans Kuhn, Deputy Chairman Compensation Committee (Chairman)	20,000	3,000	2,200	1,899	27,099
Nick Huber Compensation Committee (Member)	20,000	2,000	200	1,673	23,873
Dewet Moser Audit Committee (Member)	20,000	4,000	200	1,824	26,024
Gonpo Tsering Audit Committee (Member)	20,000	4,000	1,200	1,899	27,099
Andreas S. Wetter Compensation Committee (Member)	20,000	2,000	2,600	1,854	26,454
Dieter Widmer Audit Committee (Chairman)	20,000	6,000	11,200	2,804	40,004
Total	295,375	21,000	17,600	25,328	359,303

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2011

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2011
	in cash	in cash	Special allowances	Social security and pension costs	
Dr. Klaus Oesch, Chairman	201,000	–	–	14,897	215,897
Dr. Hans Kuhn, Deputy Chairman Compensation Committee (Chairman)	20,000	14,000	3,500	2,850	40,350
Nick Huber Compensation Committee (Member)	20,000	14,000	1,500	2,698	38,198
Dewet Moser Audit Committee (Member)	20,000	14,000	–	2,584	36,584
Gonpo Tsering Audit Committee (Member)	20,000	16,000	2,500	2,926	41,426
Andreas S. Wetter Compensation Committee (Member)	20,000	14,000	4,000	2,888	40,888
Dieter Widmer Audit Committee (Chairman)	20,000	16,000	3,500	3,002	42,502
Total	321,000	88,000	15,000	31,845	455,845

CHF 7,545 was paid to Dieter Widmer's Valeth company in the 2011 financial year for consultancy services on the change in accounting policies.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2012

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2012
	in cash	in cash	Special allowances	Social security and pension costs	
Michel Kunz CEO Orell Füssli Group	362,004	49,400	10,456	63,562	485,422
Other members of the Executive [1]	1,329,169	235,812	36,214	207,572	1,808,767
Total	1,691,173	285,212	46,670	271,134	2,294,189

[1] The Executive Board of Orell Füssli Holding consisted of seven members in 2012. Manfred Minich became a member of the Executive Board as CEO of the Atlantic Zeiser Group in May 2012. Thomas Obitz, CFO of the Atlantic Zeiser Group, was a member of the Executive Board ad interim until 30 April 2012.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2011

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2011
	in cash	in cash	Special allowances	Social security and pension costs	
Michel Kunz CEO Orell Füssli Group	362,004	49,400	10,261	63,562	485,227
Other members of the Executive [1]	1,436,729	345,190	63,120	226,426	2,071,465
Total	1,798,733	394,590	73,381	289,988	2,556,692

[1] The position of Head of Human Resources was re-filled by the appointment of Peter Crottogini with effect from 1 January 2011. In the course of the reorganisation, Hans Rudolf Andrist moved to Orell Füssli Security Printing Ltd with effect from 30 June 2011, and thus ceased to be a member of the Executive Board of Orell Füssli Ltd. However, he is continuing to perform the duties of Security Officer of the Group as a whole. Oliver Mehler resigned as CEO of the Atlantic Zeiser Group and as a member of the Executive Board of the Orell Füssli Group with effect from 31 July 2011. The above figures include compensation for Oliver Mehler until January 2012. Total compensation from 31 July 2011, until 31 January 2012, amounted to CHF 230,975, including holiday entitlement, bonus and severance payment.

7.13 MAJOR SHAREHOLDERS

at 31 December 2012	Total registered shares	Participation in %
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Buenos Aires (AR)	274,226	13.99%
Fam. Siegert, Meerbusch (D)	168,000	8.57%
Sarasin Investmentfonds Ltd, Basle (CH)	139,800	7.13%

7.14 FURTHER INFORMATION

in CHF '000 at 31 December	2012	2011
Contingent liabilities in favour of third parties	9,172	6,628

Orell Füssli held none of its own shares on 31 December 2012.

No further disclosures are required under Art. 663b of the Swiss Code of Obligations.

7.15 PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

The board of director proposes not to pay a dividend to the Annual General Meeting on 7 May 2013:

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000	2012
Unrestricted reserves	112,970
Net income for the year 2012	3,945
Earnings available for appropriation	116,915
Dividend per share of CHF 0.00	–
Total unrestricted reserves	116,915

8 COMPANIES OF THE ORELL FÜSSLI GROUP

SIGNIFICANT INVESTMENTS

			Nominal capital	% of capital held [1]	
	City, Country	Currency	in 1000	direct	indirect [2]
Affiliated companies for which full consolidation treatment applies					
Orell Füssli Security Printing Ltd	Zurich, CH	CHF	10,000	100	
Orell Füssli Technology Ltd	Zug, CH	CHF	50	100	
Orell Füssli Banknote Engineering Ltd	Zurich, CH	CHF	100	100	
Orell Füssli Buchhandlungs Ltd	Zurich, CH	CHF	5,000	51	
Storyworld GmbH [3]	Emmingen, D	EUR	25		100
Orell Füssli Verlag Ltd	Zurich, CH	CHF	1,000	100	
Orell Füssli Dienstleistungs Ltd	Zurich, CH	CHF	500	100	
Atlantic Zeiser GmbH	Emmingen, D	EUR	869	100	
Atlantic Zeiser Inc. [4]	West Caldwell, USA	USD	0		100
Atlantic Zeiser (M) SDN BHD [4]	Kuala Lumpur, MAL	MYR	100		100
Atlantic Zeiser Ltd [4]	Andover, UK	GBP	0		100
Atlantic Zeiser SAS [4]	Créteil Cedex, F	EUR	38		100
Atlantic Zeiser SA [4]	Madrid, E	EUR	60		100
Atlantic Zeiser SRL [4]	Milano, I	EUR	100		100
SOFHA GmbH [4]	Berlin, D	EUR	281		75
Tritron GmbH [4]	Battenberg, D	EUR	200		51
Associated companies for which equity consolidation treatment applies					
Photoglob Ltd	Zurich, CH	CHF	1,000	34	
Orell Füssli Kartographie Ltd	Zurich, CH	CHF	210	24	
Bider & Tanner Ltd [3]	Basle, CH	CHF	100		25
Other interests					
Schweizer Buchzentrum [3]	Hägendorf, CH	CHF	13,230		17

[1] Capital held and voting rights in % are identical except the participation in the cooperative Schweizer Buchzentrum.
[2] Capital participation of the particular mother company.
[3] Held through Orell Füssli Buchhandlungs Ltd.
[4] Held through Atlantic Zeiser GmbH

9 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

To the general meeting of Orell Füssli Holding Ltd, Zurich
As statutory auditor, we have audited the financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet and notes (pages 34 to 40), for the year ended 31 December 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

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 paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instruction of the Board of Directors.

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

PricewaterhouseCoopers Ltd

Christian Kessler	**Thomas Wallmer**
Audit expert	Audit expert
Auditor in charge	

Zurich, 12 March 2013