Financial Report
2014

CONTENTS

1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

in CHF '000	NOTES	2014	2013
Net revenue from sales to customers	4.1 / 4.2 / 4.3	288,127	272,181
Other operating income	4.3	6,268	4,351
Changes in inventories of semi-finished and finished products, capitalised costs	4.3	–5,282	5,573
Total operating income	4.3	289,113	282,105
Cost of materials		–124,517	–120,061
External production costs		–11,882	–15,264
Personnel expenditure	4.4 / 4.5	–88,374	–89,581
Other operating expenses	4.6	–43,113	–62,803
Depreciation and impairment on tangible assets	4.15	–15,166	–13,383
Depreciation and impairment on intangible assets	4.16	–2,021	–1,760
Earnings before interest and taxes (EBIT)	4.1	4,040	–20,747
Financial income		826	1,884
Financial expenses		–1,319	–2,073
Financial result	4.7	–493	–189
Earnings before income taxes (EBT)		3,547	–20,936
Income tax expenses	4.8	–1,890	3,893
Net income for the period		1,657	–17,043
Attributable to the shareholders of Orell Füssli Holding Ltd		–527	–18,226
Attributable to minority interests		2,184	1,183

in CHF	NOTES	2014	2013
Loss per share	4.9	–0.27	–9.30

The disclosures on pages 14 to 34 form an integral part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2014	2013
Assets			
Cash and cash equivalents	4.10	60,377	27,202
Marketable securities & derivative financial instruments	4.11	365	676
Trade accounts receivable	4.12	30,766	32,469
Other receivables	4.13	21,024	41,156
Inventories	4.14	40,282	50,943
Current income tax receivables		1,185	1,360
Accrued income and deferred expenses		1,732	4,484
Total current assets		155,731	158,290
Tangible assets	4.15 / 4.17	81,629	81,025
Intangible assets	4.16	2,579	4,058
Participations	4.18	1,457	3,482
Deferred tax assets	4.23	9,211	9,675
Other non-current financial assets	4.19	5,624	5,545
Total non-current assets		100,500	103,785
Total assets		256,231	262,075
Liabilities and equity			
Trade payables		15,609	21,322
Other current liabilities	4.20	60,391	52,099
Current income tax liabilities		1,400	1,192
Accrued expenses and deferred income		13,239	12,090
Current financial liabilities	4.21	8,720	11,749
Current provisions	4.22	5,573	12,871
Total current liabilities		104,932	111,323
Non-current financial liabilities	4.21	2,561	2,550
Pension fund liabilities		425	369
Non-current provisions	4.22	959	1,819
Deferred tax liabilities	4.23	1,508	1,694
Total non-current liabilities		5,453	6,432
Share capital		1,960	1,960
Capital reserves		4,160	4,160
Retained earnings		139,190	139,717
Translation differences		–13,587	–14,166
Total equity before minority interests		131,723	131,671
Minority interests		14,123	12,649
Total equity		145,846	144,320
Total liabilities and equity		256,231	262,075

The disclosures on pages 14 to 34 form an integral part of the financial report.

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF '000	NOTES	2014	2013
Net income for the period		1,657	–17,043
Depreciation		15,081	14,672
Impairment and amortisation		2,107	1,027
Share of loss on equity-accounted investments		–	100
Other non-cash related income and expenses		–152	–2,234
Change in trade accounts receivable		1,599	–589
Change in inventories		10,775	796
Change in other receivables		20,232	30,630
Change in trade payables		–5,651	–2,116
Change in other liabilities		8,509	10,326
Change in accruals net		3,902	711
Change in provisions and deferred income tax		–7,836	5,720
Cash flow from operating activities		50,223	42,000
Purchase of tangible assets		–16,062	–10,460
Proceeds from disposals of tangible assets		300	307
Purchase of intangible assets		–549	–1,233
Purchase of Verlag Fuchs Ltd	4.28	–	–1,670
Net increase from change in scope of consolidation	4.28	–	3,576
Purchase of other participations	4.18	–100	–
Proceeds from disposals of other participations	4.18	2,569	645
Purchase of other non-current assets		–126	–199
Proceeds from disposals of other non-current assets		30	243
Proceeds from other investmenst		301	–
Cash flow from investing activities		–13,637	–8,791
Increase of financial liabilities		138	66
Repayment of financial liabilities		–2,976	–18,127
Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, SOFHA GmbH, Tritron GmbH)		–666	–4,993
Cash flow from financing activities		–3,504	–23,054
Translation effects		93	–13
Increase in cash and cash equivalents		33,175	10,142
Cash and cash equivalents at 1 January		27,202	17,060
Cash and cash equivalents at 31 December		60,377	27,202

The disclosures on pages 14 to 34 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 2013	1,960	4,160	159,352	−14,270	151,202	16,443	167,645
Dividends paid	–	–	–	–	–	−4,993	−4,993
Offsetting goodwill against equity	–	–	−1,409	–	−1,409	–	−1,409
Currency translation effects	–	–	–	104	104	16	120
Net income for the period	–	–	−18,226	–	−18,226	1,183	−17,043
Total equity at 31 December 2013	1,960	4,160	139,717	−14,166	131,671	12,649	144,320
Equity at 1 January 2014	1,960	4,160	139,717	−14,166	131,671	12,649	144,320
Dividends paid	–	–	–	–	–	−666	−666
Currency translation effects	–	–	–	579	579	−44	535
Net income for the period	–	–	−527	–	−527	2,184	1,657
Total equity at 31 December 2014	1,960	4,160	139,190	−13,587	131,723	14,123	145,846

The share capital as at 31 December 2014 and 31 December 2013 consisted of 1,960,000 registered shares with a par value of CHF 1.– each.

The retained earnings include offset goodwill in the amount of CHF 6,654,000 (2013: CHF 6,654,000).

The amount of accumulated non-distributable reserves stands at CHF 8,674,000 (2012: CHF 8,464,000).

The disclosures on pages 14 to 34 form an integral part of the financial report.

2 ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

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

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

2.2 CONSOLIDATION

Subsidiaries

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

Subsidiaries are consolidated as of the date on which direct or indirect control passes to Orell Füssli Holding Ltd. They are deconsolidated as of the date that such control ceases. In cases of business combinations control is assumed by a subsidiary. All identifiable assets and liabilities of a subsidiary are measured at fair value as of the acquisition date. The excess of a cost of acquisition over the fair value of the Group's share of the net assets of an acquired subsidiary is recognised in the equity as goodwill. Minor subsidiaries are not included in the full consolidation.

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

Participations in joint ventures

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

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

Participations in associated companies

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

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

Other participations

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

2.3 CURRENCY TRANSLATION

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

The consolidated financial statements are presented in Swiss francs. To prepare the consolidated financial statements, the assets and liabilities of foreign subsidiaries are converted into Swiss francs at the market rate as of the corresponding balance sheet date. Revenues and expenses are converted at the average currency exchange rate for the financial year. Translation differences and foreign currency gains on equity-like long-term loans are booked neutrally for profit purposes under currency differences in the shareholders' equity. The Orell Füssli Group used the following currency exchange rates for the 2014 and 2013 financial years:

CURRENCY EXCHANGE RATES

	Market rate		Annual average rate	
	2014	2013	2014	2013
EUR at a rate of CHF	1.2029	1.2259	1.2148	1.2309
USD at a rate of CHF	0.9896	0.8905	0.9154	0.9272
GBP at a rate of CHF	1.5372	1.4684	1.5071	1.4500

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.5 SEGMENT REPORTING

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

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

2.6 REVENUE RECOGNITION

Net revenue from sales to customers of tradable, manufactured and printed products is recorded as income after their delivery to and acceptance by the client. Revenue is recorded 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 rendered and objects leased over a certain period and which are invoiced to clients periodically is recorded in the period in which the service is rendered or the right of use is exercised. Revenue from the processing of transaction-related services is recorded at the time the service is rendered in full.

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

2.7 IMPAIRMENT

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

2.8 INCOME TAXES

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

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

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

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

2.9 CASH AND CASH EQUIVALENTS

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

2.10 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments to hedge transactions with future cash flows are recognised at fair value in the same place where the underlying transaction is recorded in the balance sheet. Otherwise, they are disclosed in the notes to the financial statements. The Orell Füssli Group 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 valued at the amortised acquisition cost less any impairments. The valuation of doubtful accounts receivable is done by means of individual impairment charges and in light of the expected losses based on empirical values.

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

2.12 CONSTRUCTION CONTRACTS

Manufacturing contracts are long-term orders with a timeframe of at least three months and a contractual value 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 contractual activity in percentage terms in order to determine the share of the overall revenue for the reporting period and to recognise this share as a receivable. Each business unit uses different calculation methods based on the completed quantity of a production lot and/or on the portion of the production stages carried out. Expected losses on construction contracts are recognised immediately in the income statement as an expense.

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

2.13 INVENTORIES

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

2.14 FINANCIAL ASSETS

Current and non-current financial assets are demand and time deposits with third parties maturing in more than 90 days as well as loans. They are valued at face value less any impairment.

2.15 TANGIBLE ASSETS

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

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

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

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

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

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

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

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

2.16 INTANGIBLE ASSETS

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

2.17 GOODWILL

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

2.18 TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at face value.

2.19 DIVIDEND DISTRIBUTION

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

2.20 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, finance lease liabilities and other financial liabilities. Financial liabilities are valued at their face value, which is usually determined by the payment amount minus any transaction costs incurred.

Financial liabilities are classified as current if they will mature in whole or in part within the following 12 months. If a contractual agreement to prolong the maturity of a loan exists as of the balance sheet date, the new duration will be taken into account for its classification.

2.21 LEASES

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

Leases of assets in which essentially all the risks and rewards incidental to ownership are effectively held and used by the lessor are classified as operating leases. The costs under an operating lease are recorded in the income statement.

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

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

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 recorded in the income statement as personnel expenditure.

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

3 RISK MANAGEMENT

3.1 RISK ASSESSMENT
As part of its supervisory duties of the Orell Füssli Group, the Board of Directors of Orell Füssli Holding Ltd conducts a systematic risk assessment at least once a year. At its meeting on 18 March 2014, the Board of Directors took note of management's report on group-wide risk management and approved the steps proposed.

3.2 FINANCIAL RISK MANAGEMENT
The Orell Füssli Group is active worldwide and therefore exposed to various financial risks, such as currency, interest rate, 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 economic hedging of financial risks.

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

3.4 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.

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

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

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

3.6 LIQUIDITY RISK

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

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

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF '000 at 31 December	2014	2013
Liquidity reserves	60,742	27,879
Credit facilities	84,311	80,906
./. bank guarantees	–25,278	–32,065
./. utilised credit facilities	–9,496	–8,581
Total liquidity reserves and non-utilised credit facilities	110,279	68,139

As well as the committed credit facilities in local currencies, sufficient funds should also be available to conduct ordinary business activities in the future. Credit facilities experienced a net increase of CHF 3,400,000 in 2014.

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

3.7 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 with due regard to the cost of capital.

The Orell Füssli Group monitors the capital structure based on 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 disclosed in the consolidated balance sheet, plus net debt.

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

NET GEARING RATIO

in CHF '000 at 31 December	2014	2013
Total financial liabilities	11,281	14,299
+ trade payables	15,609	21,322
+ prepayments from customers	103,404	76,866
+ other current liabilities	5,024	4,051
./. cash and cash equivalents	–60,377	–27,202
Net indebtedness	74,941	89,336
Total equity	145,846	144,320
Total capital	220,787	233,656
Net gearing ratio	34%	38%

4 EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

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

Industrial Systems

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

Security Printing

Production and marketing of banknotes, security documents, identity cards and other documents with high security requirements.

Book Retailing

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

Other business activities

In 2014 and 2013, this segment consisted primarily of the publishing business.

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

SEGMENT RESULTS 2014

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenue from segment sales	73,779	92,689	110,366	10,793	287,627	500	288,127
Inter-segment sales	150	–	–	29	179	–179	–
Net revenue from sales to customers	73,929	92,689	110,366	10,822	287,806	321	288,127
Earnings before interest and taxes (EBIT)	2,598	–643	3,080	–445	4,590	–550	4,040

SEGMENT RESULTS 2013

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenue from segment sales	76,252	75,094	109,464	11,308	272,118	63	272,181
Inter-segment sales	2,326	1	1	14	2,342	–2,342	–
Net revenue from sales to customers	78,578	75,095	109,465	11,322	274,460	–2,279	272,181
Earnings before interest and taxes (EBIT)	4,196	–24,980	508	–100	–20,376	–371	–20,747

4.2 NET REVENUE FROM SALES AND SERVICES BY COUNTRY AND REGION

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

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

NET REVENUE FROM SALES AND SERVICES BY REGION

in CHF '000	2014	2013
Switzerland	194,483	170,822
Germany	13,135	13,075
The rest of Europe and Africa	31,115	39,034
North and South America	21,274	31,056
Asia and Oceania	28,120	18,194
Total net revenue from sales to customers by region	288,127	272,181

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

4.3 OPERATING INCOME

in CHF '000	2014	2013
Net revenue from sales to customers		
Sales of goods and products	283,586	268,288
Revenue from license fees	4,541	3,893
Total net revenue from sales to customers	288,127	272,181
Other operating income		
Rental income from operating leases	412	549
Gain from sales of non-current assets	23	20
Gain from sales of other investments	459	–
Other income	5,374	3,782
Total operating income	6,268	4,351
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	–5,414	3,761
Capitalised costs	132	1,812
Total changes in inventories of semi-finished and finished products, capitalised costs	–5,282	5,573
Total operating income	289,113	282,105

Sales of goods and products includes revenue from production contracts according to the PoC method of CHF 38,558,000 (2013: CHF 38,083,000). Security Printing accounts for more than 90% (2013: more than 80%) of PoC orders and Atlantic Zeiser accounts for the remainder.

4.4 PERSONNEL EXPENDITURE

in CHF '000	2014	2013
Wages and salaries	73,981	75,588
Social security costs	6,603	6,781
Pension costs	4,795	4,803
Other personnel expenditure	2,995	2,409
Total personnel expenditure	88,374	89,581

4.5 PENSION FUNDS

The Orell Füssli Foundation has used the 2010 BVG (OPA) mortality table since 2011. The actuarial interest rate is 2.50% (2013: 2.75%).

EMPLOYER'S 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
	31.12.2014	31.12.2014	31.12.2014	2014	31.12.2014	31.12.2013	2014	2013
Pension schemes without funding surplus / deficit (Switzerland)	3,623	–	–	–	3,623	3,623	–	–

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF '000	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit/ liability Group	Economic benefit/ liability Group	Translation differences with no impact on the income statement	Change to prior year or charged to income statement	Contributions limited to the period	Pension costs in personnel expenditure	Pension costs in personnel expenditure
	31.12.2014	31.12.2014	31.12.2013	2014	31.12.2014	31.12.2014	2014	2013
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	–	3,165	3,167
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,630	1,636
Total	–	–	–	–	–	–	4,795	4,803

4.6 OTHER OPERATING EXPENSES

in CHF '000	NOTES	2014	2013
Marketing and distribution expenses		12,824	11,560
Operating lease expenses		13,411	12,227
Repairs and maintenance		5,488	5,571
Administration expenses		7,283	6,642
Losses on bad debts		1,033	517
Provisions made for PoC	4.22	–9,250	9,250
Losses from sales of fixed assets		3	41
Impairment loss on investments and loan assets	4.18	–	555
Energy		2,718	2,707
Other operating expenses		9,603	13,733
Total other operating expenses		43,113	62,803

The release of the reserves for special charges in the Security Printing Division is done through the other operating expenses. See also Note 4.22 "Provisions".

4.7 FINANCIAL RESULT

in CHF '000	Expenses	Income	Balance 2014	Expenses	Income	Balance 2013
Interest income and expenses						
Bank borrowings	–370	182	–188	–623	119	–504
Finance lease liabilities	–35	–	–35	–65	–	–65
Total interest income and expenses	–405	182	–223	–688	119	–569
Other financial income and expenses						
Dividend income	–	–	–	–	180	180
Income from derivative financial instruments	–	–	–	–383	–	–383
Net gains (losses) from foreign exchange differences	–759	644	–115	–714	1,585	871
Bank charges and other finance cost	–155	–	–155	–288	–	–288
Total other financial income and expenses	–914	644	–270	–1,385	1,765	380
Total financial result	–1,319	826	–493	–2,073	1,884	–189

4.8 INCOME TAX EXPENSES

in CHF '000	2014	2013
Current income tax	1,640	1,647
Deferred income tax	250	–5,540
Total income tax expenses	1,890	–3,893

4.9 EARNINGS PER SHARE

at 31 December	2014	2013
Net income for the period in CHF '000	–527	–18,226
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Loss per share in CHF	–0.27	–9.30

There were no dilution effects either in 2014 or in 2013.

4.10 CASH AND CASH EQUIVALENTS

in CHF '000 at 31 December	2014	2013
Cash in bank accounts and in hand	58,950	26,083
Short-term bank deposits	1,427	1,119
Total cash and cash equivalents	60,377	27,202

Cash and cash equivalents includes CHF 11,057,000 (2013: CHF 10,861,000) from the Füssli Thalia Ltd joint venture company. The Orell Füssli Group has only limited access to these funds. The size of this amount is due to the large holdings of liquid funds for the Christmas season business and it always declines steeply in the first quarter of the following year.

The significant increase in cash and cash equivalents is mainly due to payments from customers concerning the Security Printing Division.

4.11 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

As of the balance sheet date of 31 December 2013 and of 31 December 2014, there were no open currency hedges against future cash flows or other hedges and foreign exchange contracts.

4.12 TRADE ACCOUNTS RECEIVABLE

in CHF '000 at 31 December	2014	2013
Trade accounts receivable gross	31,980	33,659
./. provisions for doubtful trade accounts receivable	–1,214	–1,190
Total trade accounts receivable net	30,766	32,469

Provisions for doubtful trade accounts receivable are based on the different customer structure in each division according to an individual estimate as well as current empirical information. Adjustments are recorded in other operating expenses in the income statement.

PROVISIONS FOR DOUBTFUL TRADE ACCOUNTS RECEIVABLE

in CHF '000	2014	2013
At 1 January	–1,190	–1,031
Increase in provisions for doubtful trade accounts receivable	–1,081	–269
Utilisation of provisions	951	121
Reversal of provisions	93	1
Exchange differences	13	–12
At 31 December	–1,214	–1,190

There is no forfaiting on the receivables portfolio.

4.13 OTHER RECEIVABLES

in CHF '000 at 31 December	2014	2013
Construction contracts gross	60,208	58,545
./. deductible customer advances received	–48,037	–28,818
Total construction contracts net	12,171	29,727
Prepayments to suppliers	1,489	1,130
Current financial assets	1,594	2,255
Other receivables	5,770	8,044
Total other receivables	21,024	41,156

The steep decline in PoC receivables is attributable to the significant customer payments in the Security Printing Division.

4.14 INVENTORIES

in CHF '000 at 31 December	2014	2013
Raw materials, auxiliary materials and supplies	18,809	22,823
Semi-finished and finished products	15,733	21,168
Trading goods	16,199	18,925
Work-in-progress	987	686
Total inventories gross	51,728	63,602
./. allowance on inventories	–11,446	–12,659
Total inventories net	40,282	50,943

4.15 TANGIBLE ASSETS

TANGIBLE ASSETS IN 2014

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total 2014
Cost at 1 January	88,513	367	310	115,201	29,366	5,746	239,503
Additions	485	–	–	4,029	2,034	9,645	16,193
Disposals	–5,737	–	–	–2,801	–1,214	–164	–9,916
Reclassification	–	–	–	907	–	–907	–
Exchange differences	130	–6	14	–104	–262	–2	–230
Cost at 31 December	83,391	361	324	117,232	29,924	14,318	245,550
Accumulated depreciation and impairment at 1 January	–54,966	–	–300	–83,922	–19,290	–	–158,478
Depreciation on disposals	5,731	–	–	2,733	1,170	–	9,634
Depreciation	–3,615	–	–10	–6,698	–3,246	–	–13,569
Impairment	–1,110	–	–	–243	–244	–	–1,597
Exchange differences	–168	–	–14	52	219	–	89
Accumulated depreciation and impairment at 31 December	–54,128	–	–324	–88,078	–21,391	–	–163,921
Net carrying amount at 1 January	33,547	367	10	31,279	10,076	5,746	81,025
Net carrying amount at 31 December	29,263	361	–	29,154	8,533	14,318	81,629
Net carrying amount of tangible assets under finance lease	2,472	–	–	–	–	–	2,472

TANGIBLE ASSETS IN 2013

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total 2013
Cost at 1 January	97,124	362	311	113,607	34,246	42	245,692
Change in scope of consolidation	–8,263	–	–	–46	–3,617	–	–11,926
Additions	243	–	–	2,307	1,533	6,403	10,486
Disposals	–703	–	–	–774	–4,215	–	–5,692
Reclassification	1	–	–	–	1,192	–698	495
Exchange differences	111	5	–1	107	227	–1	448
Cost at 31 December	88,513	367	310	115,201	29,366	5,746	239,503
Accumulated depreciation and impairment at 1 January	–61,014	–	–285	–77,887	–24,565	–	–163,751
Change in scope of consolidation	8,732	–	–	33	4,790	–	13,555
Depreciation on disposals	699	–	–	704	3,962	–	5,365
Depreciation	–3,330	–	–15	–6,595	–2,971	–	–12,911
Impairment	–27	–	–	–117	–328	–	–472
Reclassification	–1	–	–	–	–	–	–1
Exchange differences	–25	–	–	–60	–178	–	–263
Accumulated depreciation and impairment at 31 December	–54,966	–	–300	–83,922	–19,290	–	–158,478
Net carrying amount at 1 January	36,110	362	26	35,720	9,681	42	81,941
Net carrying amount at 31 December	33,547	367	10	31,279	10,076	5,746	81,025
Net carrying amount of tangible assets under finance lease	2,620	–	–	–	–	–	2,620

4.16 INTANGIBLE ASSETS

INTANGIBLE ASSETS IN 2014

in CHF '000	Software and developments	Rights and licenses	Other intangible assets	Total 2014
Cost at 1 January	9,980	1,340	1,252	12,572
Additions	352	–	198	550
Disposals	–220	–	–	–220
Reclassification	519	–	–519	–
Exchange differences	–75	–5	–12	–92
Cost at 31 December	10,556	1,335	919	12,810
Accumulated depreciation and impairment at 1 January	–7,387	–438	–689	–8,514
Depreciation on disposals	219			219
Depreciation	–1,491	–19	–2	–1,512
Impairment		–509		–509
Exchange differences	67	5	13	85
Accumulated depreciation and impairment at 31 December	–8,592	–961	–678	–10,231
Net carrying amount at 1 January	2,593	902	563	4,058
Net carrying amount at 31 December	1,964	374	241	2,579

INTANGIBLE ASSETS IN 2013

in CHF '000	Software and developments	Rights and licenses	Other intangible assets	Total 2013
Cost at 1 January	12,276	448	1,150	13,874
Change in scope of consolidation	–2,808	855	–	–1,953
Additions	110	33	1,090	1,233
Disposals	–162	–	–	–162
Reclassification	505	–	–998	–493
Exchange differences	59	4	10	73
Cost at 31 December	9,980	1,340	1,252	12,572
Accumulated depreciation and impairment at 1 January	–8,408	–418	–676	–9,502
Change in scope of consolidation	2,646	–	–	2,646
Depreciation on disposals	162	–	–	162
Depreciation	–1,741	–16	–3	–1,760
Exchange differences	–46	–4	–10	–60
Accumulated depreciation and impairment at 31 December	–7,387	–438	–689	–8,514
Net carrying amount at 1 January	3,868	30	474	4,372
Net carrying amount at 31 December	2,593	902	563	4,058

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

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	2014	2013
Insurance value	293,154	283,578
Commitments for purchases of properties, plants and other equipments	8,100	14,446

The remaining tangible fixed assets stated at cost as of 31 December 2014 in note 4.15 consist mainly of furniture and fixtures in the amount of CHF 18,912,000 (2013: CHF 18,649,000) and IT and systems in the amount of CHF 10,425,000 (2013: CHF 10,207,000).

In the 2013 and 2014 financial years, no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 12,502,000 (2013: CHF 11,398,000), while CHF 909,000 (2013: CHF 829,000) was related to other leased tangible assets.

Commitments to purchase tangible fixed assets refer mainly to the purchase of a new screen printing machine at Security Printing Division. Delivery and installation is expected in the 2nd quarter of 2015.

4.18 PARTICIPATIONS

The participation in the Swiss Book Centre cooperative in Hägendorf, which was held by Orell Füssli Buchhandlungs Ltd, was redeemed at the end of 2014 at the issue price. This resulted in a profit of CHF 459,000. Currently, the Orell Füssli Thalia Ltd joint venture company has a small participation in the Swiss Book Centre, Hägendorf.

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

As of the balance sheet date, the Orell Füssli Group held the following investments:

PARTICIPATIONS

in CHF '000 at 31 December	2014	2013
Photoglob Ltd (34 %)	280	280
Orell Füssli Kartographie Ltd (24 %)	50	50
Total participations in associates	330	330
Participation in cooperative Schweizer Buchzentrum	100	2,110
Other participations	1,027	1,042
Total participations	1,457	3,482

4.19 OTHER NON-CURRENT FINANCIAL ASSETS

in CHF '000 at 31 December	NOTES	2014	2013
Loan assets		876	901
Pension fund assets	4.5	3,623	3,623
Other non-current financial assets		1,125	1,021
Total other non-current financial assets		5,624	5,545

4.20 OTHER CURRENT LIABILITIES

in CHF '000 at 31 December	2014	2013
Prepayments from customers on construction contracts gross	48,037	30,306
./. deductible customer advances received	–48,037	–28,818
Prepayments from customers on construction contracts net	–	1,488
Prepayments from customers	55,367	46,560
Liabilities to employees	415	1,153
VAT and similar taxes payable	833	774
Dividends payable	3	3
Other current payables	3,773	2,121
Total other current liabilities	60,391	52,099

4.21 FINANCIAL LIABILITIES

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

MATURITIES OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2014	From borrowings	Liabilities from finance lease	Total 2013
Current financial liabilities	8,720	–	8,720	11,449	300	11,749
Non-current financial liabilities	1,875	686	2,561	1,850	700	2,550
Total financial liabilities	10,595	686	11,281	13,299	1,000	14,299

The financing costs of the finance leases amounted to CHF 35,000 in the reporting year (2013: CHF 65,000). The interest-bearing liabilities do not include any collateralised financial liabilities in 2014 or 2013. Leases are effectively collateralised as the rights to the leased assets revert to the lessor in the event of a breach of contract.

4.22 PROVISIONS

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

The remainder of the provisions for restructurings concern the closure of a branch in Winterthur in the first quarter of 2015.

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

The provisions created in the previous year in the Security Printing Division were used to compensate loss-generating PoC orders. In the year under review, the Security Printing Division accepted orders in connection with the expansion of an area of business, for which provisions had to be created.

MOVEMENT IN PROVISIONS 2014

in CHF '000	Provisions for restructuring	Warranty provisions	Other provisions	Total 2014
At 1 January	4,269	556	9,865	14,690
Additions (charged to income statement)	119	413	4,642	5,174
Reversals (charged to income statement)	–737	–103	–550	–1,390
Utilisation during the year	–2,305	–378	–9,250	–11,933
Exchange differences	–	–9	–	–9
At 31 December	1,346	479	4,707	6,532
Provisions maturing within 12 months	1,344	479	3,750	5,573
Provisions maturing over 1 year	2	–	957	959

MOVEMENT IN PROVISIONS 2013

in CHF '000	Provisions for restructuring	Warranty provisions	Other provisions	Total 2013
At 1 January	2,033	529	876	3,438
Additions (charged to income statement)	4,547	444	9,369	14,360
Reversals (charged to income statement)	–412	–68	–146	–626
Utilisation during the year	–1,901	–357	–235	–2,493
Exchange differences	2	8	1	11
At 31 December	4,269	556	9,865	14,690
Provisions maturing within 12 months	4,267	556	8,048	12,871
Provisions maturing over 1 year	2	–	1,817	1,819

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 2014	Deferred tax assets	Deferred tax liabilities	Balance 2013
At 1 January	9,675	–1,694	7,981	4,621	–2,209	2,412
Charges to income statement	–433	183	–250	5,017	523	5,540
Exchange differences	–31	3	–28	37	–8	29
At 31 December	9,211	–1,508	7,703	9,675	–1,694	7,981

Deferred taxes are calculated at the effective applicable rate for each company. This results in an average weighted group tax rate of 21.1% (2013: 21.1%) as of the balance sheet date. The effective tax rate used for the financial statements in the current financial year has an impact through the non-capitalised losses carried forward and, therefore, it is significantly higher.

Deferred taxes include the following capitalised losses carried forward:

DEFERRED INCOME TAX ASSETS FROM LOSSES CARRIED FORWARD:

in CHF '000 at 31 December	2014	2013
Deferred income tax assets on loss carry-forward gross	11,518	13,191
./. Allowance	–1,637	–2,810
Deferred income tax assets on loss carry-forward net	9,881	10,381

Deferred income tax assets arising from tax loss carry forward are recognised in as far as the related tax benefits are likely to be realised through future taxable profits. The value adjustment corresponds to a loss carried forward in the amount of CHF 6,231,000 (2013: CHF 10,133,000), which largely stems from Atlantic Zeiser GmbH.

4.24 DIVIDEND PER SHARE

No dividend for the 2013 financial year was paid in the current reporting year.

It will be proposed to the shareholders at the Annual General Meeting to be held on 7 May 2015 that no dividend will be paid in respect of the year ended 31 December 2014.

4.25 GOODWILL FROM ACQUISITIONS

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

THEORETICAL STATEMENT OF GOODWILL

in CHF '000	2014	2013
Cost at 1 January	6,654	5,245
Additions in scope of consolidation (acquisitions)	–	1,409
Cost at 31 December	6,654	6,654
Accumulated amortisation at 1 January	–4,437	–3,107
Depreciation and impairment	–1,331	–1,330
Accumulated amortisation at 31 December	–5,768	–4,437
Theoretical net book value at 1 January	2,217	2,138
Theoretical net book value at 31 December	886	2,217

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

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF '000	2014	2013
Earnings before interest and taxes (EBIT) according to consolidated income statement	4,040	–20,747
Goodwill amortisation	–1,331	–1,330
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	2,709	–22,077
Net income for the period after minority interests	–527	–18,226
Goodwill amortisation	–1,331	–1,330
Net income for the period after minority interests including goodwill amortisation	–1,858	–19,556

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

in CHF '000 at 31 December	2014	2013
Equity before minority interests according to the consolidated balance sheet	131,723	131,671
Theoretical capitalisation of goodwill (net book value)	886	2,217
Theoretical equity before minority interests including goodwill (net book value)	132,609	133,888

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

Liability arising from the purchase of minority interests of 25.1% of SOFHA GmbH, Berlin, CHF 1,612,000. (2013: CHF 1,226,000)

4.27 OBLIGATIONS FROM OPERATING LEASE CONTRACTS

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

The future aggregate minimum lease payments under non-cancellable operating leases (mainly, minority interests) are as follows:

MATURITIES OF FUTURE AGGREGATE MINIMUM LEASE PAYMENTS

in CHF '000 at 31 December	2014	2013
No later than 1 year	12,019	11,488
Later than 1 year and no later than 5 years	33,399	37,840
Later than 5 years	11,346	17,607
Total future aggregate minimum lease payments	56,764	66,935

4.28 CHANGES IN THE SCOPE OF CONSOLIDATION IN THE 2014 FINANCIAL YEAR

Tritron USA inc.: This subsidiary of Tritron GmbH, Battenberg (Germany) began its first significant operations in 2014 and has been included for the first time this year in the scope of consolidation.

IN THE 2013 FINANCIAL YEAR

Orell Füssli Security Documents Ltd: This company specialised in printing identity cards, bank cards, etc. These activities have already been performed for some years by Orell Füssli Security Printing Ltd. The company was therefore liquidated on 30 September 2013.

Orell Füssli Thalia Ltd: The owners of Thalia Bücher Ltd and Orell Füssli Buchhandlungs Ltd agreed in spring 2013 to merge their activities in Swiss book retailing in order to remain competitive in face of international online marketers. After the competition authorities gave their unconditional consent to this application, the company commenced business on 1 October 2013. As is usual in the retail trade, the new financial year was fixed from 1 October to 30 September. Based on the options under Swiss GAAP FER, Orell Füssli Holding Ltd decided to consolidate this joint venture at 50% (pro rata consolidation). 50% of the income statement and balance sheet items are therefore included in the consolidated financial statements of the Orell Füssli Group.

Share capital of CHF 13,900,000 and a paid-in surplus of CHF 4,687,000 were created by the contribution of fixed assets. Orell Füssli Buchhandlungs Ltd contributed CHF 6,971,000 and Thalia Bücher Ltd CHF 11,616,000. Each party received 50% of the shares in return. The resulting badwill for Orell Füssli Buchhandlungs Ltd was offset by a provision necessary in connection with the merger of the companies. Further assets and liabilities were transferred for loans and current accounts to the joint venture. In the case of inventories, the largest item, Thalia Bücher Ltd contributed CHF 12,200,000 and Orell Füssli Buchhandlungs Ltd CHF 6,000,000.

Fuchs Verlag Ltd: 100% of Fuchs Verlag Ltd was acquired by Orell Füssli Holding Ltd on 20 February 2013. The transaction was effected through Orell Füssli Verlag Ltd. Fuchs Verlag Ltd merged with Orell Füssli Verlag Ltd at the end of 2013.

The acquisition balance sheet is shown below:

ACQUISITION BALANCE SHEET OF FUCHS VERLAG LTD, ROTHENBURG

in CHF '000 at 1 January 2013	Fair value
Receivables	30
Inventories	540
Liabilities	–73
Accrued expenses and deferred income	–236
Net assets	261
Effective purchase price	1,670
Goodwill	1,409

4.29 RELATED PARTY TRANSACTIONS

All transactions with related parties are included in the consolidated annual financial statements for 2014 and 2013.

RELATED PARTY TRANSACTIONS

in CHF '000	with associated entities	with shareholders	with other related parties	Total 2014	with associated entities	with shareholders	with other related parties	Total 2013
Net revenue from sales	177	50,258	–	50,435	248	29,302	–	29,550
Other operating income	1,547	–	–	1,547	358	15	–	373
Financial income	62	–	1	63	73	–	–	73
Cost of materials	10	–	–	10	22	–	123	145
Other operating expenses	40	–	260	300	565	–	160	725

in CHF '000 at 31 December	with associated entities	with shareholders	with other related parties	Total 2014	with associated entities	with shareholders	with other related parties	Total 2013
Trade accounts receivable	166	295	–	461	312	1,604	–	1,916
Other receivables		7,913	–	7,913	1,931	8,295	–	10,226
Financial assets	1,300	–	200	1,500	2,167	–	–	2,167
Trade payables	5	–	–	5	1	–	–	1
Other liabilities	45	26,890	–	26,935	–	13,075	–	13,075
Financial liabilities	1,875	–	–	1,875	4,650	–	–	4,650

In 2014 as in prior years, the Orell Füssli Group continued to sell books and publishing products to related parties and to employees at favourable rates.

Except for the compensation disclosed in the compensation report (see pages 43 to 46 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2014 and 2013.

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

4.30 EVENTS AFTER THE BALANCE SHEET DATE

After the publication of the sale of the minority interest in Photoglob Ltd by Orell Füssli Holding Ltd to the Swiss Book Centre Ltd in December 2014, the deal closing was completed at the beginning of January 2015. In March 2015, a final payment was made based on the definitive 2014 accounts. The move to the new location in Hägendorf will be implemented in the second quarter of 2015.

On 15 January 2015, the Swiss National Bank (SNB) took the decision to end its support of a minimum exchange rate of CHF 1.20 to the euro, which led to a substantial decrease in the CHF/EUR exchange rate. As this event occurred after the balance sheet date, its impact is not incorporated in the 2014 financial statements. The Orell Füssli Group applies the Swiss franc as the functional currency for its financial statements. A stronger Swiss franc compared with the other major currencies leads to a negative currency translation effect on the revenues and the results of the Atlantic Zeiser Group. On the other hand, Book Retailing's cost of sales benefited from the lower exchange rate with the euro. With regard to the financial situation of the companies, the fluctuation in the exchange rate does not cast doubt on the assumption that the group is able to continue as a going concern.

No further events that provide additional information on the items in the consolidated financial statements or cast doubt on the assumption that the company is a going concern or that would be otherwise material occurred between the balance sheet date and the date on which the annual report was approved by the Board of Directors (20 March 2015).

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 34), for the year ended 31 December 2014.

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 2014 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	**Gian Franco Bieler**
Audit expert	Audit expert
Auditor in charge	

Zurich, 23 March 2015

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

in CHF '000	NOTES	2014	2013
Income from participations	7.1	–	1,056
Other operating income		2,362	2,381
Total operating income		2,362	3,437
Personnel expenditure	7.2	–2,473	–2,084
Other operating expenses		–1,377	–1,381
Earnings before interest and taxes		–1,488	–28
Financial income		3,346	6,058
Financial expenses		–521	–932
Financial result	7.3	2,825	5,126
Net operating income before extraordinary income and expenses		1,337	5,098
Extraordinary income		1	–
Extraordinary expenses	7.4	–148	–230
Earnings before taxes (EBT)		1,190	4,868
Income tax expenses	7.5	–82	–380
Net income for the period	7.6	1,108	4,488

6.2 BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2014	2013
Assets			
Cash and cash equivalents	7.7	25,439	180
Receivables from consolidated and related companies	7.8	16,902	50,634
Other receivables		42	28
Total current assets		42,383	50,842
Operating assets		328	137
Participations in consolidated and related companies	7.9	71,074	36,074
Loans to consolidated and related companies	7.9	24,311	49,010
Total non-current assets		95,713	85,221
Total assets		138,096	136,063
Liabilities and equity			
Trade payables		87	154
Payables to consolidated and related companies	7.10	1,088	227
Current provisions		3	5
Other current liabilities		1,177	1,044
Total current liabilities		2,355	1,430
Provisions for restructuring		130	130
Total non-current liabilities		130	130
Share capital		1,960	1,960
Legal reserves		11,140	11,140
Unrestricted reserves	7.11	121,403	116,915
Net income for the period		1,108	4,488
Total equity		135,611	134,503
Total liabilities and equity		138,096	136,063

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 INCOME FROM PARTICIPATIONS
In 2014 no dividend payments were made to the parent company. In the previous year, the earnings resulted from the liquidation of Orell Füssli Security Documents Ltd, Zurich. This company has not been operational for some years.

7.2 PERSONNEL EXPENDITURE
The increase of CHF 389,000 is due to the double occupancy of the CEO position for a four-month period, the expansion of the Board of Directors by an additional member and the staffing of the position of Head of Internal Audit since August 2013.

7.3 FINANCIAL RESULT
The financing needs of the subsidiaries have declined, leading to a reduction in the interest income of CHF 474,000. The remaining decrease of CHF 1,827,000 is primarily due to the lack of profit from currency and exchange rate hedging.

7.4 EXTRAORDINARY EXPENSES
No value adjustments were made on investments in 2014 and 2013.
In the 2014 financial year, payments of over CHF 148,000 (previous year: CHF 147,000) were made to retirees of the Orell Füssli Group.

7.5 INCOME TAX EXPENSES
Income tax is calculated on ordinary net income less income from participations. Due to the lack of dividend income, there is no participation deduction.

7.6 NET INCOME FOR THE PERIOD
The result for the year is CHF 3,380,000 lower than the previous year. Besides the lack of dividend income, the financial income also decreased.

7.7 CASH AND CASH EQUIVALENTS
In December, significant sums were received by Orell Füssli Security Printing Ltd, which could be used to reduce the loan amounts from Orell Füssli Holding Ltd.

7.8 RECEIVABLES FROM CONSOLIDATED AND RELATED COMPANIES
Orell Füssli Holding Ltd places the necessary financial resources at the disposal of its subsidiaries and other related companies in the form of loans or short-term current account credits. Due to the normalisation of production and the completion of contracts, the resource requirements of Orell Füssli Security Printing Ltd in 2014 decreased significantly.

The decrease of CHF 33,732,000 is primarily due to Orell Füssli Security Printing Ltd's repayment of bank overdrafts of over CHF 22,436,000 (see also note 7.7) and the conversion of cash open accounts into equity of over CHF 11,000,000 (see note 7.9).

7.9 PARTICIPATIONS IN AND LOANS TO CONSOLIDATED AND RELATED COMPANIES
The Board of Directors decided to increase the equity capital of Orell Füssli Security Printing Ltd by CHF 30,000,000, that of Orell Füssli Book Publishing Ltd by CHF 3,000,000 and that of Orell Füssli Dienstleistungs Ltd by CHF 2,000,000. This was realised by the conversion of loans and credit balances from open accounts into equity capital of the subsidiaries, which led to a corresponding increase in the participation values at the level of Orell Füssli Holding Ltd as of 31 December 2014.

The growth in the participations is based on the conversion of loans and open account credit balances of CHF 35,000,000. Whilst loans have been reduced through this conversion by a total of CHF 24,000,000, the open accounts (see note 7.8) were reduced by CHF 11,000,000. In the previous year, the conversion of a loan to Atlantic Zeiser Ltd of CHF 9,057,000 was converted into shares.

7.10 PAYABLES TO CONSOLIDATED AND RELATED COMPANIES
The excess liquidity of the subsidiaries is made available for use to the Holding.

7.11 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	2014	2013
Opening balance at 1 January	116,915	112,970
./. dividends paid	–	–
+ retained earnings from previous period	4,488	3,945
Closing balance at 31 December	121,403	116,915

7.12 RISK ASSESSMENT AND ICS

As part of its supervisory duties for the Orell Füssli Group, the Board of Directors of Orell Füssli Holding Ltd performs an annual systematic risk and ICS assessment (ICS: internal control system). The Board of Directors took note of the Report of the Management on Group-wide Risk Management and the ICS at its meeting on March 2014. In doing so, it took note of the review of the risk and ICS situation, assessed the measures decided in 2013 and approved the proposed measures for 2014.

7.13 SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

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

SHARES HELD BY MEMBERS OFT HE BOARD OF DIRECTORS

Number of shares at 31 December	2014		2013	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Dr. Anton Bleikolm	1,000	1,000	0	0
Heinrich Fischer	2,017	2,017	0	0
Peter Stiefenhofer	730	730	0	0
Gonpo Tsering	300	300	300	300
Dieter Widmer	200	200	200	200

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

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD

Number of shares at 31 December	2014		2013	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Martin Buyle	250	250	0	0
Michel Kunz	–	–	265	265

7.14 MAJOR SHAREHOLDERS

at 31 December 2014	Total registered shares	Participation in %
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Hong Kong	307,800	15.70%
Fam. Siegert, Meerbusch (D)	194,000	9.90%
Sarasin Investmentfonds Ltd, Basle (CH)	140,100	7.15%

7.15 FURTHER INFORMATION

in CHF '000 at 31 December	2014	2013
Contingent liabilities in favour of third parties	25,278	34,000

Orell Füssli held none of its own shares on 31 December 2014.
No further disclosures are required under art. 663b^{bis} of the Swiss Code of Obligations.

7.16 PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

The Board of Director's proposal to the Annual General Meeting on 7 May 2015 is to forego paying a dividend to shareholders.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000	2014
Unrestricted reserves	121,403
Net income for the year 2014	1,108
Earnings available for appropriation	122,511
Dividend per share of CHF 0.00	–
Total unrestricted reserves	122,511

8 OVERVIEW OF SIGNIFICANT PARTICIPATIONS

SIGNIFICANT PARTICIPATIONS

	City, Country	Currency	Nominal capital in 1000	% of capital held [1] direct	indirect [2]
Consolidated companies					
Orell Füssli Security Printing Ltd	Zurich, CH	CHF	10,000	100	
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	
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	EUR	102		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
Tritron USA inc. [5]	Chester VA, USA	USD	10		51
Pro rata consolidated participation					
Orell Füssli Thalia Ltd [3]	Zurich, CH	CHF	14,000		50
Equity accounted for participations					
Photoglob Ltd	Zurich, CH	CHF	1,000	34	
Orell Füssli Kartographie Ltd	Zurich, CH	CHF	210	24	

1) Capital held and voting rights in % are identical
2) Capital share of the respective parent company
3) Held through Orell Füssli Buchhandlungs Ltd
4) Held through Atlantic Zeiser GmbH
5) Held through Tritron 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 36 to 41), for the year ended 31 December 2014.

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 2014 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 Audit expert Auditor in charge	**Gian Franco Bieler** Audit expert

Zurich, 23 March 2015