Orell Füssli
Annual Report 2010

orell füssli

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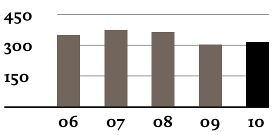
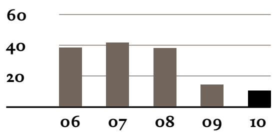
Key figures 2010

ORELL FÜSSLI GROUP

Total income in CHF million



EBIT in CHF million[1]



CONSOLIDATED INCOME STATEMENT

in CHF million	2010	2009	2008	2007
Total income	317.7	306.3	367.2	378.4
EBITDA [1]	31.3	24.3	54.1	57.8
Earnings before interest and taxes (EBIT) [1]	14.1	14.6	38.6	42.2
Gain from disposal of subsidiaries / investment property		8.5	21.2	
Net income for the period	10.6	14.7	48.0	29.9
Equity before minority interests	166.5	170.2	170.8	137.8

WEIGHTED AVERAGE WORKFORCE

	2010	2009	2008	2007
Full time equivalents	1,046	1,027	1,104	1,118

SHARE STATISTIC

in CHF	2010	2009	2008	2007
High	145.90	162.00	215.00	209.00
Low	131.00	130.00	138.50	161.00
Earnings per share [2]	5.40	7.50	24.47	15.25
Dividend per share [3]	2.50	2.50	8.00	5.00

[1] In 2008: EBIT before recognition of disposal of subsidiaries. In 2009: EBIT before recognition of disposal of subsidiaries and investment property.
[2] At December 31, 2010, the share capital comprised 1,960,000 registered shares with a par value of 1 CHF each.
[3] Dividend proposed to the Annual General Meeting on 10 May 2011.

SALES BY DIVISIONS

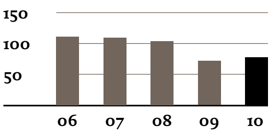
in percent

25% Division Atlantic Zeiser
32% Division Security Printing
38% Division Book Retailing
5% Other

Total Income CHF 317.7 Mio.

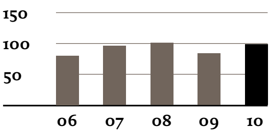
ATLANTIC ZEISER

in CHF million



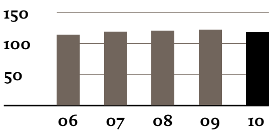
SECURITY PRINTING

in CHF million



BOOK RETAILING

in CHF million



EBIT BY DIVISIONS

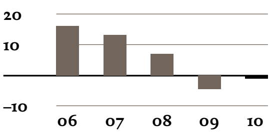
in percent

99% Division Security Printing
15% Division Book Retailing
–6% Division Atlantic Zeiser
–8% Other

Total EBIT CHF 14,1 Mio.

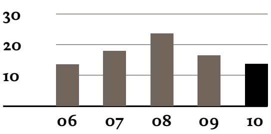
ATLANTIC ZEISER

in CHF million



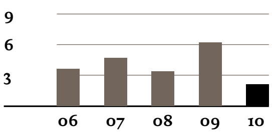
SECURITY PRINTING

in CHF million



BOOK RETAILING[1]

in CHF million



[1] Incl. disposal of investment property in 2009.

Orell Füssli is an international industrial and commercial group focusing on the core businesses of banknote & security printing, industrial systems used in the personalisation of security documents and branded products, and book retailing. The book publishing business has formed the traditional basis for the Zurich-based company since 1519. Orell Füssli is organised in three divisions and publishing companies corresponding to these business activities.

In its banknote and security printing operations Orell Füssli produces banknotes, identity documents and securities, and is noted for innovative applications of printing processes and technologies. The industrial systems business unit manufactures industrial systems for the digital printing and encoding of banknotes, passports and security documents, plastic cards, labels and packaging. Orell Füssli's book retailing group is the market leader in Switzerland.

Orell Füssli generates sales of some CHF 320 million with 1000 employees at locations in 10 countries and is listed on the SIX Swiss Exchange.

Editorial
Dear shareholder,

In terms of the overall economy, developments in 2010 were favourable compared with the preceding years, in particular also in Switzerland. Due to the impact of specific factors, the Orell Füssli Group did not benefit from this as much as was hoped for in its main spheres of activity. There were both external and internal reasons for this. The task facing the Board of Directors and the Executive Board is to analyse these carefully and initiate appropriate corrective measures.

In the context of a SWOT analysis launched by Michel Kunz, who took office as CEO in mid-year, weaknesses were identified and process and cost improvements initiated. A start has been made on refining strategic plans to focus on realistic market opportunities while exploiting our own strengths, but this process is not yet complete. Unfortunately, during this exercise we had to recognise that earlier efforts in this direction had not had the desired success. At the same time evidence emerged of considerable potential for improvement in terms of earnings and costs, which is to be exploited this year and next.

How did the business environment look in our main fields of activity in 2010? Intense price competition is a dominant feature of the international market for banknote printing. Orell Füssli had to respond to this with further cost-cutting programmes, especially since the trends in the euro and dollar exchange rates are exerting additional pressure on our competitive position. As already reported earlier, publication of the new Swiss banknotes has been postponed by at least two years. This made 2010 an interim year like the previous year, albeit cushioned by a reprint of the 8th issue of Swiss banknotes currently in circulation. Orell Füssli expects production of the new Swiss banknotes to commence towards the end of 2011. However, this will not be reflected in earnings until the following year.

In the industrial sector, business at Atlantic Zeiser has recovered, but not yet to the extent seen in other sectors of the capital goods industry. Excluding extraordinary depreciation charges, EBIT would at least have been positive, amounting to a substantial improvement compared with the previous year. Interesting new applications in digital printing make the outlook for 2011 much more positive than it was just a year ago.

Despite stable and healthy consumer demand in Switzerland, book retailing struggled in face of a downward trend. Sales expectations were dashed as a result of the increasing shift of book sales to the price-sensitive Internet, the growing competition to the printed book from electronic media, and price reductions averaging 5% over the year, not least due to the erosion in the euro exchange rate. Nevertheless, improvements on the cost side again resulted in increased profitability at the operating level. Profits could even have been higher if extraordinary costs had not been incurred due to adjustments in selling space.

The Board of Directors has decided to change from IFRS to Swiss GAAP FER reporting standards for presenting its accounts with effect from 2011. The decisive factor behind this move is the continuous growth in the number of new regulations, which increase the effort involved for the company without bringing any additional benefits for the shareholders or the company. On the contrary, the increasing complexity of the IFRS regulatory framework adversely affects transparency for the shareholders of a company of Orell Füssli's size. Despite the reduction in in-house effort, the transparency and degree of detail of reporting under the new standards is unlikely to suffer. The Board of Directors and group management will ensure this. The outcome of this change will be the transfer of the share listing from the Main Standard section of the SIX Swiss Exchange to the Domestic Standard (local caps) section. In

BOARD OF DIRECTORS ORELL FÜSSLI HOLDING LTD

Dr. Klaus Oesch [1,2]	Chairman
Dr. Rudolf Rentsch [2]	Deputy Chairman
Dr. Rudolf W. Hug [1]	
Dr. Hans Kuhn [1]	
Nick Huber [2]	

[1] Member of the Compensation Committee
[2] Member of the Audit Committee

our estimation this will have no influence on the share price and the company's access to the capital market.

The Board of Directors and the Executive Board are not satisfied with the results achieved, even if external factors had a significant impact on the disappointing course of business in the individual divisions. We shall spare no effort to exploit opportunities effectively and eliminate weaknesses. Besides the action already referred to, this also includes the more rapid introduction of new products on the market as well as additional personnel and further training at management level. The organisation and staffing of key functions need to be adapted to growing demands for flexibility and sustainable leadership. We took initial steps to implement this in the past year. The assumption of the post of CEO by Michel Kunz in mid-2010 should make a major contribution.

Orell Füssli's very sound balance sheet structure enables it to pursue growth through acquisition. In addition to active management of the portfolio of business units, this also includes tactical acquisitions, such as the purchase of software company SOFHA GmbH or the acquisition of the assets of Böwe Cardtec in the past year. These moves were aimed at complementing the Atlantic Zeiser Group's in-house portfolio of products and services and enhancing technical expertise in specific areas. The Board of Directors aims to retain its financial targets, i.e. 10% annual sales growth and 15% overall return on capital (RONA). After adjustment for changes in the scope of consolidation and taking exchange rate movements into account, sales growth in the year under review was 9%, while RONA was well below target at 7.1%. The 41% increase in cash flow from operations based on internal assessment criteria reflects the operational improvements achieved in the past year. The Board of Directors is sure that the steps initiated in 2010 will lead the way back to our customary earnings performance. We are also counting on firm demand for banknotes, a growing need for individualised printing for all kinds of products and packaging, and also on the fact that technological change in print media offers opportunities as well as risks.

In line with the dividend policy pursued to date, the Board of Directors will propose to the annual general meeting that an unchanged dividend of CHF 2.50 per share should be paid. The rejuvenation of the Board of Directors which has already been initiated is continuing. Dr. Rudolf W. Hug and Dr. Rudolf Rentsch will retire in compliance with term limits. We wish to thank them for their valuable support and cooperative participation over many years. Dewet Moser, Gonpo Tsering, Andreas S. Wetter and Dieter Widmer will be proposed to succeed them at the annual general meeting on 10 May 2011. The number of directors is being increased with a view to ensuring continuity and also in response to the wishes of major shareholders that this body should be strengthened.

We also take this opportunity of thanking our employees for their loyal cooperation and their untiring efforts. Thanks also to our customers and shareholders for the confidence they show in our company, its directors and officers.

Zurich, April 2011

Dr. Klaus Oesch
Chairman of the Board of Directors

Michel Kunz
CEO

Business in 2010

Orell Füssli reported slightly higher sales and – despite significant progress at the operating level – lower profits in the year under review. Sales expectations were not fulfilled, mainly due to the hesitant recovery in Atlantic Zeiser's industrial business, an interim year in security printing and a slowdown in the book retailing business. The decline in profits is a reflection of the extraordinary income which boosted the previous year's profit figure. In 2011 the company is focusing on making operating improvements and expects to achieve higher sales and earnings.

Orell Füssli reported sales of CHF 317.7 million in the 2010 financial year. This corresponds to an increase of 4% compared to the previous year. After adjustment for exchange rate movements and changes in the scope of consolidation, sales by the ongoing businesses were 9% higher. Operating earnings of the Orell Füssli Group declined to CHF 14.1 million (CHF 23.1 million, including CHF 8.5 million of extraordinary income, in 2009). However, Orell Füssli made significant progress at the operating level compared to the previous year: EBITDA improved from CHF 24.3 million to CHF 31.3 million and cash flow from operations rose by 41% according to internal assessment criteria. Net income was CHF 10.6 million (CHF 14.7 million in 2009).

Orell Füssli's balance sheet is still in robust shape, not least due to a lasting reduction of CHF 40 million in the size of balance sheet, achieved mainly by trimming working capital. Free cash flow amounted to CHF 14.0 million. The net cash position increased from CHF 13.0 million in the previous year to CHF 21.4 million. With an equity ratio (including minority interests) of 70.0% (61.6% in 2009), the company is prepared to undertake expansion projects.

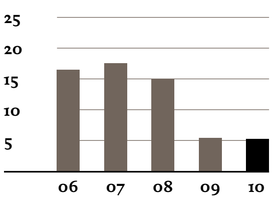
German subsidiary Atlantic Zeiser is largely financed via equity loans. The exchange rate fluctuations affecting the loans are posted to shareholders' equity in the consolidated financial statements and thus have no impact on income. These exchange rate fluctuations on balance sheet date amounted to CHF 5.2 million. In the unaudited half-year financial statements these exchange rate fluctuations were erroneously posted as a charge of CHF 3.5 million to income.

SEGMENTAL RESULTS

in CHF '000	2010	2009	2008	2007
Division Atlantic Zeiser				
Sales	79,151	72,536	104,984	111,507
Earnings before interest and taxes (EBIT)	–903	–4,427	7,275	13,568
Division Security Printing				
Sales	100,556	85,323	102,980	97,503
Earnings before interest and taxes (EBIT)	13,993	16,704	23,983	18,206
Division Book Retailing				
Sales	119,861	123,629	122,747	121,509
Earnings before interest and taxes (EBIT)	2,153	6,308	3,423	4,779

RETURN ON NET ASSETS (RONA) AT THE ORELL FÜSSLI GROUP

in percent



Orell Füssli regards the return on net assets[1] (RONA) as its target measure for portfolio management. The Orell Füssli Group aims to achieve sustainable growth of 10% in sales and a RONA of 15%.

[1] EBIT before recognition of disposal of subsidiaries and including impaired goodwill.

Atlantic Zeiser Division

In 2010 Atlantic Zeiser reported an 18% increase in sales revenues expressed in euros (9% in CHF) compared with the previous year. Uncertainty continued to be a dominant feature of the capital goods markets, especially for card systems and digital printing solutions. The operating loss was reduced to CHF 0.9 million (CHF 4.4 million in 2009). Excluding extraordinary expenses, positive operating earnings of CHF 1.0 million would have been posted. However, progress at the operating level and in the marketing of new products was slower than expected. Atlantic Zeiser reduced costs through selective short-time working and did not need to make any further cuts in its core workforce.

The business trend in the banknote and security printing systems sector was positive throughout the year. Good levels of orders in hand and greater demand for numbering system solutions resulted in higher sales revenues at Atlantic Zeiser in this sector compared with the previous year.

The card systems business suffered from a declining market trend. Atlantic Zeiser continues to face challenges in this sector, since core markets are likely to recover only slowly and new market segments will have to be developed.

In the sector of digital printing systems for industrial applications the expansion of the distribution and dealer network contributed to an increase in new orders and sales. Overall growth in sales of modules and of integrated systems for marking with industrial digital printing continued. The growth potential of this sector is promising.

Events:

In the year under review Atlantic Zeiser made strategically important additions to its product portfolio with in-house developments. For example, new digital printing modules were incorporated in printing systems for revenue stamps and security documents in 2010. The acquisition of assets of the former Böwe Cardtec with effect from 1 October 2010 provided Atlantic Zeiser with a foothold in new segments of the card personalisation sector. At Cartes 2010, the largest trade fair for card personalisation, the Persoline, a machine for the high-speed personalisation of ID cards, and Persomail, a solution for the individualised mailing of cards, as well as software platform PMP by Cardtech for secure data management, were the focus of interest.

With the acquisition of SOFHA GmbH in January 2010 Atlantic Zeiser has at its disposal an in-house development for processing a PDF workflow in industrial digital printing. Although the PDF workflow is increasingly becoming the industrial standard, also for individualised digital printing, these capabilities still amount to a unique selling proposition. At IPEX 2010, one of the major global printing trade fairs, Atlantic Zeiser exhibited the Gamma digital printer for four-colour printing and the Delta grey-scale printer models. The system solutions have been standardised under the Digiline brand name. Atlantic Zeiser thus now supplies preconfigured industrial solutions for individualising products as well as systems for personalising security documents. Atlantic Zeiser supplied systems to prominent companies in the pharmaceutical industry in 2010 under the "Late Stage Customization" heading. These involve the printing of packaging with high print quality at the latest possible stage within existing production processes. This technology helps users to achieve significant reductions in process costs.

Orell Füssli Security Printing Division

In 2010 Orell Füssli Security Printing devoted particular effort to the international banknote printing market. Orell Füssli succeeded in broadening its customer base and also securing follow-up orders from existing customers. Record numbers of banknotes were produced. Sales revenues at Orell Füssli Security Printing in the 2010 financial year rose by 18% to CHF 100.6 million (CHF 85.3 million in 2009).

Excess capacity in the market for banknote production and fluctuations in the euro and dollar exchange rates depressed prices, and this had a negative impact on operating earnings, which were 16%

lower at CHF 14.0 million (CHF 16.7 million in 2009). The banknote printing market revived in the second half of the financial year.

Events:

In the year under review Orell Füssli Security Printing worked intensively on optimising business processes and realigned its structures. At the same time the division evaluated and introduced a new ERP system. Orell Füssli is working continuously on improving its competitiveness through enhanced production efficiency and optimised workflows.

Together with its technology suppliers, Orell Füssli vigorously pursued preparations for the new issue of Swiss banknotes. As announced at the beginning of 2010, printing of the 9th issue had to be postponed by some two years due to delays in furnishing new security features. This resulted in shortfalls in capacity utilisation. Production is now expected to commence towards the end of this year, so that Orell Füssli can expect capacity utilisation to return to normal as from 2012. "Relief" stands for a new security feature which has been developed by Orell Füssli and is ready for initial application in the banknote market. This consists of a software-controlled cell screen which enables objects to be depicted with a 3D imprint. Another novel security feature – "Pageguard" for travel documents – was presented at the Intergraf conference. Pageguard enables manipulation attempts to be detected instantly and easily.

Orell Füssli Book Retailing Division

Changes in reading habits and increasing pressure on selling prices as a result of the declining euro exchange rate caused a 3 % reduction in sales revenues to CHF 119.9 million at Orell Füssli Book Retailing in the year under review (CHF 123.6 million in 2009). A shift towards Internet sales and downloads from the steadily growing stock of digital books is apparent in book retailing. A further strong increase in business with large customers was encouraging. Excluding the book gain realised in 2009 from the sale of premises no longer required for business, the division's operating earnings increased by 23 % compared with the previous year, to a figure of CHF 2.2 million.

Events:

Unprofitable bookstores were closed in the year under review in Schaffhausen and at Spitalgasse in Berne. The elimination of uneconomic selling space will continue in 2011. The bookstore in the Zurich Niederdorf specialising in architecture, design, photography and art was closed in February 2011 and the business integrated in the expanded main store at Kramhof on Füsslistrasse. Management aims to create the preconditions for boosting profitability by streamlining outlets. Orell Füssli has introduced professional management of book-related supplementary products to improve product range control in order to increase the productivity of bookstore space.

In response to the increasing shift of book retailing to the Internet, Orell Füssli opened storyworld.ch as a second platform alongside books.ch, primarily in order to address price-sensitive customers. Orell Füssli has launched various projects in order not to be left behind by the move to e-books, which is gaining momentum, even though competition here is largely unstructured to date.

Orell Füssli Publishing

The majority shareholding in Photoglob AG was sold to its General Manager in spring 2010. This reduced sales revenues from companies consolidated in Orell Füssli publishing operations. The sales revenues of the businesses consolidated in the year under review rose by 2 %. Operating earnings remained slightly negative. In addition to handing over responsibility for the Photoglob business, other cost-relevant steps were initiated which will have an impact in the course of 2011.

Events:

The most successful title in 2010 was Daniel Ammann's "King of Oil", a biography of legendary commodity trader Marc Rich. Sales of 21 000 copies within five months assured the title of a top rank in the national bestseller list and also in the "List of top-selling business books" published in "Manager" magazine. Two titles in the business field were much in the news: René Zeyer's "Dough und Disaster", the successor to his "Bank–Banker–Bankrupt" bestseller, and Walter Wittmann's "Sovereign Insolvency". Other major sources of revenue were the titles in Atlantis Verlag's "Barbapapa" series, "Globi at the Airport", mathematics and history tutors as well as textbooks for commercial trainees and the reprints of the Swiss Civil Code and Code of Obligations.

Personnel

Sönke Bandixen, Group CEO, left the company by mutual consent in February 2010. The duties of CEO were performed in an interim capacity by the Chairman of the Board. Michel Kunz has headed the Orell Füssli Group as CEO with effect from July 2010 (having joined the company in May 2010). CIO Serge Mouttet and Martin Tobler, Head of Human Resources, left the Executive Board and the company in the context of reorganisation moves in 2010. Peter Crottogini was appointed Head of Human Resources and a member of the Executive Board at the beginning of January 2011. Dr. Matti Schüsseler succeeded Alex Aepli, who retired at the end of 2010, as Head of Publishing on 1 March 2011. Publishing operations were headed ad interim by Michel Kunz during the brief intervening period.

Outlook for the divisions and the group

Orell Füssli is expecting a revival in demand for new digital printing solutions in 2011. Despite a revival in the market, a subdued financial year is expected in security printing, due to keen international competition and the fact that production of the new Swiss banknotes is not planned until the fourth quarter. In the book retailing business further changes in the market environment representing both risks and opportunities are imminent. All in all the Orell Füssli Group foresees further operating progress and increases in sales and earnings in 2011, which as yet are difficult to quantify.

GROUP MANAGEMENT (AT 31 DECEMBER 2010)

Michel Kunz [1]	CEO
Johannes Caprez	CFO
Dr. Anton Gasteiger	Security Printing Division
Oliver C. Mehler	Atlantic Zeiser Division
Fabio Amato	Book Retailing Division
Alex Aepli [2]	Publishing Companies
Hans Rudolf Andrist	Security and Infrastructure

[1] since 1 July 2010 [2] until 31 December 2010

Financial Report 2010

1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

in CHF '000	NOTES	2010	2009
Sales to customers	4.1	313,932	302,377
Other operating income	4.5	3,778	3,909
Total income	4.4	317,710	306,286
Cost of materials		–126,273	–134,455
Direct production costs		–17,005	–13,083
Changes in inventories of finished products and work-in-progress		–8,755	–749
Capitalised costs		33	224
Total direct costs		–152,000	–148,063
Personnel expenditure	4.6	–87,132	–88,669
Other operating expenses	4.7	–47,304	–44,686
Depreciation and impairment		–17,474	–10,297
Gain on sales of non-current assets		298	4,557
Profit from disposal of subsidiaries	4.37	–2	4,000
Total operating expenses		–151,614	–135,095
Earnings before interest and taxes (EBIT)		14,096	23,128
Financial income		2,829	1,686
Financial expenses		–2,904	–3,689
Share of profit from associates		–	–
Financial result	4.8	–75	–2,003
Earnings before income taxes		14,021	21,125
Income tax expenses	4.9	–1,916	–2,993
Net income for the period		12,105	18,132
Attributable to the shareholders of Orell Füssli Holding Ltd		10,593	14,699
Attributable to minority interests		1,512	3,433

CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

in CHF '000	NOTES	2010	2009
Net income for the period		12,105	18,132
Currency translation effects		–3,642	353
Foreign exchange effects on equity loans		–5,165	–
Total comprehensive income for the period		3,298	18,485
Attributable to the shareholders of Orell Füssli Holding Ltd		2,200	15,066
Attributable to minority interests		1,098	3,419

EARNINGS PER SHARE

in CHF	NOTES	2010	2009
Earnings per share (diluted and undiluted)	4.10	5.40	7.50

The disclosures from page 14 to 45 form an integrated part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2010	2009
Assets			
Cash and cash equivalents	4.11	29,594	26,936
Marketable securities & derivative financial instruments	4.12	1,102	87
Receivables	4.13	44,737	42,801
Receivables from PoC	4.15	21,219	40,210
Inventories	4.16	39,520	51,914
Current financial assets	4.17	228	4,537
Current income tax receivables		2,869	2,807
Total current assets		139,269	169,292
Tangible assets	4.19	99,725	110,835
Intangible assets	4.20	9,217	1,984
Leasehold property	4.22	55	80
Investments	4.23	4,753	2,479
Non-current financial assets	4.17	755	12,207
Pension fund assets	4.28	5,362	4,805
Deferred tax assets	4.29	4,216	2,902
Other non-current assets		1,063	979
Total non-current assets		125,146	136,271
Total assets		264,415	305,563

Liabilities			
Trade payables	4.24	22,538	30,711
Prepayments from customers		26,204	50,062
Current financial liabilities	4.25	6,625	10,868
Current income tax liabilities		1,268	1,529
Other current liabilities	4.26	14,258	15,490
Current provisions	4.27	730	454
Total current liabilities		71,623	109,114
Non-current financial liabilities	4.25	2,680	3,108
Pension fund liabilities	4.28	392	457
Non-current provisions	4.27	395	414
Deferred tax liabilities	4.29	4,273	4,226
Total non-current liabilities		7,740	8,205
Share capital	4.30	1,960	1,960
Capital reserves		4,160	4,160
Retained earnings	4.31	160,396	164,106
Total equity before minority interests		166,516	170,226
Minority interests		18,536	18,018
Total equity		185,052	188,244
Total liabilities		264,415	305,563

The disclosures from page 14 to 45 form an integrated part of the financial report.

1.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF '000	Share capital	Capital reserves	Retained earnings and net income	Equity before minority interests	Minority interests	Total equity
Total equity at 1 January 2010	1,960	4,160	164,106	170,226	18,018	188,244
Dividends paid	–	–	–4,900	–4,900	–1,960	–6,860
Decrease of minority interests by sale	–	–	–	–	–291	–291
Increase of minority interests by purchase	–	–	–	–	1,671	1,671
Liability for purchase of minority interests	–	–	–1,010	–1,010	–	–1,010
Total comprehensive income for the period	–	–	2,200	2,200	1,098	3,298
Total equity at 31 December 2010	1,960	4,160	160,396	166,516	18,536	185,052
Total equity at 1 January 2009	1,960	4,160	164,720	170,840	15,579	186,419
Dividends paid	–	–	–15,680	–15,680	–980	–16,660
Total comprehensive income for the period	–	–	15,066	15,066	3,419	18,485
Total equity at 31 December 2009	1,960	4,160	164,106	170,226	18,018	188,244

The share capital as at 31 December 2010, as well as at 31 December 2009, is comprised in 1,960,000 registered shares with a par value of CHF 1.– each.

The disclosures from page 14 to 45 form an integrated part of the financial report.

1.4 CONSOLIDATED CASH FLOW STATEMENT

in CHF '000	NOTES	2010	2009
Net income for the period		12,105	18,132
Depreciation		16,077	10,508
Impairment and amortisation		973	754
Profit from disposal of subsidiaries		–748	–4,000
Other non-fund related income and expenses		–1,415	–4,107
Change in net working capital	4.33	–6,250	–3,972
Income tax paid		–4,781	–9,228
Interest paid		–873	–798
Change in provisions and deferred income tax		–2,938	–1,765
Cash flow from operating activities		12,150	5,524
Purchase of tangible assets		–6,828	–13,185
Proceeds from disposals of tangible assets		516	7,349
Purchase of intangible assets		–2,525	–277
Proceeds from disposals of intangible assets		–	–
Purchase of other non-current assets		–169	–77
Proceeds from disposals of other non-current assets		17,356	–
Acquisitions of investments		–6,544	–
Proceeds from disposals of investments		277	4,388
Purchase of securities		–208	–
Proceeds from disposals of marketable securities		–	2
Cash flow from investing activities		1,875	–1,800
Change in financial liabilities		–3,142	4,944
Dividends paid to minorities		–1,960	–980
Dividends paid	4.32	–4,900	–15,680
Cash flow from financing activities		–10,002	–11,716
Translation differences on cash		266	33
Increase (decrease) in cash and cash equivalents		4,289	–7,959
Cash and cash equivalents at 1 January	4.11	26,936	34,867
Effects of exchange rate adjustments on the opening balance		–1,631	28
Cash and cash equivalents at 1 January after effects of currency exchange rate		25,305	34,895
Cash and cash equivalents at 31 December		29,594	26,936

The disclosures from page 14 to 45 form an integrated part of the financial report.

2 ACCOUNTING POLICIES

2.1 GENERAL INFORMATION

Orell Füssli Holding Ltd and its subsidiaries (hereinafter the "Orell Füssli Group" or the "Group") focus their business on three strategic business segments.

The business unit of Industrial Systems covers the production and the sales of machineries and systems for digital printing and encoding of bank notes, passports, security documents, plastic cards and packaging. The head office in Germany and its several subsidiaries abroad serve and support their clients on all continents.

The business unit Banknote and Security Printing is path-breaking by its technology and quality in the area of banknote printing, the production of identification and further documents with high and highest security requirements. Due to extraordinary services, state-of-the-art equipment and extensive experience over many years, Banknote and Security Printing is known worldwide by its clients to be a reliable business partner.

The business unit of Book Retailing occupies a leading position in the German-speaking part of Switzerland with numerous large-format and specialist bookstores and the online shops www.books.ch and www.storyworld.ch. Furthermore, it offers full service for key accounts like companies and public libraries.

Integrated in other business activities, the Publishing business stands as the traditional pillar of the Orell Füssli Group. Focus is laid on non-fiction publishers and topics related to Switzerland. The Group sold its controlling interest in the largest post card publisher in Switzerland, Photoglob Ltd, to the former minority shareholder in the 2010 financial year.

Orell Füssli Holding Ltd is a Swiss public limited company, domiciled in Zurich. The present consolidated financial statements were approved by the Board of Directors on 25 March 2011. The approval of the consolidated financial statements by the shareholders will take place at the Annual General Meeting.

The principal accounting policies being used to prepare the present consolidated financial statements are described below. They have been consistently applied to the presented reporting periods.

2.2 BASIS OF ACCOUNTING

The consolidated financial statements have been prepared under the historical cost convention, modified by the fair valuation through profit and loss of marketable securities including derivative financial instruments. The consolidated financial statements are presented in thousands of Swiss Francs (CHF '000).

When preparing the consolidated financial statements, management needs to make estimates and assumptions which may influence the disclosed income and expenses, assets and liabilities, as well as other disclosed information. Areas involving a wider range of judgment or a higher degree of complexity, and areas where assumptions and estimates are significant to the consolidated financial statements are listed separately in the notes under reference 4.

The consolidated financial statements of the Orell Füssli Group have been prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements are further in accordance with Swiss law and the accounting standards of the SIX Swiss Exchange. The accounting policies as stated below have been applied for the presented reporting periods.

2.3 CHANGES IN ACCOUNTING POLICIES

No new standards were enacted in the financial year 2010, but several amendments whose effects on the accounting policies of the Group were not previously described in a concluding way:

IFRS 3 (revised) Business Combinations – Disclosures, and IAS 27 (amendment) Consolidated and Separated Financial Statements (effective from 1 July 2009). The more significant changes in accounting for business combinations address the measurement and accounting of non-controlling interests, step acquisitions, equity transactions, the handling of a loss of control of a subsidiary, of acquisition-related costs, of changes to contingent consideration as a result of subsequent events, the effective settlement of pre-existing relationships, and reacquired rights. The Orell Füssli Group has implemented the amendments with the effective date from 1 January 2010 not including any retrospective adjustments.

IAS 32 (amendment), Classification of Right Issues (effective from 1 February 2010). The amendment specifies that a rights issue offered pro rata to all of an entity's existing shareholders on the exercise of which the entity will receive a fixed amount of cash or a fixed number of the entity's own equity instruments is classified as an equity instrument regardless of the currency in which the exercise price is denominated. The amendment has no impact on the Group's financial statements.

IFRS 2 (amendment), Share-based Payments – Cash-settled share-based Payment Transactions (effective from 1 January 2010). The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. The amendments also incorporate guidance previously included in IFRIC 8 and IFRIC 11. As a result, the IASB has withdrawn these interpretations. As the Orell Füssli Group has not implemented any share-based payment plans the adjustment will not have any impact on the Group's consolidated financial statements.

IAS 39 and IFRIC 9 (amendment), Embedded Derivatives (effective for reporting periods ending on or after 30 June 2009). The amendments specify to what extent an entity would need to assess any embedded derivatives in consideration of the reclassification of hybrid financial instruments. The amendment has no impact on the Group's financial statements.

IFRIC 19, Guidance on Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010). The interpretation regulates the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Orell Füssli Group has not established such kind of transactions.

2.4 NEW STANDARDS AND INTERPRETATIONS

In the financial year of 2010, no standard was published by the IASB. Following amendments were issued whose improvements either have no relevance to the Group's reporting or have not yet been conclusively analysed:
IFRS 7 (Amendment), Financial Instruments: Disclosures (effective from 1 July 2011). The amendments will allow users to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the asset. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Group adopts the amendments on time.
IAS 12 (Amendment), Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012). The amendment provides a practical solution how to assess whether the recovery of the carrying amount of an asset will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment has no impact on the Group's financial statements.
IFRS 9 (new standard), Financial Instruments (effective from 1 January 2013). The standard introduces new regulations on the classification and measurement of financial assets. Publication of IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 with the aim to improve comparability and to make financial statements easier to understand for investors and other users. The impact of the new standard on the Group's financial statements has not yet been assessed.

Published in May 2010, the IASB issued a significant number of amendments in the course of the Annual Improvement Project. Most of them are effective from 1 January 2011. The Group will implement these adjustments on time, if necessary.

2.5 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.

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 Group's share part of the associate's equity.

Joint ventures

In 2010 and 2009, the Orell Füssli Group did not include any companies as joint ventures in its consolidated financial statements.

2.6 CURRENCY TRANSLATION

The items included in the financial statements of each Group's entities 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.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing rate on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses resulting from the translation of equity-like loans are recognised directly in equity.

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 have been recognised in the statement of comprehensive income. Translation differences will be recognised in the income statement on disposal of a subsidiary.

Assets and liabilities of subsidiaries in foreign currencies are converted into Swiss Francs at the closing rate of each balance sheet date while revenues and expenses are translated at the average currency exchange rate of the financial year. The Orell Füssli Group used the following currency exchange rates for the financial year 2010 and 2009:

CURRENCY EXCHANGE RATES

	Closing rate		Annual average rate	
	2010	2009	2010	2009
EUR at a rate of CHF	1.2468	1.4877	1.3833	1.5102
USD at a rate of CHF	0.9408	1.0380	1.0433	1.0857
GBP at a rate of CHF	1.4554	1.6533	1.6112	1.6958

2.7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions which concern the future. By definition, the estimates will seldom correspond to related actual results. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues on the basis of estimates of whether additional taxes are due. Where the final outcome of these matters differs from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Construction contracts

The determination of revenue and receivable for construction contracts is based on the percentage of completion. 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. If total revenues are sufficiently predictable and directly attributable to the percentage of completion, the valuation is carried out by using the completed contract method. Alternatively accumulated cost will be used for the accrual.

Tangible assets

The Orell Füssli Group regularly assesses the useful life of its tangible assets. Such assessment is based on estimates which are substantially based on the technical efficiency, the applicability and the continued use of tangible assets.

Valuation adjustments

For the impairment of receivables, management must estimate the expected cash inflows from doubtful debtors. This is based on experience gained from prior financial years.

For the valuation adjustment of inventories to its net realisable value, management must use methods that require significant estimates. Management uses the range of coverage analyses for semi-finished and finished goods. For the valuation adjustment of produced books, the year of their publication is taken into consideration.

Goodwill impairment

Goodwill is tested for impairment on an annual base. The Orell Füssli Group, therefore, includes estimates of expected future cash flows from the cash generating unit the goodwill refers to. In addition, the present value of such expected future cash flows will be calculated by the use of an estimated discount rate.

Fair value estimation

The fair value of financial instruments traded in active markets such as marketable and available-for-sale securities, is based upon quoted market price at the balance sheet date multiplied by the number of securities at the balance sheet date (level 1). Financial instruments that are not traded in an active market but whose fair value can be directly or indirectly calculated based on other observable market indicators are determined by using this information (level 2). The fair value of financial instruments that are not traded in an active market and whose fair value cannot be calculated based on observable market indicators is determined by using other valuation techniques which require assumptions (level 3). The valuation methods differ pending on the financial instrument and will be disclosed in the notes to the consolidated financial statements if necessary.

Trade accounts receivable and payable are stated in the balances sheet at their carrying value less impairment provision. Due to their short term nature they are assumed to approximate their fair value.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For any other financial instrument the discounted cash flow will be used and included in the valuation process.

2.8 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 business segments serve as basis for the internal reporting to the CODM (chief operating decision maker). The CEO of the Group has been identified as the chief operating decision maker. The internal reporting is in accordance with IFRS and, therefore, follows the same accounting principles as the consolidated financial statements.

The Group's business activities are designated 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 are provided in 4.1 of the notes to the consolidated financial statements.

2.9 REVENUE RECOGNITION

Revenue from sales of tradable, produced and printed goods are 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 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.

2.10 IMPAIRMENT

Tangible and intangible assets are assessed for impairment. Such assessment occurs on the basis of events of 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.

Further details on the impairment of financial assets will be provided in paragraph 2.17.

2.11 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, except for deferred taxes which were added or deducted through the purchase or sale of a subsidiary.

2.12 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.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
Derivatives are initially recognised at fair value on the date a derivative contract is concluded and are subsequently remeasured at their fair value. The methods of calculation depend on whether the derivative is designated as a hedging instrument. The Orell Füssli Group utilises derivative financial instruments only to hedge future cash flows, however. The Group does not apply hedge accounting, but rather recognises all gains and losses immediately in the income statement. These instruments will be accounted for at fair value through profit and loss and will be adjusted – also through profit and loss – throughout the term of the contract.

2.14 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.

2.15 CONSTRUCTION CONTRACTS
Construction contracts are medium-term and long-term orders which are generally governed by a contract for work and labour. Construction contracts are recognised using the percentage-of-completion method (PoC method). The PoC method measures the stage of completion of the contract activity in percentages; this allows the determination of revenue for the reporting period and to recognise it 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.

2.16 TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ACCOUNTS RECEIVABLE
Trade accounts receivable and other current accounts receivable are measured at amortised cost less allowances. Doubtful accounts are individually measured and impaired. Indications for such impairment are substantial financial problems of the customer, a declaration of bankruptcy or a financial reorganisation is likely or a delay in payment for over 30 days occurs. In addition to these individual measurements a general allowance based on past experience is made.

As the Orell Füssli Group has a large number of internationally dispersed customers, there is no material concentration of credit risk. It is in the division of security printing where such concentration is most likely. However, the credit-worthiness of these debtors is high, since the most significant customers are national bank institutions or public authorities.

Provisions for doubtful accounts receivable are recognised in a special account. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted by using the effective yield method. A trade receivable will be eliminated against the provision account if it cannot be collected.

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.

2.17 FINANCIAL ASSETS

Financial assets are designated to the following four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The designation depends on the purpose for which the financial asset was purchased. Management determines the categories of its financial assets at initial recognition and re-evaluates the designation at each balance sheet date.

Financial assets at fair value through profit or loss

The designation is split in two sub-categories: financial assets held for trading and those which management designated at their fair value through profit or loss at inception. A financial asset is held for trading if it is principally purchased for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are used for hedge accounting. Financial assets at fair value through profit or loss are categorised as current assets, if they are either held for trading or if they are realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with defined payments and not quoted in an active market. They are classified as current assets if their maturity does not exceed 12 months after the balance sheet date. Otherwise they are included in non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Group has the positive intention and ability to hold to maturity. In 2010 and 2009, the Orell Füssli Group did not hold any financial investment of this category.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets which are either designated as available-for-sale investment or which are not designated to any of the other categories. They are included in non-current assets, unless management has decided to sell them within 12 months after the balance sheet date.

All purchases and sales of financial assets are recorded on the trading date. Trading date is the date on which the Group commits itself to the purchase or the sale of the asset.

Financial assets not measured at fair value through profit or loss are initially recorded at fair value plus transaction costs. Financial assets at fair value through profit or loss are initially measured at the actual price paid. The related transaction costs are recorded directly in the income statement. Financial assets are derecognised if the contractual rights to the cash flows from the financial asset expire or are transferred and the Group has substantially transferred all the risk and rewards of ownership of the financial asset.

Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value recorded in the income statement. Available-for-sale investments are subsequently measured at fair value and unrealised profits and losses resulting from changes in the fair value of available-for-sale investments are recorded in the statement for other comprehensive income. For sales or impairments of available-for-sale investments, the accumulated fair value adjustments in equity are recycled to the income statement. If the fair value is not determinable, available-for-sale investments are recorded at cost less impairment.

For each category of financial assets and liabilities a three-level fair value disclosure hierarchy is established and included in note 4.12. Level 1 includes financial instruments whose fair values derive directly from quoted prices in an active market for identical instruments. Level 2 includes financial instruments whose fair values can be directly or indirectly calculated with the support of other observable market indicators. Level 3 includes financial instruments whose fair values cannot be calculated based on observable market indicators but by using other valuation techniques which require assumptions. In 2010 and 2009, the Orell Füssli Group held a cooperative participation. These participations are measured at cost less impairment as their fair value cannot be evaluated.

Loans and receivables as well as held-to-maturity investments are measured at amortised costs using the effective yield method. The Group assesses at each balance sheet date whether there is objective evidence of an impairment risk. In such cases, management estimates the fair value. The recoverable amount of loans and receivables corresponds to the present value of the expected cash flows resulting from the financial asset. An impairment loss is recorded in the income statement when the book value is higher than the estimated recoverable amount of the financial asset. If, in a subsequent period, the impairment loss of loans and receivables becomes smaller and this can be objectively allocated to an event that occurred after the impairment was recorded, the reversal amount is recognised in the income statement of that period, to a maximum of the previously recognised impairment loss.

2.18 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as "held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continued use. Such assets are measured at the lower of their carrying amount or fair value less sales costs. They are disclosed separately in current assets.

Discontinued operations are disclosed as a separate item in the income statement if they are material. The Orell Füssli Group did not identify any discontinued operations in 2010 or 2009.

2.19 TANGIBLE ASSETS

Tangible assets comprise machinery, technical installations, moveable property, leasehold improvements, vehicles, IT and systems, property, buildings 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. Costs include also estimated costs for dismantling and removal of tangible assets including the restoration of the site. Further, effective borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised according to the revised standard IAS 23R.

Tangible assets are subsequently depreciated using the straight-line method over the period of their useful life. An exception to the straight-line method of depreciation is machinery and technical installations directly used for production purposes; their depreciation is carried out on the basis of their performance 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	15–40
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.

2.20 GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets comprise goodwill and other intangible assets, such as rights, licences and software. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill related to the acquisition of a subsidiary is included in intangible assets. Goodwill is not amortised, but tested annually for impairment. Goodwill is measured at its initial cost less accumulated impairment losses. A negative goodwill is fully recorded in the income statement.

All other intangible assets have an identifiable useful life. They are measured at costs less accumulated amortisation and impairment. Costs of rights, licences and software are the result of the purchase price plus directly related costs. Development costs for internally developed software are recognised as an asset if certain criteria such as technical feasibility and availability of adequate resources are fulfilled, if the company's intention is to finalise the software development and to use or sell the software, if the company will generate probable future economic benefits, and if the costs can be measured reliably. Rights, licences and software are amortised using the straight-line method over the contractually agreed duration. Internally developed software is amortised using the straight-line method over a maximum period of three years.

2.21 INVESTMENT PROPERTY

Property is classified as investment property, if it is held to earn rentals and/or for capital appreciation, and not for use in the production or supply of goods or services or for administrative purposes of the Group. Investment property is measured at cost less accumulated depreciation and impairments in line with tangible assets. They are depreciated using the straight-line method over a period of 15 to 40 years.

2.22 TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at fair value and subsequently measured at amortised cost.

2.23 DIVIDEND DISTRIBUTION

Shareholder's claims to dividend distribution are recorded as liability in the period in which the dividends are approved by the company's shareholders.

2.24 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, finance lease liabilities and other financial liabilities. Initially, financial liabilities are measured at fair value net of transaction costs incurred, and subsequently, they are stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability using the effective yield method.

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.

2.25 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 fair value of the leased asset or the present value of the minimal lease payments. The leased asset is depreciated over the useful life of 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 use by the lessor are classified as operating leases. Lease payments under an operational lease are recorded in the income statement on a straight-line basis over the lease term.

2.26 EMPLOYEE BENEFITS

In Switzerland, Germany, France and Italy there are pension plans which cover the risks of age, death and disability. Financing occurs by means of equal employee and employer contributions as well as returns from the investments made by the pension fund. The Group has both defined benefit and defined contribution plans.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors, such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay additional contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The liability recognised in the balance sheet with respect to the defined benefit plans represents the value of the defined benefit obligation (DBO) on the balance sheet date less the fair value of the plan assets, adjusted for unrecognised actuarial profits and losses and past service costs. The DBO is calculated periodically by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the expected future cash outflow, using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

According to the corridor approach, the net cumulative unrecognised actuarial gains and losses in excess of the greater of 10% of the fair value of plan assets are recorded in the income statement over the employees' expected remaining working lives. Other actuarial gains and losses are not recognised.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employee remaining for a specified period of time (vesting period). In this case, the past-service costs are recorded in the income statement on a straight-line basis over the vesting period.

Contributions to defined contribution plans are recorded in the income statement, if the employee renders the corresponding services, normally in the year of payment of the contributions.

The Orell Füssli Group does not foresee any option plan or other share-based payments either for employees, management or board members.

2.27 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.

2.28 SHARE CAPITAL

Ordinary shares are classified as part of the shareholders' equity. When the Group purchases Orell Füssli Holding Ltd shares (treasury shares), the consideration paid, including any direct attributable incremental costs, is deducted from equity. If treasury shares are subsequently sold or issued, any consideration is included in 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 is therefore exposed to different financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The overall risk management and especially the financial risk management of the Orell Füssli Group focuses on the unpredictability of developments of the financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments to economically hedge financial risks. In the reporting period, the Orell Füssli Group did not apply hedge accounting according to IAS 39.

3.2 FOREIGN EXCHANGE RISK

As a principle, no business activities are conducted in currencies with high volatilities or considered otherwise particularly risky. For substantial orders with a maturity period of more than three months, the hedging of foreign exchange risk using derivative financial instruments will be evaluated and entered, if necessary.

The Orell Füssli Group is exposed to foreign exchange risk particularly with regard to the Euro. While currency exchange rate between Swiss Franc and Euro remained stable in 2009, the Euro lost in the 2010 financial year up to 20% of its value compared to Swiss Franc. Based on this experience the Group has benchmarked a currency variation of 20% for the sensibility analyses. In order to improve the comparability the Group adjusted the values of the prior period to the same variation.

If the Euro had weakened against the Swiss Franc by 20% on 31 December 2010, with all other variables held constant, post-tax profit for the year would have been increased by CHF 1,080,000 (2009: CHF 254,000). In the opposite way the profit for the year would have decreased to the same extent. Foreign exchange gains/losses would mainly occur on translation of Euro denominated trade receivables, non-current assets, trade payables, and other current liabilities. The reaction of the profit movements in CHF/EUR exchange rates is more sensible due to a decline in receivables denominated in Euro compared to the year 2009. There were no material changes of the portion in Euro on the current liability side. Equity would have increased/decreased by CHF 6,010,000 in 2010 (2009: CHF 5,058,000).

3.3 INTEREST RATE RISK

As the Orell Füssli Group has no significant interest-bearing finanical assets, the Group's income and operating cash flows are not substantially exposed of changes in market interest rates.

The Group is exposed to cash flow interest risk by non-current borrowings issued at variable rates, while non-current borrowings issued at fixed rates expose the Group to fair value interest risk.

Management's policy is to maintain approximately 80% of its borrowings in fixed rate instruments. Basically, no hedge activities such as interest rate swaps are used.

At 31 December 2010, the Orell Füssli Group did not have any material non-current borrowings in its balance sheet. Therefore, the Group forgoes disclosure of sensibility analyses of the interest risk.

3.4 CREDIT RISK

Credit risk may arise from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposures to wholesale and retail customers. Bank and financial institutions need an independently evaluated minimum rating of "A" in order to do business with the Orell Füssli Group.

The Group has not issued a generally accepted credit limit due to the differing customer structure in each of the business units. However, each entity assesses the credit quality of customers systematically, taking into account the financial situation, the past experience and other factors. Material business activities in international environments are usually hedged by bank guarantees or letters of credit.

Management does not expect any losses from substantial receivable assets.

3.5 LIQUIDITY RISK

The Orell Füssli Group monitors its liquidity risk through prudent liquidity management. In doing so, the Group follows the principle of maintaining liquidity reserves higher than the daily and monthly demand of operating cash. This includes the provision of sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Therefore a rolling forecast of liquidity on the basis of expected cash flows is conducted and regularly updated. However, some divisions are traditionally more in funds at the year end due to the seasonality of their business. Such funds will be reduced again in the following quarter. The average liquidity reserves are usually considerably below the reserves at the balance sheet date.

At 31 December the available liquidity risk can be summarised as:

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF '000 at 31 December	2010	2009
Liquidity reserves	30,696	27,023
Committed credit facilities	73,031	79,511
./. rental guarantees	–3,730	–3,644
./. utilised credit facilities	–6,887	–11,384
Total liquidity reserves and non-utilised credit facilities	93,110	91,506

Along with the committed credit facilities in local currencies in an unchanged range, the Group should be able to provide sufficient liquidity to ensure ordinary business activities.

Exempt are significant investments in non-current assets as well as future acquisitions. In such cases an adjustment of committed credit facilities may be considered. Furthermore there is the possibility of closing out market positions; as of balance sheet date the authorised capital approved by the Annual General Meeting amounts to the equivalent of 400,000 shares.

3.6 CAPITAL RISK

When managing capital, the Orell Füssli Group's objectives are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal structure to reduce the cost of capital. In order to reach these goals, the Orell Füssli Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Orell Füssli Group monitors capital on the basis of net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of the financial liabilities, the trade accounts payable, the prepayments from customers and the other current liabilities, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Originally, the Orell Füssli Group's expectation was a stabilisation of its gearing ratio in the financial year 2010, due to budgeted investments and planned acquisitions and due to certain repayments of loan assets resulting from the disposal of Orell Füssli Wirtschaftsinformationen Ltd and Kompass Schweiz Verlag Ltd in 2008. In the last quarter of the 2010 financial year, an early settlement of the outstanding loans was agreed with the borrower. Therefore, these unexpected funds reduced the gearing ratio considerably at the balance sheet date. The net gearing ratio at 31 December 2010 and 2009 were as follows:

NET GEARING RATIO

in CHF '000 at 31 December	2010	2009
Total financial liabilities	9,305	13,976
+ trade accounts payable	22,538	30,711
+ prepayments from customers	26,204	50,062
+ other current liabilities	6,770	7,625
./. cash and cash equivalents	–29,594	–26,936
Net indebtedness	35,223	75,438
Total equity	185,052	188,244
Total capital	220,275	263,682
Net gearing ratio	16%	29%

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

As mentioned in paragraph 2.1 business activities of Orell Füssli Group are designated into three segments that provide the basis for the internal segment reporting by business units. Segment reporting provides information on tangible assets and the income statement to the level of earnings before interest and taxes. It follows the accounting principles in accordance with IFRS.

Industrial Systems

Disclosures in connection with the production and marketing of machineries and systems for encoding and personalisation of any printable products.

Security Printing

Disclosures in connection with the production and marketing of banknotes, security documents, passports and further documents with high and highest security requirements.

Book Retailing

Disclosures in connection with the sale of books and similar products in numerous bookstores of the German-speaking part of Switzerland and on the Internet (www.books.ch and www.storyworld.ch).

Business activities disclosed as "Other" include the publishing units as well as infrastructure services. Their size is not sufficiently material to be disclosed separately in the segment reporting.

Financial results, results from associates and income taxes remain unallocated, as these positions are governed on a Group level rather than by business units. Inter-segment sales and expenses are eliminated based on normal commercial terms and conditions that would be provided to third parties. The consolidation effects are also disclosed as unallocated.

SEGMENT RESULTS 2010

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Total gross segment sales	78,842	100,556	119,858	14,676	313,932	–	313,932
Inter-segment sales	309	–	3	27	339	–339	–
Sales to customers	79,151	100,556	119,861	14,703	314,271	–339	313,932
Depreciation and impairment	–3,855	–9,019	–4,285	–215	–17,374	–100	–17,474
Earnings before interest and taxes (EBIT)	–903	13,993	2,153	–374	14,869	–773	14,096
Financial result						–75	–75
Share of profit from associates (Note 4.23)						–	–
Income tax expenses						–1,916	–1,916
Net income for the period							12,105
Total tangible assets at 31 December 2010	13,933	75,790	9,826	60	99,609	116	99,725

SEGMENT RESULTS 2009

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Total gross segment sales	72,355	85,322	123,606	21,094	302,377	–	302,377
Inter-segment sales	181	1	23	32	237	–237	–
Sales to customers	72,536	85,323	123,629	21,126	302,614	–237	302,377
Depreciation and impairment	–2,880	–4,061	–2,938	–331	–10,210	–87	–10,297
Earnings before interest and taxes (EBIT)	–4,427	16,704	6,308	–217	18,368	4,760	23,128
Financial result						–2,003	–2,003
Share of profit from associates (Note 4.23)						–	–
Income tax expenses						–2,993	–2,993
Net income for the period							18,132
Total tangible assets at 31 December 2009	16,633	81,080	12,614	335	110,662	173	110,835

4.2 SALES TO CUSTOMERS AND TANGIBLE ASSETS BY COUNTRIES AND REGIONS

Industrial Systems and Security Printing are the two business units whose customer relations exist worldwide without any geographic market specifications. The business segment Book Retailing and other activities find their customers mainly in Switzerland and the neighbouring countries. In the 2010 and 2009 financial years, no recorded sales revenue of a single country was material in an extent that would require separate disclosure, apart from Switzerland.

Therefore, the Group allocates its sales revenue in the following geographic segments as hitherto:

SALES TO CUSTOMERS BY REGION

in CHF '000	2010	2009
Switzerland	186,741	180,105
Germany	13,175	14,326
The rest of Europe and Africa	48,413	69,061
North and South America	21,476	11,235
Asia and Oceania	44,127	27,650
Total sales by region	313,932	302,377

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

The Orell Füssli Group owns tangible assets in the following regions:

TANGIBLE ASSETS BY REGION

in CHF '000 at 31 December	2010	2009
Switzerland	85,792	94,202
Germany	12,175	14,563
The rest of Europe and Africa	567	679
North and South America	1,127	1,391
Asia and Oceania	64	–
Total tangible assets by region	99,725	110,835

4.3 SALES REVENUE WITH KEY ACCOUNTS

Each business unit of the Orell Füssli Group serves a large number of different customers. In the 2010 and 2009 financial years, none of them has generated sales revenue for the Group in an extent that would require separate disclosure. The business segment Security Printing generates the most significant sales revenue with key accounts; among them are national bank institutions and public authorities. The Group does not provide names or details about these customers. However, Swiss National Bank Ltd is a major shareholder of the Orell Füssli Group and, therefore, further information on related-party transactions has to be disclosed in note 4.39.

4.4 TOTAL INCOME

in CHF '000	2010	2009
Sales of goods and products	317,117	305,758
Revenues from license fees	593	528
Total income	317,710	306,286

4.5 OTHER OPERATING INCOME

in CHF '000	2010	2009
Rental income from operating leases	570	764
Other income	3,208	3,145
Total other operating income	3,778	3,909

4.6 PERSONNEL EXPENDITURE

in CHF '000	2010	2009
Wages and salaries	73,790	74,440
Social security costs	5,535	5,447
Pension costs by contribution plans	1,743	2,135
Pension costs by defined benefit plans (refer to note 4.28)	2,530	1,559
Other personnel expenditure	3,534	5,088
Total personnel expenditure	87,132	88,669

4.7 OTHER OPERATING EXPENSES

in CHF '000	2010	2009
Marketing and distribution expenses	13,545	14,750
Operating lease expenses	12,753	11,870
Repairs and maintenance	4,621	4,491
Administration expenses	6,672	6,650
Other operating expenses	9,713	6,925
Total other operating expenses	47,304	44,686

4.8 FINANCIAL RESULT

in CHF '000	Expense	Income	Balance 2010	Expense	Income	Balance 2009
Interest income and expenses						
Bank borrowings	–702	1,012	310	–602	500	–102
Finance lease liabilities	–171	–	–171	–227	15	–212
Total interest income and expenses	–873	1,012	139	–829	515	–314
Other finance income and expense						
Net gains (losses) from securities held for trade	–	1,127	1,127	–297	–313	–610
Dividend income	–	214	214	–	145	145
Share of profit/(loss) of associates	–60	–	–60	–	88	88
Net gains (losses) from foreign exchange differences	–1,513	476	–1,037	–2,212	1,251	–961
Bank charges and other finance cost	–458	–	–458	–351	–	–351
Total other finance income and expense	–2,031	1,817	–214	–2,860	1,171	–1,689
Total financial result	–2,904	2,829	–75	–3,689	1,686	–2,003

4.9 INCOME TAX EXPENSES

in CHF '000	2010	2009
Current income tax	4,432	3,293
Deferred income tax (refer to note 4.29)	–2,516	–300
Total income tax expenses	1,916	2,993

The income taxes on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated companies as follows:

RECONCILIATION OF THE INCOME TAXES

in CHF '000	2010	2009
Profit before income tax	14,021	21,125
Weighted average applicable tax rate of the Group	14.3%	14.2%
Income tax calculated	2,011	2,993
Different income tax rates	314	–23
Upcoming income tax rate changes	–	–2
Expenses not deductible for income tax purposes	154	145
Revenue not subject to income tax	–367	–361
Additions / reversals of tax loss carry-forwards	17	–2
Adjustments to deferred tax assets	–52	459
Tax effects related to other periods	–35	–213
Other	–126	–3
Income tax recognised in the income statement	1,916	2,993

Certain foreign entities based in countries with higher income tax rates than in Switzerland did not generate any taxable profits in 2010 and 2009. As in the previous year, Orell Füssli Holding Ltd could claim the participation exemption on the gain of the disposal of investments. Also in the 2009 financial year, such additional profit could be recorded on the disposal of that investment. Consequently, in 2010 and 2009 financial years the Group's weighted average applicable tax rate was lower on a long-term consideration.

4.10 EARNINGS PER SHARE

At 31 December	2010	2009
Net income for the period in CHF '000	10,593	14,699
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Earnings per share (in CHF)	5.40	7.50

In terms of IAS 33 no dilution effects per share occurred either in 2010 or 2009.

4.11 CASH AND CASH EQUIVALENTS

in CHF '000 at 31 December	2010	2009
Cash at bank and in hand	28,953	26,844
Short-term bank deposits	641	92
Total cash and cash equivalents	29,594	26,936

The actual interest rate for bank balances and for short-term bank deposits ranged between 0.125% (2009: between 0.125% and 3.58%). Bank deposits have an average maturity period of 60 days.

For the purpose of the cash flow statement, the fund "cash and cash equivalents" encompassed liquid assets. Current account credits were not part of the fund "cash and cash equivalents".

4.12 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities can be allocated to the following categories:

FINANCIAL ASSETS

in CHF '000 at 31 December	2010	2009
Held for trade		
Marketable securities	197	13
Derivative financial instruments	905	74
Total held for trade	1,102	87
Loans and receivables		
Trade accounts receivable	30,875	30,175
Financial assets	983	16,744
Other non-current assets	1,063	979
Total loans and receivables	32,921	47,898
Held to maturity		
N/A	–	–
Total held to maturity	–	–
Available for sale		
Investments (refer to note 4.23)	2,110	2,110
Total available for sale	2,110	2,110
Total financial assets	36,133	50,095

FINANCIAL LIABILITIES

in CHF '000 at 31 December	2010	2009
At amortised costs		
Trade payables	22,538	30,711
Financial payables	9,305	13,976
Other current payables	6,770	7,625
Total at amortised costs	38,613	52,312
At fair value through profit and loss		
Derivative financial instruments	–	296
Total at fair value through profit and loss	–	296
Total financial liabilities	38,613	52,608

The contractual undiscounted cash flow of financial liabilities is as follows:

CONTRACTUAL UNDISCOUNTED CASH FLOW OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	Liabilities from borrowings, trade payables and other current liabilities	Liabilities from finance lease	Total 2010	Liabilities from borrowings, trade payables and other current liabilities	Liabilities from finance lease	Total 2009
From current financial liabilities						
Due within 6 months	35,572	148	35,720	49,041	160	49,201
Due between 6 and 12 months	29	145	174	146	173	319
Total from current financial liabilities	35,601	293	35,894	49,187	333	49,520
From non-current financial liabilities						
Due between 1 and 2 years	60	288	348	271	361	632
Due between 2 and 5 years	227	614	841	63	1,192	1,255
Due later than 5 years	1,245	953	2,198	625	1,152	1,777
Total from non-current financial liabilities	1,532	1,855	3,387	959	2,705	3,664
Total contractual undiscounted cash flow of financial liabilities	37,133	2,148	39,281	50,146	3,038	53,184

The fair value of marketable securities, derivative financial instruments and financial instruments available for sale is determined based on a three-level hierarchy as disclosed in paragraph 2.17 of the accounting principles. For each level different calculation methods are used to estimate the fair value of the recorded financial instruments.

FAIR VALUE OF FINANCIAL ASSETS

in CHF '000 at 31 December	Level 1	Level 2	Level 3	Total 2010	Level 1	Level 2	Level 3	Total 2009
Held for trade								
Marketable securities	197	–	–	197	13	–	–	13
Currency option contracts	–	–	–	–	–	–	–	–
Forward foreign exchange rate	–	905	–	905	–	74	–	74
Total held for trade	197	905	–	1,102	13	74	–	87
Available for sale								
Investments	–	–	2,110	2,110	–	–	2,110	2,110
Total available for sale	–	–	2,110	2,110	–	–	2,110	2,110

FAIR VALUE OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	Level 1	Level 2	Level 3	Total 2010	Level 1	Level 2	Level 3	Total 2009
Held for trade								
Currency option contracts	–	–	–	–	–	–	–	–
Forward foreign exchange rate	–	–	–	–	–	296	–	296
Total held for trade	–	–	–	–	–	296	–	296
Available for sale								
Purchase price option of minority interests	–	–	910	910	–	–	–	–
Total available for sale	–	–	910	910	–	–	–	–

The Group has included a participation in the retailer cooperation Schweizer Buchzentrum as financial instruments on level 3. According to IAS 39 such participation needs to be stated as financial instrument "available for sale". As no direct or indirect observable market information is available to calculate the fair value the valuation is based on the purchase cost deducted by impairments, if any. The Orell Füssli Group considers the carrying amount of the investment of CHF 2,110,000 (2009: CHF 2,110,000) as corresponding to its approximate fair value. No plans exist to sell the position in the near future.

The purchase of a majority interest in SOFHA GmbH is linked to an option permitting the Orell Füssli Group to acquire the remaining minority interests in 2014 at the earliest. For the exercise of this option a liability has been accounted whose fair value cannot be derived from directly or indirectly obtainable market data and which is therefore stated as a level 3 financial liability. The contractually negotiated terms, which also take into account future earnings trends and other factors, are utilised as the basis for valuation. Weighing the probabilities and taking discounting effects into consideration, the Orell Füssli Group regards a financial liability of CHF 910,000 as a figure corresponding most closely to fair value.

As per 31 December 2010 and 31 December 2009, several option contracts are stated in the tables above as financial instruments held for trade. All of them expire within the coming twelve months and are linked to transactions which fall due with high probability during the following year. As the Group forgoes hedge accounting, any gain or loss of valuation will be directly included in the financial result and, on maturity, adjusted by the effective realised gain or loss through the same accounts. The calculation of the fair value as per balance sheet date is based on observable market information (level 2).

The contract values as disclosed in the following table do not represent the market risks; they solely provide indications on the upcoming transaction volume on the balance sheet date. The fair value at 31 December is based on market values or based on calculations supported by standardised option-pricing models using market prices.

CONTRACT VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

in CHF '000 at 31 December	2010	2009
Currency option contracts		
Currency option contracts	–	–
Total currency option contracts	–	–
Forward foreign exchange rate		
Forward foreign exchange rate contracts in SGD	8,796	18,964
Forward foreign exchange rate contracts in EUR	–	–
Forward foreign exchange rate contracts in other currencies	12,115	3,356
Total foreign exchange rate contracts	20,911	22,320
Total contract value of derivative financial instruments	20,911	22,320

4.13 RECEIVABLES

in CHF '000 at 31 December	2010	2009
Trade accounts receivable gross	32,697	32,000
Provisions for doubtful trade accounts receivable	–1,822	–1,825
Total trade accounts receivable net	30,875	30,175
Prepayments to suppliers	609	546
Receivables from related parties	6,398	2,858
Accrued income and deferred expenses	2,648	5,077
Other receivables	4,207	4,145
Total other receivables	13,862	12,626
Total receivables	44,737	42,801

The carrying amounts of the accounts receivable comply with their fair values.

4.14 TRADE ACCOUNTS RECEIVABLE

Taking into account the terms and conditions established with customers, the following table sets forth details of the age of trade accounts receivable:

AGING STRUCTURE OF TRADE ACCOUNTS RECEIVABLE

in CHF '000 at 31 December	2010	2009
Not overdue	22,981	16,219
Past due not more than 30 days	3,705	8,647
Past due from 31 to 60 days	1,771	2,515
Past due from 61 to 90 days	1,025	592
Past due from 91 to 180 days	456	1,058
Past due more than 180 days	2,759	2,969
Total trade accounts receivable gross	32,697	32,000
Provisions for doubtful trade accounts receivable	–1,822	–1,825
Total trade accounts receivable net	30,875	30,175

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	2010	2009
At 1 January	–1,825	–2,969
Increase in provisions for doubtful trade accounts receivable	–647	–1,687
Utilisation of provisions	128	1,682
Reversal of provisions	223	1,164
Translation effects	299	–15
At 31 December	–1,822	–1,825

Part of provisions for doubtful trade accounts receivable are individual allowances in an amount of CHF 1,042,000 (2009: CHF 896,000). The effective loss on accounts receivable within the past five years has always been less than 0.5 % of the annual turnover.

Trade accounts receivable include amounts denominated in the following currencies:

TRADE ACCOUNTS RECEIVABLE BY CURRENCIES

in CHF '000 at 31 December	2010	2009
CHF	6,550	12,503
EUR	17,302	15,225
USD	6,429	1,842
GBP	237	541
Other	357	64
Total trade accounts receivable net	30,875	30,175

In the 2010 financial year, certain European subsidiaries of the Group forfeited receivables in an amount of CHF 2,152,000 (2009: CHF 1,752,000).

4.15 CONSTRUCTION CONTRACTS

Revenue from construction contracts by using the PoC-method during the year ended 31 December 2010 was CHF 12,656,000 (2009: CHF 17,315,000). The aggregate amount of costs incurred and the recognised profits (less recognised losses) for all construction contracts in progress was as disclosed on the balance sheet date.

4.16 INVENTORIES

in CHF '000 at 31 December	2010	2009
Raw materials, auxiliary materials and supplies	10,782	19,212
Semi-finished and finished goods	5,312	17,742
Trading goods	13,618	7,952
Work-in-progress	9,808	7,008
Total inventories	39,520	51,914

The cost of inventories recognised as expense and included in the income statement amounted to CHF 135,028,000 (2009: CHF 135,204,000). The write-down on inventories recognised in the income statement during the financial year ended at 31 December 2010, was CHF –236,000 (2009: CHF –95,000).

4.17 FINANCIAL ASSETS

Current and non-current financial assets consist of receivables from finance lease and finance contracts as well as from loan contracts. The financial assets comprise:

FINANCIAL ASSETS

in CHF '000 at 31 December	Current financial assets	Non-current financial assets	Total 2010 financial assets	Current financial assets	Non-current financial assets	Total 2009 financial assets
Financial assets						
Loan assets	228	755	983	4,342	12,083	16,425
Lease and finance contracts	–	–	–	174	124	298
Other current financial assets	–	–	–	21	–	21
Total financial assets	228	755	983	4,537	12,207	16,744

Certain foreign subsidiaries enter finance lease contracts with their clients in connection with special production facilities. The following details can be disclosed with regard to finance lease assets:

FINANCE LEASE ASSETS

in CHF '000 at 31 December	Gross investments in finance lease	Present value of future minimum lease payments	Unrealised interest income 2010	Gross investments in finance lease	Present value of future minimum lease payments	Unrealised interest income 2009
Current finance lease assets						
Due within 6 months	–	–	–	110	101	9
Due between 6 and 12 months	–	–	–	79	73	6
Total current finance lease assets	–	–	–	189	174	15
Non-current finance lease assets						
Due between 1 and 2 years	–	–	–	134	124	10
Due between 2 and 5 years	–	–	–	–	–	–
Due later than 5 years	–	–	–	–	–	–
Total non-current finance lease assets	–	–	–	134	124	10
Total finance lease assets	–	–	–	323	298	25

No contingent finance lease assets relating to production output are recorded and no provision on finance lease assets was made.

4.18 NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2010 and 2009, there are no non-current assets held for sale by the Group.

4.19 TANGIBLE ASSETS IN 2010

in CHF '000

	Land and buildings	Machinery and technical installations	Other tangible assets	Assets under construction	Total 2010
Cost at 1 January	102,774	114,291	45,291	1,133	263,489
Change in scope of consolidation	41	68	–536	–	–427
Additions [1]	466	3,141	912	2,560	7,079
Disposals	–5,033	–2,309	–4,218	–	–11,560
Reclassification	1,272	726	346	–2,174	170
Exchange differences	–3,062	–1,341	–2,646	–16	–7,065
Cost at 31 December	96,458	114,576	39,149	1,503	251,686
Accumulated depreciation and impairment at 1 January	–59,019	–66,276	–27,361	2	–152,654
Change in scope of consolidation	–23	–5	353	–	325
Depreciation on disposals	5,031	2,283	4,028	–	11,342
Depreciation	–3,500	–6,368	–4,335	–	–14,203
Impairment	–973	–	–	–	–973
Reclassification	–	–406	112	–2	–296
Exchange differences	1,384	1,021	2,093	–	4,498
Accumulated depreciation and impairment at 31 December	–57,100	–69,751	–25,110	–	–151,961
Net book value at 31 December	39,358	44,825	14,039	1,503	99,725
Insured value at 31 December					284,523
Net book value of tangible assets under finance lease	2,854	–	9	–	2,863
Commitments for purchases of property, plant and other equipment					1,560

TANGIBLE ASSETS IN 2009

in CHF '000

	Land and buildings	Machinery and technical installations	Other tangible assets	Assets under construction	Total 2009
Cost at 1 January	108,531	104,231	38,509	17,220	268,491
Change in scope of consolidation	–	–	–	–	–
Additions [1]	2,096	4,355	1,617	5,341	13,409
Disposals	–15,055	–1,171	–2,125	–2	–18,353
Reclassification	7,233	6,798	7,294	–21,431	–106
Exchange differences	–31	78	–4	5	48
Cost at 31 December	102,774	114,291	45,291	1,133	263,489
Accumulated depreciation and impairment at 1 January	–68,474	–65,122	–23,992	–	–157,588
Change in scope of consolidation	–	–	–	–	–
Depreciation on disposals	12,559	1,170	1,829	2	15,560
Depreciation	–2,852	–2,241	–4,727	–	–9,820
Impairment	–271	–	–483	–	–754
Reclassification	–	–	–	–	–
Exchange differences	19	–83	12	–	–52
Accumulated depreciation and impairment at 31 December	–59,019	–66,276	–27,361	2	–152,654
Net book value at 31 December	43,755	48,015	17,930	1,135	110,835
Insured value at 31 December					295,867
Net book value of tangible assets under finance lease	3,656	63	7	–	3,726
Commitments for purchases of property, plant and other equipment					275

[1] Additions include additions by cash purchase, by capitalised costs and by acquisitions.

4.20 INTANGIBLE ASSETS IN 2010

in CHF '000	Software and developments	Rights and licenses	Goodwill	Other intangible assets	Total 2010
Cost at 1 January	5,631	1,815	–	850	8,296
Change in scope of consolidation	422	1,007	3,943	2,103	7,475
Additions [1]	693	74	–	1,758	2,525
Disposals	–89	–1,610	–	–	–1,699
Reclassification	126	–	–	–	126
Exchange differences	–635	–108	–389	–346	–1,478
Cost at 31 December	6,148	1,178	3,554	4,365	15,245
Accumulated depreciation and impairment at 1 January	–3,762	–1,705	–	–845	–6,312
Change in scope of consolidation	–3	–205	–	–	–208
Depreciation on disposals	89	1,610	–	–	1,699
Depreciation	–844	–311	–	–702	–1,857
Reclassification	–	–	–	–	–
Exchange differences	396	48	–	206	650
Accumulated depreciation and impairment at 31 December	–4,124	–563	–	–1,341	–6,028
Net book value at 31 December	2,024	615	3,554	3,024	9,217

INTANGIBLE ASSETS IN 2009

in CHF '000	Software and developments	Rights and licenses	Goodwill	Other intangible assets	Total 2009
Cost at 1 January	5,462	1,690	–	850	8,002
Change in scope of consolidation	–	–	–	–	–
Additions [1]	152	125	–	–	277
Disposals	–86	–	–	–	–86
Reclassification	106	–	–	–	106
Exchange differences	–3	–	–	–	–3
Cost at 31 December	5,631	1,815	–	850	8,296
Accumulated depreciation and impairment at 1 January	–3,223	–1,667	–	–844	–5,734
Change in scope of consolidation	–	–	–	–	–
Depreciation on disposals	86	–	–	–	86
Depreciation	–631	–38	–	–2	–671
Reclassification	–	–	–	–	–
Exchange differences	6	–	–	1	7
Accumulated depreciation and impairment at 31 December	–3,762	–1,705	–	–845	–6,312
Net book value at 31 December	1,869	110	–	5	1,984

[1] Additions include additions by cash purchase, by capitalised costs and by acquisitions.

4.21 FURTHER DETAILS ON TANGIBLE ASSETS

In 2010, a project for an integrated IT-solution of Orell Füssli Security Printing Ltd was started. We expect the implementation to be finalised within the first six month of the 2011 financial year. The workings and installations on the building of the Orell Füssli Group's head office could be finalised as planned in the 2009 financial year. The expenditures included investments in production facilities and machineries for the security printing division.

Bank borrowings are secured on land and buildings for the value of CHF 204,000 (2009: CHF 577,000).

Lease rentals amounting to CHF 11,907,000 (2009: CHF 11,024,000), while CHF 845,000 (2009: CHF 846,000) are related to other leased tangible assets. Operating lease expenses are included in the income statement.

4.22 INVESTMENT PROPERTY

in CHF '000	2010	2009
Cost at 1 January	349	466
Exchange differences	–42	–117
Cost at 31 December	307	349
Accumulated depreciation and impairment at 1 January	–269	–232
Depreciation	–17	–18
Exchange differences	34	–19
Accumulated depreciation and impairment at 31 December	–252	–269
Net book value at 31 December	55	80
Fair value of investment property at 31 December	237	285
Amounts recognised in the income statement		
Rental income	75	79
Direct operating expenses arising from investment property generating rental income	–12	–14
Direct operating expenses arising from investment property not generating rental income	–12	–14

The fair values of investment property are based on the appraisal by an independent valuer. The appraisal is also based on the market value.

There is no commitment or obligation on repairs and maintenance of the investment property.

4.23 INVESTMENTS

In the 2010 financial year, the Group increased its investments in associates by the purchase of a minority interest in Bider & Tanner Ltd with its head office in Basle, as well as by the disposal of its controlling interest in Zurich-based Photoglob Ltd.

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

INVESTMENTS

in CHF '000 at 31 December	2010	2009
Photoglob Ltd (34 %)	343	–
Travel Book Shop Ltd (35 %)	35	35
Bider & Tanner Ltd (25 %)	1,200	–
Orell Füssli Kartographie Ltd (24 %)	270	270
Total investments in associates	1,848	305
Participation in cooperatives	2,110	2,110
Other investments	795	64
Total investments	4,753	2,479

The investments do not include any goodwill either at 31 December 2010 or at 31 December 2009. Neither is a listed company.

According to IAS 39, the participation in the retailer cooperative Schweizer Buchzentrum needs to be classified as a financial instrument "available-for-sale" (refer to note 4.12).

4.24 TRADE PAYABLES

The trade accounts payable can be allocated to the following currencies at their net book values:

TRADE PAYABLES BY CURRENCIES

in CHF '000 at 31 December	Trade payables third parties	Trade payables related parties	Total 2010	Trade payables third parties	Trade payables related parties	Total 2009
CHF	14,823	–	14,823	21,695	13	21,708
EUR	6,804	261	7,065	7,625	991	8,616
USD	534	–	534	348	–	348
GBP	110	–	110	39	–	39
Other	6	–	6	–	–	–
Total trade payables	22,277	261	22,538	29,707	1,004	30,711

4.25 FINANCIAL LIABILITIES

The carrying amount of financial liabilities corresponds approximately with its fair value. The maturities are as follows:

MATURITIES OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2010	From borrowings	Liabilities from finance lease	Total 2009
From current financial liabilities						
Due within 6 months	6,287	146	6,433	10,405	157	10,562
Due between 6 and 12 months	53	139	192	139	167	306
Total current financial liabilities	6,340	285	6,625	10,544	324	10,868
From non-current financial liabilities						
Due between 1 and 2 years	99	268	367	246	335	581
Due between 2 and 5 years	100	286	386	53	1,025	1,078
Due later than 5 years	910	1,017	1,927	600	849	1,449
Total non-current financial liabilities	1,109	1,571	2,680	899	2,209	3,108
Total financial liabilities	7,449	1,856	9,305	11,443	2,533	13,976

Interest expenditure from finance lease liabilities was in an amount of CHF 171,000 (2009: 227,000).

No secured liabilities are included in the 2010 or 2009 financial liabilities. Finance lease liabilities are secured effectively as the rights to the lease asset revert to the lessor in the event of a breach of contract.

The carrying amounts of financial liabilities are denominated in the following currencies. The amounts are translated into Swiss Francs at the exchange rate of the balance sheet date.

FINANCIAL LIABILITIES BY CURRENCIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2010	From borrowings	Liabilities from finance lease	Total 2009
CHF	100	29	129	600	62	662
EUR	7,349	1,827	9,176	10,843	2,471	13,314
Total financial liabilities	7,449	1,856	9,305	11,443	2,533	13,976

EFFECTIVE INTEREST RATES ON FINANCIAL LIABILITIES

Per cent	2010	2009
CHF	0.94–9.00%	0.83–6.25%
EUR	1.41–9.50%	1.42–7.75%

4.26 OTHER CURRENT LIABILITIES

in CHF '000 at 31 December	2010	2009
Accrued expenses and deferred income	7,488	7,567
Derivative financial instruments (refer to note 4.12)	–	296
Other current payables	6,770	7,627
Total other current liabilities	14,258	15,490

In connection with the derivative financial instruments reference is made to note 4.12. The Orell Füssli Group concluded several currency option contracts in order to hedge certain currency risks. Due to different maturities the contract values will be reduced continuously over the next twelve months.

4.27 PROVISIONS

Provisions are considered for restructuring, warranties, outstanding commissions and projects that need to be finished. Provisions for restructuring refer to obligations due to the social compensation plan of 1992. No provision was made for legal claims either in 2010 or 2009. The maturities of the stated provisions as per balance sheet date were as follows:

MATURITIES OF PROVISIONS

in CHF '000 at 31 December	Due within 12 months	Due between 1 and 5 years	Due later than 5 years	Total 2010	Due within 12 months	Due between 1 and 5 years	Due later than 5 years	Total 2009
Provisions for legal claims	–	–	–	–	–	–	–	–
Provisions for restructuring	5	13	–	18	4	18	–	22
Warranty provisions	401	–	–	401	246	–	–	246
Other provisions	324	284	98	706	204	274	122	600
Total provisions	730	297	98	1,125	454	292	122	868

The development of the stated provisions in the 2010 and 2009 financial year is stated below:

MOVEMENT IN PROVISIONS

in CHF '000	2010	2009
At 1 January	868	1,073
Change in consolidation circle	212	–
Additions (charged to income statement)	406	251
Reversals (charged to income statement)	–61	–213
Utilisation during the year	–222	–245
Exchange differences	–78	2
At 31 December	1,125	868

4.28 RETIREMENT BENEFIT OBLIGATIONS

The pension plans of the Orell Füssli Group are related to retirement benefits for the employees. At 31 December 2010, the Group's balance sheet includes pension fund assets of CHF 5,362,000 (2009: CHF 4,805,000) and pension fund liabilities of CHF 392,000 (2009: CHF 457,000). The calculation according to IAS 19 results in a net pension asset of CHF 4,970,000 (2009: CHF 4,348,000). The analysis of the pension fund liability and the amounts recognised in the income statement are as follows:

FAIR VALUE OF PLAN ASSETS

in CHF '000	2010	2009
At 1 January	121,502	117,618
Expected return on plan assets	4,556	4,411
Employer's contribution	3,087	3,056
Employees' contribution	2,863	2,887
Curtailments, settlements, plan amendments	–	–
Benefits paid	–3,206	–5,171
Actuarial gain/(loss) on plan assets	–480	–1,299
At 31 December	128,322	121,502

PRESENT VALUE OF BENEFIT OBLIGATIONS

in CHF '000	2010	2009
At 1 January	–124,732	–119,105
Service costs	–5,895	–5,539
Interest costs	–4,054	–4,169
Curtailments, settlements, plan amendments	–	–
Benefits paid	3,206	5,171
Actuarial gain/(loss) on benefit obligations	–7,055	–1,090
At 31 December	–138,530	–124,732

AMOUNT RECOGNISED IN PERSONNEL EXPENSES

in CHF '000	2010	2009
Service costs	–5,895	–5,539
Interest costs	–4,054	–4,169
Expected return on plan assets	4,556	4,411
Curtailment gain	–	–
Adjustment due to IAS 19.58	–	851
Net periodic benefit cost	–5,393	–4,446
Employees' contribution	2,863	2,887
Total amount recognised in personnel expenses	–2,530	–1,559

The actual return on the plan assets was 3.0% (2009: 10.4%).

The movement in the pension fund liability is as follows:

MOVEMENT IN PENSION FUND LIABILITY

in CHF '000	Switzerland	Abroad	Total 2010	Switzerland	Abroad	Total 2009
At 1 January	5,671	–1,323	4,348	4,174	–1,263	2,911
Total expense charged to income statement	–2,530	65	–2,465	–1,559	–60	–1,619
Employer's contribution	3,087	–	3,087	3,056	–	3,056
At 31 December	6,228	–1,258	4,970	5,671	–1,323	4,348

Over the past five years, the development of the overfunding/underfunding and the actuarial gain/loss was as follows:

OVERFUNDING/UNDERFUNDING OVER FIVE YEARS

in CHF '000 at 31 December	2010	2009	2008	2007	2006
Fair value of plan assets	128,322	121,502	117,618	133,274	121,750
Present value of pension obligations	–138,530	–124,732	–119,105	–130,273	–119,937
Overfunding/(underfunding)	–10,208	–3,230	–1,487	3,001	1,813
Limitation of assets according IAS 19.58	–	–	–850	–1,260	–1,360
Unrecognised actuarial (gains)/losses	16,436	8,901	6,511	–117	542
Asset/(liability) in the balance sheet – net	6,228	5,671	4,174	1,624	995
Pension obligations abroad	–1,258	–1,323	–1,263	–1,443	–1,391
Total overfunding/(underfunding)	4,970	4,348	2,911	181	–396

ACTUARIAL GAIN/LOSS OVER FIVE YEARS

in CHF '000	2010	2009	2008	2007	2006
Experience adjustments on plan liabilities	–1,980	3,106	4,487	–7,547	2,967
Change in assumptions adjustment on plan liabilities	–5,075	–4,197	–	7,833	2,635
Experience adjustments on plan assets	–480	–1,299	–12,241	181	–2,556
Total actuarial gain/(loss)	–7,535	–2,390	–7,754	467	3,046

The principal actuarial assumptions used were as follows:

ACTUARIAL ASSUMPTIONS

Per cent	2010	2009
Discount rate	2.75%	3.25%
Expected return on assets	3.50%	3.75%
Future salary increases	1.50%	2.00%
Future pension increase	0.25%	0.25%
Life expectancy on the basis of EVK 2000 plus	5.00%	4.50%

The expected returns of each asset class are based on the risk premium concept. Thereby it is supposed that the market compensates investors by higher expected returns for bearing risk that cannot be eliminated by diversification. Based on actual risk premiums and market outlook the expected risk premium for each asset class is estimated. The portfolio return results from the weighted sum of the asset class returns less charges.

ASSET ALLOCATION

Per cent	2010	2009
Cash and cash equivalents	4.8%	9.3%
Bonds	39.6%	46.1%
Shares	24.9%	23.2%
Properties	20.4%	16.8%
Other	10.3%	4.6%
Total	100.0%	100.0%

The expected employer's contribution will be in an amount of CHF 3,038,000 in the 2011 financial year.

4.29 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset them and then the deferred income taxes relate to the same tax authority. The details of deferred taxes assets and liabilities as well as the changes in the deferred income taxes (net) are disclosed in the following tables:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

in CHF '000 at 31 December	Deferred income tax assets	Deferred income tax liabilities	Balance 2010	Deferred income tax assets	Deferred income tax liabilities	Balance 2009
Cash and cash equivalents and receivables	592	–429	163	463	–676	–213
Inventories	894	–419	475	1,657	–523	1,134
Construction contracts	–	–2,789	–2,789	–	–4,878	–4,878
Non-current assets	180	–4,004	–3,824	257	–3,411	–3,154
Current liabilities	2,464	–2	2,462	3,277	–3	3,274
Non-current liabilities	32	–31	1	40	–45	–5
Tax loss carry-forward	3,455	–	3,455	2,518	–	2,518
Effects from offsetting	–3,401	3,401	–	–5,310	5,310	–
Total deferred income tax	4,216	–4,273	–57	2,902	–4,226	–1,324

CHANGES IN DEFERRED INCOME TAXES

in CHF '000	2010	2009
At 1 January	1,324	1,410
Effects of currency translation	313	214
Change in scope of consolidation	936	–
Charges to income statement	–2,516	–300
At 31 December	57	1,324

MATURITIES OF DEFERRED INCOME TAXES

in CHF '000 at 31 December	Current due within 12 months	Non-current due later than 12 months	2010	Current due within 12 months	Non-current due later than 12 months	Total 2009
Deferred tax assets	458	3,758	4,216	547	2,355	2,902
Deferred tax liabilities	–2,164	–2,109	–4,273	–2,686	–1,540	–4,226
Deferred tax assets/(liabilities) net	–1,706	1,649	–57	–2,139	815	–1,324

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax income assets of CHF 82,000 (2009: CHF 153,000) in respect of losses amounting to CHF 390,000 (2009: CHF 727,000) that can be carried forward against future taxable income.

The following table shows the expiry of tax loss carry-forwards which have not been used for the recognition of deferred income tax assets. The applicable tax rate in case of realisation would be at 21 % in the 2010 and 2009 financial years.

TAX LOSS CARRY-FORWARDS NOT RECOGNISED IN THE BALANCE SHEET

in CHF '000 at 31 December	2010	2009
Due within 12 months	68	285
Due between 1 and 2 years	11	68
Due between 2 and 3 years	311	11
Due between 3 and 4 years	–	311
Due between 4 and 5 years	–	52
Later than 5 years	–	–
Total tax loss carry-forwards not recognised in the balance sheet	390	727

4.30 SHARE CAPITAL

The number of approved ordinary shares is 1,960,000 (2009: 1,960,000). They are exclusively registered shares with a par value of CHF 1 per share (2009: CHF 1 per share). All shares are fully paid.

4.31 RETAINED EARNINGS

in CHF '000	Balance 2010 gross	Exchange differences	Balance 2010 net	Balance 2009 gross	Exchange differences	Balance 2009 net
Retained earnings at 1 January	169,515	–5,409	164,106	170,496	–5,776	164,720
Change	–483	–3,227	–3,710	–981	367	–614
Retained earnings at 31 December	169,032	–8,636	160,396	169,515	–5,409	164,106

The exchange differences relate to the translation of the separate financial statements of the Group's subsidiaries into Swiss Francs. All associated companies prepare their financial statements in Swiss Francs.

4.32 DIVIDEND PER SHARE

The dividends paid in 2010 and 2009 were in an amount of CHF 4,900,000 (CHF 2.50 per share) and CHF 15,680,000 (CHF 8.00 per share) respectively. A dividend in respect of the year ended at 31 December 2010 of CHF 4,900,000 (CHF 2.50 per share) is to be proposed to the shareholders at the Annual General Meeting to be held on 10 May 2011. These financial statements do not reflect this dividend payable.

4.33 CHANGES IN NET WORKING CAPITAL

The changes in the net working capital for the cash flow statement include the following positions in the balance sheet:

CHANGES IN THE NET WORKING CAPITAL

in CHF '000	2010	2009
Change in trade accounts receivable	–7,254	755
Change in inventories	5,833	654
Change in other receivables	16,486	6,141
Change in trade payables	–6,624	–911
Change in other liabilities	–17,049	–5,924
Change in accruals net	2,358	–4,687
Total change in net working capital	–6,250	–3,972

4.34 CONTINGENCIES

At 31 December 2010, the Group's contingent liabilities for guarantees to third parties amounted to CHF 17,195,000 (2009: CHF 8,435,000). The rental guarantees are valid for the next two to nine years. They are subject to optional extensions.

CONTINGENCIES

in CHF '000 at 31 December	2010	2009
Advance payment guarantees	13,025	4,241
Rental guarantees	3,730	3,644
Bank guarantees	440	550
Total contingencies	17,195	8,435

4.35 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	2010	2009
No later than 1 year	12,116	11,502
Later than 1 year and no later than 5 years	42,097	30,308
Later than 5 years	38,842	17,808
Total future aggregate minimum lease payments	93,055	59,618

In 2010, future aggregate minimum lease payments have changed substantially in comparison to the previous period. The book retailing renewed several existing contracts with lease options and concluded new lease agreements in addition.

4.36 BUSINESS COMBINATIONS

SOFHA GmbH: The German subsidiary Atlantic Zeiser GmbH acquired 74.9 % of the shares of Berlin-based Sofha GmbH effective from 1 January 2010. Sofha GmbH is a software systems company in the field of industrial digital printing solutions and is a member of the exclusive circle of Adobe® Co.-Development Partners with extensive source code access. Through the acquisition of Sofha GmbH, Atlantic Zeiser aims to accelerate growth in high-resolution inkjet systems and to penetrate into new spheres of application.

The acquisition balance sheet in accordance with IFRS is stated below:

ACQUISITION BALANCE SHEET OF SOFHA GMBH, BERLIN AT 1 JANUARY 2010

At 1 January 2010	Fair value in EUR '000	Fair value in CHF '000
Cash and cash equivalents	725	1,077
Receivables	638	948
Inventories	106	157
Accrued income and deferred expenses	11	16
Tangible assets	47	70
Intangible assets	2,421	3,596
Current liabilities	–509	–756
Current provisions	–154	–229
Accrued expenses and deferred income	–118	–175
Deferred tax liabilities	–677	–1,006
Net assets	2,490	3,698
Goodwill	2,850	4,233
Anticipated purchase price for 100 %	5,340	7,931
Minority interests of 25.1 %	–1,340	–1,990
Effective purchase price for 74.9 %	4,000	5,941

The establishment of intangible assets took into account existing customer relationships with longer-term contracts on the one hand, while at the same time current licences and in-house developments were revalued. The difference relative to the purchase price paid reflects the expected future development of the acquired company's business and the exploitation of synergies in the "Industrial Systems" sector.

The remaining minority interests amounting to 25.1 % can be acquired from 2014 onwards. The Orell Füssli Group has therefore decided to recognise goodwill in full immediately and post any future differences directly to shareholders' equity.

The costs incurred in connection with the purchase of SOFHA GmbH amount to EUR 30,000 (CHF 43,000). They have been posted directly to expenses and are included in the 2010 income statement.

In the first year following its acquisition, SOFHA GmbH contributed to the consolidated financial statements of the Orell Füssli Group with sales of EUR 2,915,000 (CHF 4,033,000) and a net result of EUR –393,000 (CHF –544,000). Earnings were severely depressed by depreciation on intangible assets taken on to the balance sheet upon acquisition.

The enterprise value of SOFHA GmbH was subjected to an impairment test at 31 December 2010. This identified the company's cash flows as the smallest cash-generating unit (CGU). The calculation was made applying the discounted cash flow method on the basis of an updated forecast of cash provided by financing activities over the coming five years. The following assumptions were made in this context:

– average sales-growth of 7.5 %
– a beta factor of 1.2
– a WACC of 11.0 %
– a stable income tax rate of 29 %
– calculation of the residual value with a 3.0 % reduction in WACC, without additional growth

On the basis of these calculations the Orell Füssli Group identified no impairment requirement for the stated goodwill of SOFHA GmbH in the 2010 financial year.

An impairment requirement must be expected in the event of a change in the basis data, especially a reduction in expected gross profits or an increase in WACC. A 10 % reduction in cash flows would, for example, result in an impairment charge of EUR 401,000, and a 20 % reduction in a EUR 1,049,000 charge to goodwill. A 2.0 % increase in WACC would result in a EUR 952,000 increase in the value adjustment charged to income.

Böwe Cardtec GmbH: Subsidiary Atlantic Zeiser GmbH acquired significant assets of the insolvent Böwe Cardtec GmbH, based in Paderborn (D), in September 2010. Böwe Cardtec was one of the leading manufacturers of hardware and software solutions for managing, personalising and mailing secure chip cards for government institutions, banks and mobile telephone service providers. The purchase price of EUR 1,500,000 (CHF 2,075,000) stands against assets assessed at fair value in the form of goods and inventories amounting to EUR 1,318,000 (CHF 1,824,000), tangible assets of EUR 100,000 (CHF 138,000) and intangible assets of EUR 82,000 (CHF 113,000). No goodwill arose from the acquisition.

4.37 DISPOSAL OF SUBSIDIARIES

Photoglob Ltd: In March 2010 Management of the Group decided to dispose of its existing 71 % majority interest in Photoglob Ltd in stages. On balance sheet date at 31 December 2010 this holding had been reduced to a level which no longer permitted its full consolidation, and Photoglob Ltd ceased to figure in the scope of consolidation. The Orell Füssli Group continues to include the remaining minority holding currently amounting to 34 % under "Investments in associated companies". Share sales to date have been made at fair value.

4.38 OTHER CHANGES IN SCOPE OF CONSOLIDATION

Atlantic Zeiser Malaysia: In the context of expanding existing sales markets and developing new ones, subsidiary Atlantic Zeiser GmbH formed a new company in Kuala Lumpur, Malaysia. This new company, Atlantic Zeiser SDN BHD, has been operational since 1 January 2010 and is included in the scope of consolidation of the Orell Füssli Group for the first time in reporting for 2010.

Storyworld GmbH: A new Internet book retailing platform, www.storyworld.ch, came online in summer 2010; this is managed by the newly formed Storyworld GmbH, based in Emmingen. Storyworld GmbH is included in the scope of consolidation of the Orell Füssli Group for the first time in the 2010 financial year as a subsidiary of Orell Füssli Buchhandlungs Ltd and is integrated in the Book Retailing Segment.

Rösslitor Bücher Ltd: The St Gall-based subsidiary was merged into parent company Orell Füssli Buchhandlungs Ltd in the first half of 2010.

4.39 RELATED PARTY TRANSACTIONS

The Orell Füssli Group sold goods and services to related companies in an amount of CHF 31,549,000 (2009: CHF 21,359,000). Goods and services were sold at related companies under normal commercial terms and conditions that would also be provided to third parties.

The Orell Füssli Group sold goods of associated and related companies in the amount of CHF 5,691,000 (2009: CHF 7,276,000).

At balance sheet date, the sale and purchase of goods and services to related companies resulted in receivables of CHF 6,398,000 (2009: CHF 2,858,000) and liabilities of CHF 261,000 (2009: CHF 1,004,000).

In 2010 and 2009, the Orell Füssli Group continued to sell books and publishing products to related parties and to employees at favourable rates.

No loans to related parties had been granted by the Group in the 2010 and 2009 financial years, and the Group did not receive any loans from related parties during that period.

4.40 BOARD AND EXECUTIVES 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 3,204,000 (2009: CHF 3,045,000) for the financial year 2010. The social insurance contribution amounted to CHF 392,000 (2009: CHF 407,000).

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.

4.41 EVENTS AFTER THE BALANCE SHEET DATE

Announced by the Orell Füssli Group at 10 January 2011, Peter Crottogini was appointed Head Human Resources and Member of the Management.

In February 2011, Matti Schüsseler was appointed Head of the Publishing Division and Member of the Management Board of the Orell Füssli Group.

No other events occurred between the balance sheet date and the date when the Board of Directors approved the consolidated financial statements that add more information to any item in the consolidated financial statement, that could put into question the going concern of the Group or that are of 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 consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes (pages 10 to 45), for the year ended 31 December 2010.

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 the International Financial Reporting Standards (IFRS) 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 as well as the International Standards on Auditing. 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 judgement, 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 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) 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 AG

Christian Kessler Audit expert Auditor in charge	**Arno Frieser** Audit expert

Zurich, 26 March 2011

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

in CHF '000	NOTES	2010	2009
Income from investments	7.1	11,040	7,020
Other operating income		2,252	2,234
Total operating income		13,292	9,254
Personnel expenditure		–2,050	–1,563
Other operating expenses		–1,487	–1,339
Total operating expenses		–3,537	–2,902
Operating income before interest and taxes (EBIT)		9,755	6,352
Financial income		6,598	4,023
Financial expenses		–8,250	–1,373
Financial result	7.2	–1,652	2,650
Operating income before interest and taxes		8,103	9,002
Extraordinary income	7.3	421	4,750
Extraordinary expenses	7.4	–144	–132
Income tax expenses	7.5	–6	–190
Net income for the period	7.6	8,374	13,430

6.2 BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2010	2009
Assets			
Cash and cash equivalents		2,560	598
Current financial assets	7.7	–	4,000
Receivables from affiliated and associated entities		56,429	44,164
Other receivables		109	397
Total current assets		59,098	49,159
Operating assets		62	78
Non-current financial assets	7.7	–	12,750
Investments in affiliated and associated entities		28,191	28,140
Loans to affiliated and associated entities	7.8	54,481	50,191
Total non-current assets		82,734	91,159
Total assets		141,832	140,318
Liabilities			
Trade payables		155	66
Payables to affiliated and associated entities	7.9	13,444	15,556
Current provisions		5	5
Other current liabilities		1,432	1,365
Total current liabilities		15,036	16,992
Provision for restructuring		143	147
Total non-current liabilities		143	147
Share capital		1,960	1,960
Legal reserves		11,140	11,140
Unrestricted reserves	7.10	105,179	96,649
Retained earnings:			
Net income for the period		8,374	13,430
Total equity		126,653	123,179
Total liabilities		141,832	140,318

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 INCOME FROM INVESTMENTS
Income from subsidiaries is based upon the net income on 31 December 2010. The respective dividend payments have already been approved at the Annual General Meeting.

7.2 FINANCIAL RESULT
Orell Füssli Holding Ltd accounted for an exceptional high foreign exchange loss on loan assets held in Euro due to the weakening of the Euro against the Swiss Franc. The amount of CHF 5,165,000 was recorded as an expense in the financial results 2010. The disclosed financial income and expense were not accumulated.

7.3 EXTRAORDINARY INCOME
Orell Füssli Holding Ltd generated an extraordinary income from the sale of its controlling interest in Photoglob Ltd in an amount of CHF 421,000. Photoglob Ltd is now included as investments in associates. An additional profit of CHF 4,750,000 was included in the 2009 financial statement due to renegotiations on the purchase price of Orell Füssli Wirtschaftsinformationen Ltd and Kompass Schweiz Verlag Ltd.

7.4 EXTRAORDINARY EXPENSES
In the financial year 2010 and 2009, extraordinary expenses include single payments to pensioners of the Group and further donations.

7.5 INCOME TAXES
Income tax is calculated on the ordinary net income reduced by the dividends from subsidiaries in 2010.

7.6 NET INCOME FOR THE PERIOD
The foreign exchange loss on loan assets held in Euro reduced the 2010 net income for the period considerably. The disposal of the two subsidiaries Orell Füssli Wirtschaftsinformationen Ltd and Kompass Schweiz Verlag Ltd had a positive impact on the result of the previous year 2009.

7.7 FINANCIAL ASSETS
Loan assets resulting from the sale of the two subsidiaries Orell Füssli Wirtschaftsinformationen Ltd and Kompass Schweiz Verlag Ltd were paid before maturity to Orell Füssli Holding Ltd in 2010 financial year. In previous periods, the sale of those subsidiaries had led to an increase of the financial assets.

7.8 LOANS TO AFFILIATED AND ASSOCIATED ENTITIES
Orell Füssli Holding Ltd provides loans and overdrafts for its subsidiaries and other related companies.

7.9 PAYABLES TO AFFILIATED AND ASSOCIATED ENTITIES
Christmas sales usually generate a significant amount of cash and cash equivalents to the book retailing business in the last months of the year. In 2010 and 2009, these funds were transferred to Orell Füssli Holding Ltd on the basis of a short-term loan.

7.10 UNRESTRICTED RESERVES
Following the approval of the Annual General Meeting held on 11 May 2005 the unrestricted reserves and retained earnings have been merged together.

UNRESTRICTED RESERVES

in CHF '000	2010	2009
Opening balance at 1 January	96,649	69,816
./. dividends paid	–4,900	–15,680
+ retained earnings from previous period	13,430	42,513
Closing balance at 31 December	105,179	96,649

7.11 RISK ASSESSMENT DISCLOSURES

The Board of Directors and management of the Orell Füssli Group are responsible for the establishment and maintenance of adequate internal control over financial reporting. The Board of Directors of Orell Füssli Holding Ltd is fully integrated into the internal risk assessment process. Organisational and process measures have been designed and implemented to identify and mitigate risks at an early stage. The risk assessment process correlates with the management structure of the business units.

The compliance officers of the business units coordinate the risk management under the control of the head for internal risk control. Identified risks are systematically listed and categorised in accordance with the criteria established by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The business units and management of the Group are in charge of assessment and management of the risks. The staff functions of the Orell Füssli Group are responsible for the basic principles, training, coordination and the monitoring. The head of the internal risk control reports regularly about nature, comprehension and assessment of identified risks and informs about the taken measures to the Board of Directors of the Orell Füssli Holding Ltd and to the Audit Committee.

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

By virtue of the Transparency Statute of the Swiss Federal Code of Obligations, all listed companies are obliged to make additional disclosures of compensation to directors and officers under articles 663b^{bis} and 663c, paragraph 3.

The information provided in this section conforms to the requirements of the Swiss Federal Code of Obligations (SCO), although the consolidated financial statements have been drawn up in conformity with IFRS. Since the Orell Füssli Group has no equity-based compensation to disclose in compliance with IFRS 2, there are no valuation differences in the presentation.

Basic principles

Authority to stipulate remuneration for the members of the Board of Directors lies with the Board of Directors, while the Compensation Committee stipulates the salaries of the members of the Executive Board.

The Orell Füssli Group has neither a share nor an option allocation scheme for members of the Board of Directors and the Executive Board. Remuneration of the Board of Directors and the Executive Board consists of a fixed and a variable component. The variable compensation component for the Board of Directors is based on the dividend paid, while the variable compensation component for the Executive Board is based on a preset formula which takes into account EBIT and the achievement of individually specified annual targets.

With the exception of contribution to the pension fund, the upper limit of which is defined by occupational pension's legislation, the Orell Füssli Group does not provide any specific pension funds for members of the Executive Board.

The remuneration stated refers to compensation made in respect to the appropriate reporting period. The tables below therefore contain in full all entitlements to payments in respect of the 2010 financial year.

Loans and other payments

No loans were granted to current or former members of the Board of Directors and the Executive Board in the 2010 financial year, nor were any guarantees assumed for loans granted to directors and officers by third parties. The balance sheet contains no claims of this nature arising from loans as at 31 December 2010.

The Orell Füssli Group made no payments to current or former members of the Board of Directors, the Executive Board or related parties other than those listed in the tables below, and did not waive any claims against such persons.

Share ownership

As per balance sheet date, 200 shares are held by Nick Huber, member of the Board of Directors, and 265 shares are held by Michel Kunz, member of the Executive Board. No other member of the Board of Directors, of the Executive Board or related parties are listed in the share register of Orell Füssli Holding Ltd Dr. Hans Kuhn is an Executive Vice President of SNB Swiss National Bank Ltd, which holds 653,460 shares of Orell Füssli Holding Ltd.

Remuneration of members of the Board of Directors

Compensation for non-executive directors always applies to a period of office. Provision is made in the relevant financial year for all compensation, even if these are not disbursed until the following year.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS 2010

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2010
	in cash	in cash	Social security and pension costs	Special allowances	
Dr. Klaus Oesch, Chairman Audit Committee (Member) Compensation Committee (Member) [1]	261,000	35,000	22,070	–	318,070
Dr. Rudolf Rentsch, Deputy Chairman Audit Committee (Chairman) [2]	28,000	12,500	1,317	–	41,817
Dr. Rudolf W. Hug Compensation Committee (Chairman) [2]	30,000	12,500	1,382	–	43,882
Dr. Hans Kuhn Compensation Committee (Member) [2]	26,000	12,500	2,824	–	41,324
Nick Huber Audit Committee (Member) [2]	20,000	12,500	2,384	–	34,884
Total	365,000	85,000	29,977	–	479,977

[1] The remuneration of Dr. Klaus Oesch corresponds to the total compensation paid to him in 2010. This includes all remuneration for serving as interim CEO of Orell Füssli Holding Ltd, a function which he performed additionally between 1 March 2010 and 30 June 2010.
[2] The appointment of a new CEO resulted in an increase in the number of meetings held by the Board of Directors compared with the previous year.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS 2009

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2009
	in cash	in cash	Social security and pension costs	Special allowances	
Dr. Klaus Oesch, Chairman Audit Committee (Member) Compensation Committee (Member)	201,000	63,813	23,452	–	288,265
Dr. Rudolf Rentsch, Deputy Chairman Audit Committee (Chairman)	30,000	12,500	3,139	–	45,639
Dr. Rudolf W. Hug Compensation Committee (Chairman)	22,000	12,500	1,130	–	35,630
Dr. Hans Kuhn Compensation Committee (Member)	22,000	12,500	2,548	–	37,048
Balthasar Meier Audit Committee (Member)	24,000	12,500	2,696	–	39,196
Total	299,000	113,813	32,965	–	445,778

Remuneration of members of the Executive Board

The compensation of members of the Executive Board set out below corresponds to entitlements for the 2010 and 2009 reporting period. Provision is made in the relevant financial year for all compensation, even if these are not disbursed until the following year.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD 2010

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2010
	in cash	in cash	Social security and pension costs	Special allowances	
Michel Kunz CEO Orell Füssli Group [1]	241,336	66,667	47,586	13,334	368,923
Other members of the Executive [2]	1,664,217	357,729	260,933	36,580	2,319,459
Total	1,905,553	424,396	308,519	49,914	2,688,382

[1] The remuneration disclosed for CEO Michel Kunz relates to the period from 1 May to 31 December 2010. On an annualised basis Michel Kunz receives the highest compensation paid to a member of the Executive Board. He has been in office as CEO of Orell Füssli Holding Ltd since 1 July 2010. Information on Dr. Klaus Oesch has already been disclosed under the heading of "Remuneration of members of the Board of Directors".

[2] The departure of the CIO in July 2010 and the Head of Human Resources in September 2010 resulted in a reduction in the number of members of the Executive Board. Neither of these positions was refilled in the 2010 financial year.

Compensation for former CEO Sönke Bandixen totalled CHF 428,090. The amount comprises a basic remuneration of CHF 248,800, a variable component of CHF 125,000 and social security compensation of CHF 54,290. This expenditure is not included in the total remuneration of members of the Executive Board.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD 2009

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2009
	in cash	in cash	Social security and pension costs	Special allowances	
Sönke Bandixen CEO Orell Füssli Group	373,200	89,856	72,696	8,549	544,301
Other members of the Executive	1,845,111	280,590	301,686	35,275	2,462,662
Total	2,218,311	370,446	374,382	43,824	3,006,963

7.13 LEGAL NOTES REQUIRED

in CHF '000 at 31 December	2010	2009
Contingent liabilities in favour of third parties	17,195	8,435

At 31 December 2010 Orell Füssli does not have any own shares.

7.14 AUTHORISED CAPITAL

At balance sheet date authorised capital of the Orell Füssli Holding Ltd amounts to the equivalents of 400,000 shares, as approved by the Annual General Meeting held on 6 May 2009 for a further period of two years. Modalities and conditions are defined once the decision is taken to issue these shares.

7.15 MAJOR SHAREHOLDERS

At 31 December 2010	Total registered shares	Participation in %
SNB Swiss National Bank Ltd, Berne (CH)	653,460	33.34%
Dieter Meier, Buenos Aires (AR)	274,226	13.99%
Fam. Siegert, Meerbusch (D)	144,000	7.35%
Sarasin Investmentfonds Ltd, Basle (CH)	124,000	6.33%

No further disclosures are required by article 663b of the Swiss Federal Code of Obligations (SCO)

7.16 PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

The following proposal will be made on the occasion of the Annual General Meeting on 10 May 2011, for the allocation of unappropriated profits and other retained earnings:

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000	2010
Unrestricted reserves	105,179
Net income for the year 2010	8,374
Earnings available for appropriation	113,553
Dividend per share of CHF 2.50	–4,900
Total unrestricted reserves	108,653

If the proposal is accepted, the dividend amounts to:

DIVIDEND ON ACCEPTANCE OF THE PROPOSED APPROPRIATION OF RETAINED EARNINGS

in CHF	2010
Dividend per share	2.500
minus withholding tax	–0.875
To be paid out	1.625

8 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 47 to 53 and 55), for the year ended 31 December 2010.

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 2010 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 AG

Christian Kessler	**Arno Frieser**
Audit expert	Audit expert
Auditor in charge	

Zurich, 26 March 2011

9 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	50	
Orell Füssli Buchhandlungs Ltd	Zurich, CH	CHF	5,000	51	
Storyworld GmbH	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.	West Caldwell, USA	USD	0		100
Atlantic Zeiser (M) SDN BHD	Kuala Lumpur, MAL	MYR	100		100
Atlantic Zeiser Ltd	Andover, UK	GBP	0		100
Atlantic Zeiser SAS	Créteil Cedex, F	EUR	38		100
Atlantic Zeiser SA	Madrid, E	EUR	60		100
Atlantic Zeiser SRL	Milano, I	EUR	100		100
SOFHA GmbH	Berlin, D	EUR	281		75
Tritron GmbH	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	
Travel Book Shop Ltd [3]	Zurich, CH	CHF	100		35
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.

Corporate Governance

This report complies with the published standards of the SIX Swiss Exchange regarding information on Corporate Governance and the new requirements of the Swiss Federal Code of Obligations. Unless otherwise indicated, the data refer to 31 December 2010.

1. GROUP STRUCTURE AND SHAREHOLDERS

Operational Structure of the Group

The Orell Füssli Group is subdivided into three operational divisions and the Publishing Companies.

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

Consolidated Companies

The registered office of the parent company, Orell Füssli Holding Ltd, is Zurich. The company is listed on the SIX Swiss Exchange under security code 342'080 and ISIN code CH0003420806. Its stock market capitalisation on 31 December 2010, was CHF 278 million.

Orell Füssli Holding Ltd has no investments in listed companies. An overview of the main investments and subsidiaries can be found in the financial report.

MAJOR SHAREHOLDERS *(at 25 February 2011)*

	Total registered shares	Participation in %
Swiss National Bank Ltd, Berne (CH)	653,460	33
Dieter Meier, Buenos Aires (AR)	274,226	14
Fam. Siegert, Meerbusch (D)	147,500	8
Sarasin Investmentfonds Ltd, Basel (CH)	126,979	6
Lincoln Vale European Partners Master Fund, Lincoln (USA)	60,940	3

The company has not entered into cross-shareholdings with shareholders.

2. CAPITAL STRUCTURE

Capital

Orell Füssli Holding Ltd's share capital consists of 1,960,000 registered shares with a par value of 1 CHF and is fully paid. Orell Füssli Holding Ltd has issued neither dividend-right certificates nor participation certificates.

At 31 December 2010, Orell Füssli Holding Ltd has authorised capital of up to CHF 0.4 million at its disposal. This was approved by the Annual General Meeting of shareholders held on 6 May 2009, for a maximum of 2 years. The relevant terms and conditions will be stipulated at the date of issue.

Orell Füssli Holding Ltd has no contingent capital at 31 December 2010.

Orell Füssli Holding Ltd has no outstanding options or convertible bonds at 31 December 2010.

CHANGES IN CAPITAL – ORELL FÜSSLI GROUP

in CHF '000	**31.12.10**	31.12.09	31.12.08
Share capital, registered shares	1,960	1,960	1,960
Share capital, bearer shares	4,160	4,160	4,160
Legal reserve	149,803	149,407	116,758
Net profit	10,593	14,699	47,962
Total shareholders' equity	166,516	170,226	170,840

Details of changes in capital are listed in the financial report.

Restrictions on Transfer

The Articles of Incorporation of Orell Füssli Holding Ltd include no restrictions on transfers of shares.

The Articles of Incorporation of Orell Füssli Holding Ltd can be inspected at www.orellfuessli.com – Investors – Corporate Governance.

3. BOARD OF DIRECTORS

Members of the Board of Directors	Year of birth	Nationality	Member since
Dr. Klaus Oesch	1944	Swiss	06.05.92
Dr. Rudolf Rentsch	1947	Swiss	08.05.96
Dr. Rudolf W. Hug	1944	Swiss	06.05.98
Dr. Hans Kuhn	1961	Swiss	09.05.07
Nick Huber	1964	Swiss	11.05.10

Cross-interests

There are no reciprocal appointments to Boards of Directors of other listed companies.

Biographical Data of the Members of the Board of Directors

The Board of Directors has no executive members. Dr. Hans Kuhn represents Orell Füssli's largest shareholder, the Swiss National Bank Ltd (SNB). The SNB has its own banknotes produced by Orell Füssli. All other members of the Board are independent and do not maintain any significant business relationship with Orell Füssli Holding Ltd or any other company in the Orell Füssli Group other than their directorship.


01


02


03

01 **CHAIRMAN**

Dr. Klaus Oesch Member of the Audit Committee and the Compensation Committee

Swiss, born 1944; Qualifications: Dr. sc. techn., dipl. El.-Ing. ETH, MBA INSEAD

Significant professional activities and functions:
— 1968–1971 Swissair AG, Zurich: Operations Research
— 1972–1973 Georg Fischer AG, Schaffhausen: group development
— 1974–1983 UBS, Zurich: turnaround management, M&A (First Vice President)
— 1984–1991 Eternit/Nueva Group Zurich: Member of Group Management
— 1992–2007 Managing Director, Orell Füssli Holding Ltd, Zurich
— Since May 2007 Chairman of the Board of Directors, Orell Füssli Holding Ltd, Zurich

Other board appointments:
— Chairman of the Board of Directors, Geosond Holding Ltd, Glarus
— Deputy Chairman of the Board of Directors, Koras Ltd, Hasle-Rüegsau
— Member of the Board of Directors, Typon Holding Ltd, Krauchthal
— Member of the Board of Directors, Raymed Imaging Ltd, Krauchthal

02 **DEPUTY CHAIRMAN**

Dr. Rudolf Rentsch Chairman of the Audit Committee

Swiss, born 1947; Qualifications: Dr. iur., University of Zurich

Significant professional activities and functions:
— 1974–1975 Rentsch International SA, Ungersheim (France): project management
— 1975–1976 Alford Packaging, Inc., Ridgefield Park NJ (USA): management training
— 1976–1981 CEO Rentsch International SA, Ungersheim, and Rentsch GmbH, Berlin
— 1981–1994 RIG Rentsch Ltd, Rickenbach: Chairman of the Board of Directors and Managing Director (1985: IPO)
— 1995–1998 AMCOR Rentsch Ltd: Chairman of the Board of Directors
— 1999–2003 Vogt-Schild Holding Ltd, Solothurn: Chairman of the Board of Directors and CEO
— Since mid-2003 concentration on directorships

Other board appointments:
— Chairman of the Board of Directors, Typon Holding Ltd, Krauchthal
— Chairman of the Board of Directors, Raymed Imaging Ltd, Krauchthal
— Chairman of the Board of Directors, Sintron/Polymec Holding Ltd, Grenchen
— Member of the Board of Directors, Hoffmann/Neopac Ltd, Thun

03 **MEMBER OF THE BOARD**

Dr. Rudolf W. Hug Member of the Compensation Committee

Swiss, born 1944; Qualifications: Dr. iur., MBA INSEAD

Significant professional activities and functions:
— 1972–1976 Chase Manhattan Bank: international credit business
— 1977–1982 Credit Suisse: Head of North America business region
— 1983–1986 Credit Suisse: Head of Berne branch office
— 1987–1997 Credit Suisse/CSFB: Managing Director, International business segment
— Since 1997 independent management consultant

Other board appointments:
— Member of the Board of Directors, Deutsche Bank (Switzerland) Ltd, Geneva
— Member of the Board of Directors, Allreal Holding Ltd, Zurich
— Chairman of the Board of Directors, Panalpina Welttransport (Holding) Ltd
— Member of the Foundation Board, Ernst Göhner Foundation

04 **MEMBER OF THE BOARD**

Dr. Hans Kuhn Member of the Compensation Committee

Swiss, born 1961; Qualifications: Dr. iur., lawyer, LL.M.

Significant professional activities and functions:

- 1995–2001 Swiss Federal Office of Justice, Section of Private International Law and International Civil Procedure Law, 1998–2001 Deputy Head of Section
- 2001–2007 Swiss National Bank (SNB) Ltd: Head of Legal Services, Director since 2003
- Since 2007 SNB: Head of the "Law and Services Division"

Other board appointments:

- Member of the Board of Directors, various companies of the StabFund Group

05 **MEMBER OF THE BOARD**

Nick Huber Member of the Compensation Committee

Swiss, born 1964; Qualifications: Merchant

Significant professional activities and functions:

- 1990–1995 Account Manager IBM (Schweiz) Ltd
- 1995–2004 Head of SFS Unimarket Ltd
- Since 2005: Member of the Executive Board, SFS Services Ltd, Heerbrugg SG

Other board appointments:

- Chairman of the Board of Directors, COLTENE Holding Ltd, Altstätten SG
- Member of the Board of Directors, Gurit Holding Ltd, Wattwil SG
- Member of the Board of Directors, Huwa Finanz- und Beteiligungs Ltd, Heerbrugg SG
- Member of the Board of Directors, Alpha RHEINTAL Bank AG, Heerbrugg SG

Election and Term of Office

The Board of Directors consists of at least three members elected by the Annual General Meeting of shareholders. Directors are elected for a one-year term of office by an absolute majority of votes represented at an Annual General Meeting of shareholders. Candidates are voted for individually. The restrictions on age and duration of office are stipulated in the regulations governing the organisation of the company.

Internal Organisation

The Board of Directors has the following functions: Chairman and Deputy Chairman.

The main functions of the Board of Directors comply with the Swiss Code of Obligations, in particular Art. 716a and the internal Rules of Organisation. Responsibility for management is delegated to the CEO and the Executive Board of Orell Füssli Holding Ltd. The functions of the Executive Board include the management of Orell Füssli Holding Ltd. The CEO chairs the Executive Board.

The Board of Directors convenes as often as business requires, but at least once a quarter. Members of senior management may also be invited to attend the meetings. The Board of Directors can also invite external consultants to attend in order to deal with specific issues. Two committees support the Board of Directors in its work.

Audit Committee

The Board of Directors has appointed an Audit Committee, which assesses the external auditors, internal controls, and the annual financial statements. The functions of the Audit Committee are defined in a set of regulations. The Audit Committee has decision-making authority subject to the approval of the Board of Directors as a whole. The committee is composed of three non-executive members of the Board of Directors. The CEO and the CFO also attend the meetings of the Audit Committee in a consultative capacity. The committee convenes at least twice a year, usually in the first and fourth quarter. The audit committee convened two times in the year under review.

Compensation Committee

The Board of Directors has appointed a Compensation Committee, which determines the salary of the members of the Executive Board and management personnel, subject to corporate success and performance. The functions of the Compensation Committee are defined in a set of regulations. The Compensation Committee is authorised to take decisions. The committee is composed of three non-executive members of the Board of Directors and convenes at least once a year. The compensation committee convened twice in the year under review.

Allocation of authority between the Board of Directors and the Executive Board

The allocation of authority between the Board of Directors and the Executive Board is governed by the internal Rules of Organisation that can be accessed at www.orellfuessli.com – Investors – Corporate Governance. The Board of Directors determines business policy, organisational structure, elects the CEO, approves the budget and takes decisions on extraordinary investments, in accordance with the authority allocated to it. The Board of Directors has entrusted business management to the Executive Board, under the chairmanship of the CEO.

Information and control facilities used by the Board of Directors

The Board of Directors supervises risk management and implementation of the internal controlling unit. The CEO briefs the Board of Directors at its meetings about the current progress of business and significant business events. The Board of Directors is supported in its duties by an Audit Committee and a Compensation Committee. Details of the internal control system and risk management can be accessed at www.orellfuessli.com – Investors – Corporate Governance.


01


02


03

4. EXECUTIVE BOARD
Members of the Executive Board *(at 31 December 2010)*

01 **MEMBER OF THE EXECUTIVE BOARD**
Michel Kunz CEO Orell Füssli Holding Ltd

Swiss, born 1959; Qualifications: Dipl. El. Ing. ETH Zurich, MBA Master of Business Administration GSBA
Significant professional activities and functions:
— 1985–1987 BBC, Baden: Development Engineer
— 1987–1990 Schweizer Electronics, Development Engineer
— 1991–1993 Ascom Hasler Ltd, Director Procurement
— 1993–1994 Ascom Hasler Ltd, Director Profit Center Electronic Production
— 1994–1997 PostFinance / Swiss Post, Director System Development and Member of the Executive Board
— 1997–1999 Swiss Post, Director Information Technology/Member of the extended Executive Management
— 1999–2009 Swiss Post, Member of the Executive Management (amongst others Director PostMail and PostLogistics), at last as Chairman of the Executive Management
— Since 1 July 2010 CEO Orell Füssli Group
Other board appointments:
— Various directorships with companies in the Orell Füssli Group

02 **MEMBER OF THE EXECUTIVE BOARD**
Johannes Caprez CFO Orell Füssli Holding Ltd

Swiss, born 1952; Qualifications: Swiss certified accountant/Controller,
Swiss certified pension fund administration expert
Significant professional activities and functions:
— 1972–1981 various financial appointments
— 1982–1985 Orell Füssli Graphische Betriebe Ltd, Head of Cost Accounting
— 1986–1989 Katadyn Products Ltd, Wallisellen: Head of Finance & Accounting
— 1990–1998 Orell Füssli Graphische Betriebe Ltd, Head of Finance & Accounting
— Since 1999 Orell Füssli Holding Ltd, CFO
Other board appointments:
— Various directorships with companies in the Orell Füssli Group
— Member of the Foundation Board Imoka Anlagestiftung, Zug
— Member of the Board of Directors, Pensimo Management AG, Zurich

03 **MEMBER OF THE EXECUTIVE BOARD**
Dr. Anton Gasteiger Head of the Security Printing Division

Austrian, born 1957, Qualifications: Master Business Administration, Vienna University of Economics and Business Administration, PhD Macro-Economics, University Paris IX / Vienna University of Economics and Business Administration,
Post-graduate studies, Tokyo Nohkoh University, Japan
Significant professional activities and functions:
— 1984–1989 Nixdorf Computer, Düsseldorf, Munich, Tokyo, Hong Kong, various Sales Functions and Member of Executive Boards in various subsidiaries
— 1990–2008 Giesecke & Devrient GmbH, Group Vice President Sales & Marketing, Printing Division
— Since 1 March 2009: Head of the Security Printing Division, Orell Füssli Group
Other board appointments:
— Various directorships with companies in the Orell Füssli Group


04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06

04 **MEMBER OF THE EXECUTIVE BOARD**

Oliver C. Mehler Head of the Atlantic Zeiser Division

German, born 1967; Qualifications: Dipl.-Ing. Elektrotechnik, TU Braunschweig

Significant professional activities and functions:
— 1990–2001 IAV Group: various functions, finally General Manager IAV Inc. (USA)
— 2001–2003 Enginion Ltd, Berlin: Executive Board
— 2003–2006 IAV Group: Senior Vice President
— Since 2006 CEO Atlantic Zeiser Group

Other board appointments:
— Various appointments with Atlantic Zeiser Group companies

05 **MEMBER OF THE EXECUTIVE BOARD**

Fabio Amato Head of the Book Retailing Division

Swiss-Italian, born 1969; Qualifications: Masters in Industrial Engineering, ETH Zurich

Significant professional activities and functions:
— 1996–2002 ABB Switzerland: various functions; Head of Operations, Gas-insulated Switch Systems
— 2002–2004 Orell Füssli Holding Ltd: Assistant to the Managing Director/CEO
— Seit 2004 Head of the Book Retailing Division, Orell Füssli Group

Other board appointments:
— Various directorships with companies in the Orell Füssli Group and associated companies

06 **MEMBER OF THE EXECUTIVE BOARD**

Alex Aepli Head of the Publishing Division

Swiss, born 1946; Qualifications: Dipl. Buchhändler

Significant professional activities and functions:
— 1970–1987 Manesse Publishing Company, Zurich: Head of Distribution
— 1988 Orell Füssli Publishing Division: Head of Distribution
— 1989–1992 Head of Orell Füssli Publishing Division, Managing Director Parabel Publishing Company; Middelhauve Publishing Company, Managing Director Daeniker Ltd
— 1993–1998 Sauerländer Publishing Company, Aarau: Member of the Executive Board; Member of the Board of Directors Helbing & Lichtenhahn Ltd; Member of the Board of Directors sabe Publishing Company
— 1999–2000 Member of the Executive Board Unionsverlag/Limmatverlag
— 1999–2002 CEO Werk Ltd
— 2001–2007 CEO hier+jetzt, publishing company for culture and history
— 2007–2010 Head of the Publishing Division, Orell Füssli Group

Other board appointments:
— Various directorships with companies in the Orell Füssli Group
— 1999–2010 Chairman, Board of Directors Werk Ltd, Zurich
— Since 2001 Chairman, Board of Directors Unionsverlag Ltd, Zurich

Alex Aepli retired at 1 January 2011


07

07 **MEMBER OF THE EXECUTIVE BOARD**

Hans Rudolf Andrist Head of Security and Infrastructure, Security Manager

Swiss, born 1954; Qualifications: Dipl. Masch.-Ing. FH/STV

Significant professional activities and functions:

- 1979–1981 Sprecher & Schuh Ltd: Head of Production Control
- 1981–1983 Oerlikon-Bührle Ltd, Machine Tool Works: Fire Prevention Officer
- 1983–1986 Telekurs Ltd: Fire Prevention Officer
- 1987–1992 Elvia Insurance, Switzerland: Security Officer
- 1992–1995 Orell Füssli Graphische Betriebe Ltd, Division Security Printing: Head of Security and Services, Security Officer
- Since 1996 Orell Füssli Group: Head of Security and Services, Security Manager

Other board appointments:

- Since 1989 Member of the Executive Board and since 2008 chairman of the Security Technology Committee FGST of the Swiss Engineering STV

There are no noteworthy management agreements with either legal entities or natural persons outside the Orell Füssli Group.

5. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Transparency Statute of the Swiss Federal Code of Obligations (SCO) came into effect on 1 January 2007, by virtue of which all listed companies are obliged to make additional disclosures of compensation to directors and officers under articles 663b^{bis} und 663c, para. 3.

The information provided in this section conforms to the requirements of the SCO, although the consolidated financial statements have been drawn up in conformity with IFRS. Since the Orell Füssli Group has no equity-based compensation to disclose in compliance with IFRS 2, there are no valuation differences in the presentation.

Basic principles

Authority to stipulate remuneration for the members of the Board of Directors lies with the Board of Directors, while the Compensation Committee stipulates the salaries of the members of the Executive Board.

The Orell Füssli Group has neither a share nor an option allocation scheme for members of the Board of Directors and the Executive Board. Remuneration of the Board of Directors and the Executive Board consists of a fixed and a variable component. The variable compensation component for the Board of Directors is based on the dividend paid, while the variable compensation component for the Executive Board is based on a preset formula which takes into account EBIT and the achievement of individually specified annual targets.

With the exception of contributions to the pension fund, the upper limit of CHF 821,000 being defined by occupational pension's legislation, the Orell Füssli Group does not provide any specific pension funds for members of the Board of Directors and the Executive Board.

The remuneration stated refers to compensation made in respect to the appropriate reporting period. The tables below therefore contain in full all entitlements to payments in respect of the 2010 financial year.

Loans and other payments

No loans were granted to current or former members of the Board of Directors and the Executive Board in the 2010 financial year, nor were any guarantees assumed for loans granted to directors and officers by third parties. The balance sheet contains no claims of this nature arising from loans as of 31 December 2010.

The Orell Füssli Group made no payments to current or former members of the Board of Directors, the Executive Board or related parties other than those listed in the tables below, and did not waive any claims against such persons.

Remuneration of members of the Board of Directors

Compensation for non-executive directors always applies to a period of office. Provision is made in the relevant financial year for all compensation, even if these are not disbursed until the following year.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2010
	in cash	in cash	Social security and pension costs	Special allowances	
Dr. Klaus Oesch, Chairman Audit Committee (Member) Compensation Committee (Member) [1]	261,000	35,000	22,070	–	318,070
Dr. Rudolf Rentsch, Deputy Chairman Audit Committee (Chairman) [2]	28,000	12,500	1,317	–	41,817
Dr. Rudolf W. Hug Compensation Committee (Chairman) [2]	30,000	12,500	1,382	–	43,882
Dr. Hans Kuhn Compensation Committee (Member) [2]	26,000	12,500	2,824	–	41,324
Nick Huber Audit Committee (Member) [2]	20,000	12,500	2,384	–	34,884
Total	365,000	85,000	29,977	–	479,977

1) The remuneration of Dr. Klaus Oesch corresponds to the total compensation paid to him in 2010. This includes all remuneration for serving as interim CEO of Orell Füssli Holding Ltd, a function which he performed additionally between 1 March 2010 and 30 June 2010.
2) The appointment of a new CEO resulted in an increase in the number of meetings held by the Board of Directors compared with the previous year.

Remuneration of members of the Executive Board

The compensation of members of the Executive Board set out below corresponds to entitlements for the 2010 reporting period. Provision is made in the relevant financial year for all compensation, even if these are not disbursed until the following year.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2010
	in cash	in cash	Social security and pension costs	Special allowances	
Michel Kunz CEO Orell Füssli Group [1]	241,336	66,667	47,586	13,334	368,923
Other members of the Executive [2]	1,664,217	357,729	260,933	36,580	2,319,459
Total	1,905,553	424,396	308,519	49,914	2,688,382

1) The remuneration disclosed for CEO Michel Kunz relates to the period from 1 May to 31 December 2010. On an annualised basis Michel Kunz receives the highest compensation paid to a member of the Executive Board. He has been in office as CEO of Orell Füssli Holding Ltd since 1 July 2010. Information on Dr. Klaus Oesch has already been disclosed under the heading of "Remuneration of members of the Board of Directors".
2) The departure of the CIO in July 2010 and the Head of Human Resources in September 2010 resulted in a reduction in the number of members of the Executive Board. Neither of these positions was refilled in the 2010 financial year.

Compensation for former CEO Sönke Bandixen totalled CHF 428 090. This amount comprises a basic remuneration of CHF 248 800, a variable component of CHF 125 000 and social security contributions of CHF 54 290. This expenditure is not included in the total remuneration of members of the Executive Board.

Share ownership
At 31 December 2010 Nick Huber holds 200 shares and Michel Kunz 265 shares. No other members of the Board of Directors or the Executive Board or related parties are listed in the share register of Orell Füssli Holding Ltd. Dr. Hans Kuhn is an Executive Vice President of the SNB Swiss National Bank Ltd, which holds 653 460 shares of Orell Füssli Holding Ltd.

6. SHAREHOLDERS' PARTICIPATION RIGHTS
The Articles of Incorporation of Orell Füssli Holding Ltd can be accessed in full at www.orellfuessli.com – Investors – Corporate Governance.

Shareholders are entitled to one vote for each share they own. In terms of the relationship to the company, only persons listed in the official share register are recognised as shareholders.

The threshold at which shareholders are entitled to have an item included in the agenda at the AGM amounts to shares with a par value of 5% of the outstanding share capital.

7. CHANGES IN CONTROL AND DEFENSIVE MEASURES
There is no statutory clause suspending the obligation to submit an offer once a threshold defined by stock exchange legislation is reached.

The Orell Füssli Group has no clauses that apply to members of the Board of Directors and the Executive Board in the event of changes in control.

8. AUDITORS
Duration of the Mandate and Term of Office of the Lead Auditor
External auditing of the consolidated financial statements and those of the holding company was first time assigned to PricewaterhouseCoopers at the Annual General Meeting of shareholders held on 14 May 2003. The auditor in charge, Christian Kessler, has held the position as auditor in charge since 2009.

Audit fees of CHF 452,000 to PricewaterhouseCoopers and CHF 30,000 to other auditors were incurred in 2010.

Additional fees totaling CHF 64,000 were charged by PricewaterhouseCoopers in the year under review.

Audit Supervision and Control Instruments
The Audit Committee is responsible for monitoring and controlling external auditing. The Audit Committee convened three times in the year under review. The external auditor in charge is also invited to attend these meetings for the purpose of providing information. In addition to the regular audit reports, reporting by the external auditor also includes a management letter.

9. INFORMATION POLICY

The company issues a press release containing the Group's provisional key figures for the year under review at the beginning of February after the close of the financial year. The annual financial statements are published together with the annual report at an annual results press conference and presentation for financial analysts, which takes place in April.

The Annual General Meeting of shareholders takes place every year in May. The company issues a press release containing the Group's key figures for the half-year within one month after the end of the first term. At Investors' Day in the second half of the year Orell Füssli gives business journalists and financial analysts more in-depth insights into parts of the Group. Information on exceptional events of stock exchange relevance is published in ad hoc press releases. Regular press releases are mailed to shareholders at the same time as they are published.

The press releases can also be accessed at www.orellfuessli.com – Media.

No statements relating to the future imply any guarantee whatsoever with regard to future performance. They are subject to risks and uncertainties including but not confined to future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

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HISTORY OF THE ORELL FÜSSLI GROUP

1519	Company is founded by Christoph Froschauer, a printer who had immigrated from Bavaria. He becomes a citizen of Zurich, and his company becomes the government printing press.
1531	Folio Bible is printed (the so-called "Zurich Bible")
1576	The land surveyor Jos Murer publishes a plan of the city
1761	The Orell and Gessner publishing companies merge to form Orell, Gessner & Cie. Hans Conrad Gessner's bookshop is also absorbed into this partnership.
1766	Hans Rudolf Füssli takes over the publishing company of Heidegger & Cie.
1770	The Orell, Gessner & Cie. and Füssli & Cie. publishing companies merge to form Orell, Gessner, Füssli & Cie.
1780	First edition of the "Zürcher Zeitung" newspaper, which became the "Neue Zürcher Zeitung" in 1821. It was spun off as an independent public limited company in 1868.
1798	The Gessner family withdraw from the partnership; the publishing company and bookshops now trade as Orell Füssli & Cie.
1827	First securities are printed
1843	First postage stamps are printed in continental Europe, the second series worldwide – "Züri 4" and "Züri 6"
1880	Development of the ten-colour photochromic printing technique
1890	Company is converted into a public limited company (Art. Institut Orell Füssli Ltd)
1897	Listing on Zurich Stock Exchange
1911	Company begins printing banknotes for the Swiss National Bank
1992	Orell Füssli Buchhandlungs Ltd is founded; the book retailer H. Hugendubel, Germany, takes a minority interest in the company
1996	Internet book retailing launched at www.books.ch
1999	Company is restructured to form Orell Füssli Holding Ltd
2001	Takeover of Teledata Ltd
2002	Acquisition of a majority shareholding in Atlantic Zeiser Group Ltd (Germany), which becomes wholly-owned in 2005
2003	Takeover of the publishing units Atlantis and pro juventute
2004	Acquisition of bookstores Rösslitor Bücher, St. Gall
2007	Acquisition of Globi Verlag, Zurich
2008	Acquisition of Verlag Huber, Frauenfeld, Divestment of Orell Füssli Business Information Division
2010	Acquisition of a majority shareholding in SOFHA GmbH, Berlin

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