Financial Report 2011

1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

in CHF '000	NOTES	2011	2010
Net revenues from sales to customers	4.1 / 4.2	285,466	312,651
Other operating income		3,560	4,270
Changes in inventories of semi-finished and finished products, capitalised costs		–1,244	2,474
Total operating income	4.3	287,782	319,395
Cost of materials		–117,211	–137,106
External production costs		–13,053	–17,005
Personnel expenditure	4.4 / 4.5	–88,434	–88,190
Other operating expenses	4.6	–49,287	–47,923
Depreciation and impairment on tangible assets	4.14	–16,031	–15,193
Depreciation and impairment on intangible assets	4.15	–1,358	–743
Earnings before interest and taxes (EBIT)	4.1	2,408	13,235
Financial income		975	1,702
Financial expenses		–1,638	–1,986
Financial result	4.7	–663	–284
Earnings before income taxes		1,745	12,951
Income tax expenses	4.8	–1,992	–1,973
Net income for the period		–247	10,978
Attributable to the shareholders of Orell Füssli Holding Ltd		199	9,454
Attributable to minority interests		–446	1,524

in CHF	NOTES	2011	2010
Earnings per share	4.9	0.10	4.82

Since the beginning of 2011 the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability.

The disclosures from page 14 to 34 form an integrated part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2011	2010
Assets			
Cash and cash equivalents	4.10	19,986	29,594
Marketable securities & derivative financial instruments		670	198
Trade accounts receivable	4.11	24,942	30,875
Other receivables	4.12	45,648	21,763
Inventories	4.13	50,126	39,520
Current income tax receivables		4,118	2,870
Accrued income and deferred expenses		3,697	2,648
Total current assets		149,187	127,468
Tangible assets	4.14 / 4.16	89,503	99,780
Intangible assets	4.15 / 4.16	4,228	3,654
Investments	4.17	4,837	4,753
Deferred tax assets	4.23	4,655	4,216
Other non-current financial assets	4.18	5,925	5,886
Total non-current assets		109,148	118,289
Total assets		258,335	245,757
Liabilities			
Trade payables	4.19	22,082	22,538
Other current liabilities	4.20	32,813	22,078
Current income tax liabilities		2,499	1,268
Accrued expenses and deferred income		7,616	7,487
Current financial liabilities	4.21	11,145	6,625
Current provisions	4.22	3,979	730
Total current liabilities		80,134	60,726
Non-current financial liabilities	4.21	1,371	1,670
Pension fund liabilities		261	392
Non-current provisions	4.22	1,700	395
Deferred tax liabilities	4.23	2,988	3,438
Total non-current liabilities		6,320	5,895
Share capital		1,960	1,960
Capital reserves		4,160	4,160
Retained earnings		164,286	169,122
Translation differences		–13,927	–13,122
Total equity before minority interests		156,479	162,120
Minority interests		15,402	17,016
Total equity		171,881	179,136
Total liabilities		258,335	245,757

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1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF '000	2011	2010
Net income for the period	–247	10,978
Depreciation	15,640	14,963
Impairment and amortisation	1,028	973
Profit from disposal of subsidiaries	–	–748
Other non-fund related income and expenses	453	–288
Change in trade accounts receivable	5,625	–7,254
Change in inventories	–11,079	5,833
Change in other receivables	–24,001	15,040
Change in trade payables	–350	–6,624
Change in other liabilities	10,976	–21,257
Change in accruals net	–1,263	2,358
Change in provisions and deferred income tax	3,959	–1,824
Cash flow from operating activities	741	12,150
Purchase of tangible assets	–7,383	–6,828
Proceeds from disposals of tangible assets	1,157	516
Purchase of intangible assets	–1,655	–2,525
Proceeds from disposals of intangible assets	2	–
Purchase of investments in subsidiaries	–200	–5,003
Proceeds from disposals of investments in subsidiaries	–	277
Purchase of other investments	–65	–1,541
Proceeds from disposals of other investments	1	–
Purchase of other non-current assets	–198	–169
Proceeds from disposals of other non-current assets	155	17,356
Purchase of securities	–493	–208
Cash flow from investing activities	–8,679	1,875
Increase of financial liabilities	4,791	100
Repayment of financial liabilities	–413	–3,242
Dividends paid to minorities	–1,044	–1,960
Dividends paid	–4,900	–4,900
Cash flow from financing activities	–1,566	–10,002
Translation effects	–104	–1,365
Increase (decrease) in cash and cash equivalents	–9,608	2,658
Cash and cash equivalents at 1 January	29,594	26,936
Cash and cash equivalents at 31 December	19,986	29,594

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1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF '000	Share capital	Capital reserves	Retained earnings and net income	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2010 according to IFRS	1,960	4,160	169,515	–5,409	170,226	18,018	188,244
Adjustments (refer to note 2.2)	–	–	163	–86	77	–75	2
Equity at 1 January 2010 according to Swiss GAAP FER	1,960	4,160	169,678	–5,495	170,303	17,943	188,246
Dividends paid	–	–	–4,900	–	–4,900	–1,960	–6,860
Decrease of minority interests by sale	–	–	–	–	–	–291	–291
Increase of minority interests by purchase	–	–	–	–	–	278	278
Offsetting goodwill against equity	–	–	–5,110	–	–5,110	–	–5,110
Currency translation effects	–	–	–	–7,627	–7,627	–478	–8,105
Net income for the period	–	–	9,454	–	9,454	1,524	10,978
Total equity at 31 December 2010	1,960	4,160	169,122	–13,122	162,120	17,016	179,136
Equity at 1 January 2011	1,960	4,160	169,122	–13,122	162,120	17,016	179,136
Dividends paid	–	–	–4,900	–	–4,900	–1,045	–5,945
Buyout of minority interests	–	–	–	–	–	–65	–65
Offsetting goodwill against equity	–	–	–135	–	–135	–	–135
Currency translation effects	–	–	–	–805	–805	–58	–863
Net income for the period	–	–	199	–	199	–446	–247
Total equity at 31 December 2011	1,960	4,160	164,286	–13,927	156,479	15,402	171,881

The share capital as at 31 December 2011, as well as at 31 December 2010, is comprised in 1,960,000 registered shares with a par value of CHF 1.– each.

The amount of accumulated non-distributable reserves stands at CHF 6,600,000 (2010: CHF 6,600,000).

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2 ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The consolidated financial statements for the 2011 financial year have been prepared in conformity with existing Swiss GAAP FER standards in their entirety, as well as the provisions of the listing regulations of the SIX Swiss Exchange and Swiss company law.

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

2.2 CONVERSION FROM IFRS TO SWISS GAAP FER

The change in accounting standards from International Financial Reporting Standards (IFRS) to Swiss GAAP FER for the 2011 consolidated financial statements was communicated in an announcement to investors on 12 April 2011, and at the Annual General Meeting on 10 May 2011. The relevant amendment of the Articles of Association will be proposed to the Annual General Meeting to be held on 10 May 2012.

The main reason for changing from IFRS to Swiss GAAP FER is the growing complexity and intricacy of the detailed rules and disclosure requirements of IFRS. It is expected that this development will continue to intensify and that the cost-benefit ratio will become increasingly unfavourable. The Orell Füssli Group is convinced that Swiss GAAP FER provides a comprehensive and sound alternative which is appropriate to the company's size and business activities. By focusing on the essentials, Swiss GAAP FER is less complex and more practicable in use.

The accounting policies and presentation according to Swiss GAAP FER applied to the consolidated financial statements for 2011 deviate from the consolidated financial statements for the year ended 31 December 2010 in accordance with IFRS, with the significant changes summarised below:

At the date of acquisition, goodwill from acquisitions are fully offset with retained earnings equity according to the treatment allowed by *Swiss GAAP FER standard 30 "Consolidated financial statements"*. According to IFRS, goodwill from acquisitions was capitalised and tested annually for impairment.

According to *Swiss GAAP FER standard 16 "Pension benefit obligations"*, the existing economic obligations and respective benefits relating to Swiss pension schemes are measured based on the Swiss pension plan financial statements prepared in accordance with Swiss GAAP FER standard 26 "Accounting of pension plans". The expected economic impact of pension schemes of foreign subsidiaries is measured according to the valuation methods applied locally. Employer contribution reserves and comparable items are recognised in the balance sheet if the respective requirements according to Swiss GAAP FER standard 16 are met. According to IFRS, defined benefit plans were measured using the projected unit credit method and recognised in accordance with IAS 19.

Securities are classified as current assets, measured unchanged at current market values with unrealised gains and losses recognised in the income statement. Since Orell Füssli enters into forward exchange contracts only in order to hedge future cash flow, these can according to *Swiss GAAP FER standard 27 "Derivative Financial Instruments"* be disclosed in the notes and do not have to be posted to the income statement or shareholders' equity.

Advance payments by customers are offset against progress on the contract insofar as this is compatible with Swiss GAAP FER. No such set-offs were made under IFRS.

The above-mentioned changes in valuation and recognition of assets and liabilities result in corresponding deferred income tax effects in the balance sheet and income statement.

Investment property and assets held for sale are included in property, plant and equipment and not classified separately.

Under IFRS a liability for buying out a minority interest must be posted to non-current liabilities. Under Swiss GAAP FER this is only included in the notes under "Contingent liabilities and other liabilities not stated in the balance sheet".

Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability.

The following schedules illustrate the effects of the conversion from IFRS to Swiss GAAP FER on equity and net result:

EFFECTS ON THE BALANCE SHEET OF THE CHANGE IN ACCOUNTING POLICIES

in CHF '000	31.12.2010	01.01.2010
Equity according to IFRS	185,052	188,244
Adjustments on conversion to Swiss GAAP FER		
Charge-offs under IAS 19	–5,362	–4,805
Employer contribution reserves	4,068	4,568
Offsetting goodwill SOFHA GmbH	–5,563	–
Reversal of liability for purchase option of minority interests	1,010	–
Currency hedging transactions on current orders	–904	222
Changes in deferred tax assets / liabilities	835	17
Total adjustments to equity	–5,916	2
Equity according to Swiss GAAP FER	179,136	188,246

EFFECTS ON THE INCOME STATEMENT OF THE CHANGE IN ACCOUNTING POLICIES

in CHF '000	2010
Net income for the period according to IFRS	12,105
Adjustments on conversion to Swiss GAAP FER	
Personnel expenditure due to reversal of employer contribution reserves	–500
Write-back relief under IAS 19	–557
Write-back depreciation on intangible assets of SOFHA GmbH	1,114
Write-back market valuation on forward contracts	–1,127
Change in deferred income tax	–57
Total adjustments to the consolidated income statement	–1,127
Net income for the period according to Swiss GAAP FER	10,978

2.3 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.

Other investments

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

2.4 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.

The consolidated financial statements are presented in Swiss Francs. On preparation of the consolidated financial statements, assets and liabilities of subsidiaries in foreign currencies are converted into Swiss Francs at the closing rate of each balance sheet date. Revenues and expenses are translated at the average currency exchange rate of the financial year. Translation differences and foreign currency gains on long-term loans in the nature of shareholders' equity are posted under currency differences in shareholders' equity, without any impact on income. The Orell Füssli Group used the following currency exchange rates for the financial year 2011 and 2010:

CURRENCY EXCHANGE RATES

	Closing rate		Annual average rate	
	2011	2010	2011	2010
EUR at a rate of CHF	1.2171	1.2468	1.2336	1.3833
USD at a rate of CHF	0.9399	0.9408	0.8870	1.0433
GBP at a rate of CHF	1.4526	1.4554	1.4221	1.6112

2.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

2.6 SEGMENT REPORTING

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

2.7 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.

2.8 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.

2.9 INCOME TAXES

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

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

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

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

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

2.10 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.

2.11 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2.12 TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ACCOUNTS RECEIVABLE

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

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

2.13 CONSTRUCTION CONTRACTS

Manufacturing contracts are long-term orders with a timeframe of at least three months and a contract volume of at least CHF 500,000, which are usually governed by a contract for work and services. Manufacturing contracts are recognised using the percentage of completion method (PoC). The PoC method measures the stage of completion of the contract activity in percentages; this 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.

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

2.14 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. Discounts deducted are treated as reductions in costs.

2.15 FINANCIAL ASSETS

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

2.16 TANGIBLE ASSETS

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

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

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

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

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

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

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

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

2.17 INTANGIBLE ASSETS

Rights, licences and software are defined as intangible assets. They are measured at cost of acquisition/manufacture less accumulated depreciation and impairment. The cost of acquisition of rights, licences and software comprises the purchase price plus directly attributable costs. The cost of internally developed software is recognised if certain criteria such as technical feasibility and adequate resources are fulfilled, if the company intends to complete development of the software, to use it or sell it, if financial benefits are likely to accrue to the company from it in future and if the costs can be measured reliably. Rights, licences and software are amortised using the straight-line method over the contractually agreed duration. Software developed in-house is amortised using the straight-line method over a maximum period of three years.

2.18 GOODWILL

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

2.19 TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at face value.

2.20 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.

2.21 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.

2.22 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.

2.23 EMPLOYEE BENEFITS

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

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

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

2.24 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.

2.25 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 therefore exposed to various financial risks, such as currency, interest rate, credit and liquidity risks.

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

3.2 CURRENCY RISK

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

3.3 INTEREST RATE RISK

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

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

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

The Orell Füssli Group had no material borrowings in its balance sheet on 31 December 2011.

3.4 CREDIT RISK

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

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

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

3.5 LIQUIDITY RISK

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

Available liquidity on balance sheet date was as follows:

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF '000 at 31 December	2011	2010
Liquidity reserves	20,656	29,792
Committed credit facilities	72,299	73,031
./. rental guarantees	–3,365	–3,730
./. utilised credit facilities	–11,636	–6,887
Total liquidity reserves and non-utilised credit facilities	77,954	92,206

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

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

3.6 CAPITAL RISK

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

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

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

NET GEARING RATIO

in CHF '000 at 31 December	2011	2010
Total financial liabilities	12,516	8,295
+ trade payables	22,082	22,538
+ prepayments from customers	41,021	26,204
+ other current liabilities	5,806	6,771
./. cash and cash equivalents	–19,986	–29,594
Net indebtedness	61,439	34,214
Total equity	171,881	179,136
Total capital	233,320	213,350
Net gearing ratio	26%	16%

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

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

Industrial Systems

Production and marketing of machineries and systems for encoding and personalisation of any printable products.

Security Printing

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

Book Retailing

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

Other business activities

This segment consists primarily of the publishing business and also includes infrastructure services, which are not sufficiently material to be disclosed separately in segmental reporting.

Financial results and income tax expenses are unallocated, since these items are managed at group level rather than by individual business segment, as well as results of associates. Consolidation effects arising from inter-segmental expenditure and income are also excluded from this item.

SEGMENT RESULTS 2011

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

SEGMENT RESULTS 2010

in CHF '000	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	78,842	99,275	119,858	14,676	312,651	–	312,651
Inter-segment sales	309	–	3	27	339	–339	–
Net revenues from sales to customers	79,151	99,275	119,861	14,703	312,990	–339	312,651
Earnings before interest and taxes (EBIT)	212	13,075	1,653	–374	14,566	–1,331	13,235

4.2 NET REVENUES FROM SALES AND SERVICES 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.

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

NET REVENUES FROM SALES TO CUSTOMERS BY REGION

in CHF '000	2011	2010
Switzerland	170,824	186,741
Germany	12,598	13,175
The rest of Europe and Africa	50,520	48,413
North and South America	11,384	21,663
Asia and Oceania	40,140	42,659
Total net revenues from sales to customers by region	285,466	312,651

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

4.3 OPERATING INCOME

in CHF '000	2011	2010
Sales of goods and products	282,905	310,431
Revenues from license fees	2,561	2,220
Rental income from operating leases	619	570
Gain from sales of non-current assets	149	492
Other income	2,792	3,208
Changes in inventories of semi-finished and finished products	–1,244	2,441
Capitalised costs	–	33
Total operating income	287,782	319,395

The "Sales of goods and products" item includes revenue from construction contracts based on PoC of CHF 49,472,000 in the 2011 financial year (2010: CHF 12,656,000).

4.4 PERSONNEL EXPENDITURE

in CHF '000	2011	2010
Wages and salaries	71,792	74,290
Social security costs	4,027	5,579
Pension costs	4,623	4,648
Other personnel expenditure	7,992	3,673
Total personnel expenditure	88,434	88,190

4.5 PENSION FUNDS

The Orell Füssli Foundation has used the new 2010 BVG mortality table since 2011 (2010: EK 2000). The actuarial interest rate as from 1 January 2011, is 3.0% (2010: 3.5%).

EMPLOYER CONTRIBUTION RESERVES

in CHF '000	Nominal value ECR	Waiver of usage	Adjustments	Additions/ Reversals	Balance sheet	Balance sheet	Result from ECR in personnel expenditure	Result from ECR in personnel expenditure
	31.12.2011	31.12.2011	31.12.2011	2011	31.12.2011	31.12.2010	2011	2010
Pension schemes without funding surplus / deficit (Switzerland)	3,623	–	–	–445	3,623	4,068	–445	–500

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF '000	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit/obligation Group	Economic benefit/obligation Group	Translation differences with no impact on the income statement	Change to prior year or charged to income statement	Contributions limited to the period	Pension costs in personnel expenditure	Pension costs in personnel expenditure
	31.12.2011	31.12.2011	31.12.2010	2011	31.12.2011	31.12.2011	2011	2010
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	2,833	2,833	2,921
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,790	1,727
Total	–	–	–	–	–	2,833	4,623	4,648

4.6 OTHER OPERATING EXPENSES

in CHF '000	2011	2010
Marketing and distribution expenses	13,847	13,545
Operating lease expenses	14,916	12,753
Repairs and maintenance	5,217	4,621
Administration expenses	7,382	6,672
Losses on bad debts	253	423
Losses from sales of fixed assets	4	194
Losses from sales of subsidiaries	–	2
Impairment loss on investments and loan assets	203	–
Impairment gain on investments and loan assets	–924	–
Other operating expenses	8,389	9,713
Total other operating expenses	49,287	47,923

In 2007 the minority interest in a company and a loan made to it for purposes of product development in security printing were written down. The market readiness of the technology was confirmed in the 2011 financial year. Firm orders have now been received which will generate income and significantly improve the situation of the company in question in terms of earnings and shareholders' equity. The value adjustments to the minority interest and the loan were therefore reversed in full and the relevant amount credited to the income statement for the period

4.7 FINANCIAL RESULT

in CHF '000	Expenses	Income	Balance 2011	Expenses	Income	Balance 2010
Interest income and expenses						
Bank borrowings	–542	329	–213	–702	1,012	310
Finance lease liabilities	–124	–	–124	–171	–	–171
Total interest income and expenses	–666	329	–337	–873	1,012	139
Other financial income and expenses						
Dividend income	–	169	169	–	214	214
Share of profit/(loss) of associates	–	–	–	–60	–	–60
Net gains (losses) from foreign exchange differences	–712	477	–235	–595	476	–119
Bank charges and other finance cost	–260	–	–260	–458	–	–458
Total other financial income and expenses	–972	646	–326	–1,113	690	–423
Total financial result	–1,638	975	–663	–1,986	1,702	–284

4.8 INCOME TAX EXPENSES

in CHF '000	2011	2010
Current income tax	2,958	4,432
Deferred income tax	–966	–2,459
Total income tax expenses	1,992	1,973

4.9 EARNINGS PER SHARE

at 31 December	2011	2010
Net income for the period in CHF '000	199	9,454
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Earnings per share in CHF	0.10	4.82

There were no dilution effects either in 2011 or in 2010.

4.10 CASH AND CASH EQUIVALENTS

in CHF '000 at 31 December	2011	2010
Cash at bank accounts and in hand	19,049	28,953
Short-term bank deposits	937	641
Total cash and cash equivalents	19,986	29,594

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".

4.11 TRADE ACCOUNTS RECEIVABLE

in CHF '000 at 31 December	2011	2010
Trade accounts receivable gross	26,658	32,697
./. provisions for doubtful trade accounts receivable	–1,716	–1,822
Total trade accounts receivable net	24,942	30,875

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	2011	2010
At 1 January	–1,822	–1,825
Increase in provisions for doubtful trade accounts receivable	–632	–647
Utilisation of provisions	332	128
Reversal of provisions	380	223
Exchange differences	26	299
At 31 December	–1,716	–1,822

In the 2011 financial year, certain European subsidiaries of the Group forfeited receivables in an amount of CHF 948,000 (2010: CHF 2,152,000).

4.12 OTHER RECEIVABLES

in CHF '000 at 31 December	2011	2010
Construction contracts gross	49,565	21,219
./. deductible customer advances received	–14,014	–10,897
Total construction contracts net	35,551	10,322
Prepayments to suppliers	3,578	609
Receivables from associates	56	44
Receivables from shareholders	2,617	6,279
Receivables from other related parties	318	75
Current financial assets	338	228
Other receivables	3,190	4,206
Total other receivables	45,648	21,763

4.13 INVENTORIES

in CHF '000 at 31 December	2011	2010
Raw materials, auxiliary materials and supplies	27,196	14,121
Semi-finished and finished products	6,694	7,892
Trading goods	18,695	19,665
Work-in-progress	10,861	13,345
Total inventories gross	63,446	55,023
./. allowance on inventories	–13,320	–15,503
Total inventories net	50,126	39,520

4.14 TANGIBLE ASSETS IN 2011

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

TANGIBLE ASSETS IN 2010

in CHF '000	Developed property and buildings	Undeveloped property	Investment property	Machinery and technical installations	Other tangible assets	Assets under construction	Total 2010
Cost at 1 January	102,328	446	349	114,291	45,291	1,133	263,838
Change in scope of consolidation	41	–	–	68	–536	–	–427
Additions	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	–2,990	–72	–42	–1,341	–2,646	–16	–7,107
Cost at 31 December	96,084	374	307	114,576	39,149	1,503	251,993
Accumulated depreciation and impairment at 1 January	–59,019	–	–268	–66,276	–27,361	2	–152,922
Change in scope of consolidation	–23	–	–	–5	353	–	325
Depreciation on disposals	5,031	–	–	2,283	4,028	–	11,342
Depreciation	–3,500	–	–17	–6,368	–4,335	–	–14,220
Impairment	–973	–	–	–	–	–	–973
Reclassification	–	–	–	–406	112	–2	–296
Exchange differences	1,384	–	33	1,021	2,093	–	4,531
Accumulated depreciation and impairment at 31 December	–57,100	–	–252	–69,751	–25,110	–	–152,213
Net book value at 1 January	43,309	446	81	48,015	17,930	1,135	110,916
Net book value at 31 December	38,984	374	55	44,825	14,039	1,503	99,780
Net book value of tangible assets under finance lease	2,854	–	–	–	9	–	2,863

4.15 INTANGIABLE ASSETS IN 2011

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

INTANGIBLE ASSETS IN 2010

in CHF '000	Software and developments	Rights and licenses	Other in-tangible assets	Total 2010
Cost at 1 January	5,631	1,815	850	8,296
Change in scope of consolidation	–16	205	–	189
Additions	693	74	1,758	2,525
Disposals	–89	–1,610	–	–1,699
Reclassification	126	–	–	126
Exchange differences	–592	–29	–138	–759
Cost at 31 December	5,753	455	2,470	8,678
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	–697	–44	–2	–743
Exchange differences	381	22	137	540
Accumulated depreciation and impairment at 31 December	–3,992	–322	–710	–5,024
Net book value at 1 January	1,869	110	5	1,984
Net book value at 31 December	1,761	133	1,760	3,654

4.16 FURTHER DETAILS ON TANGIBLE UND INTANGIBLE ASSETS

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

FURTHER DETAILS ON TANGIBLE ASSETS

in CHF '000 at 31 December	2011	2010
Insurance value	295,561	284,523
Committments for purchases of property, plant and other equipment	1,640	1,560

The assets were examined for any evidence of impairment on balance sheet date and necessary provisions were made. Impairments to other tangible assets relate to interior fittings and furnishings of outlets already closed or earmarked for closure.

Bank borrowings are secured on land and buildings for the value of CHF 71,000 (2010: CHF 204,000). Lease rentals amounting to CHF 14,077,000 (2010: CHF 11,907,000), while CHF 839,000 (2010: CHF 845,000) are related to other leased tangible assets.

4.17 INVESTMENTS

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

INVESTMENTS

in CHF '000 at 31 December	2011	2010
Photoglob Ltd (34 %)	343	343
Travel Book Shop Ltd (35 %)	–	35
Bider & Tanner Ltd (25 %)	1,200	1,200
Orell Füssli Kartographie Ltd (24 %)	150	270
Total investments in associates	1,693	1,848
Participation in cooperative Schweizer Buchzentrum	2,110	2,110
Other investments	1,034	795
Total investments	4,837	4,753

4.18 OTHER NON-CURRENT FINANCIAL ASSETS

in CHF '000 at 31 December	2011	2010
Loan assets	1,300	755
Pension fund assets	3,623	4,068
Other non-current financial assets	1,002	1,063
Total other non-current financial assets	5,925	5,886

4.19 TRADE PAYABLES

in CHF '000 at 31 December	2011	2010
Trade payables to third parties	21,160	22,277
Trade payables to other related parties	922	261
Total trade payables	22,082	22,538

4.20 OTHER CURRENT LIABILITIES

in CHF '000 at 31 December	2011	2010
Prepayments from customers on construction contracts gross	17,932	17,619
./. deductible customer advances received	–14,014	–10,897
Prepayments from customers on construction contracts net	3,918	6,722
Prepayments from customers	23,089	8,585
Liabilities to employees	1,829	1,689
VAT and similar taxes payable	501	1,172
Dividends payable	4	6
Other current payables	3,472	3,904
Total other current liabilities	32,813	22,078

4.21 FINANCIAL LIABILITIES

The book values of financial liabilities have the following maturities:

MATURITIES OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2011	From borrowings	Liabilities from finance lease	Total 2010
Current financial liabilities	10,885	260	11,145	6,340	285	6,625
Non-current financial liabilities	100	1,271	1,371	99	1,571	1,670
Total financial liabilities	10,985	1,531	12,516	6,439	1,856	8,295

Interest expenditure from finance lease liabilities was in an amount of CHF 124,000 (2010: CHF 171,000).

No secured liabilities are included in the 2011 or 2010 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.

4.22 PROVISIONS

Provisions are considered for restructuring, warranties, outstanding commissions and projects that need to be finished.

The Board of Directors approved action to reduce fixed costs at Atlantic Zeiser GmbH and charged restructuring provisions to the year under review for this purpose. Further provisions were made for current and planned adjustments to the branch network of Orell Füssli Buchhandlungs Ltd.

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

No provision was made for legal claims either in 2011 or 2010.

MOVEMENT IN PROVISIONS 2011

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

MOVEMENT IN PROVISIONS 2010

in CHF '000	Provisions for legal claims	Provisions for restructuring	Warranty provisions	Other provisions	Total 2010
At 1 January	–	22	246	600	868
Change in scope of consolidation	–	–	212	–	212
Additions (charged to income statement)	–	–	233	173	406
Reversals (charged to income statement)	–	–	–61	–	–61
Utilisation during the year	–	–4	–168	–50	–222
Exchange differences	–	–	–61	–17	–78
At 31 December	–	18	401	706	1,125
Provisions mature within 12 months	–	5	401	324	730
Provisions mature over 1 year	–	13	–	382	395

4.23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities were as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

in CHF '000	Deferred tax assets	Deferred tax liabilities	Balance 2011	Deferred tax assets	Deferred tax liabilities	Balance 2010
At 1 January according to IFRS				2,902	–4,226	–1,324
Adjustments on conversion to Swiss GAAP FER				–	17	17
At 1 January according to Swiss GAAP FER	4,216	–3,438	778	2,902	–4,209	–1,307
Charges to income statement	536	430	966	1,314	1,145	2,459
Exchange differences	–97	20	–77	–	–374	–374
At 31 December according to Swiss GAAP FER	4,655	–2,988	1,667	4,216	–3,438	778

Deferred taxes are calculated at the effective applicable rate for each company. This results in an average, weighted group tax rate of 24.5% (2010: 24.0%) on balance sheet date. Deferred taxes include capitalised losses carried forward in the amount of CHF 4,857,000 (2010: CHF 3,373,000). Income tax assets arising from tax loss carry-forwards are recognised to the extent that the realisation of the related tax benefits through future taxable profits is likely. The Orell Füssli Group has not recognised deferred income tax assets of CHF 2,396,000 (2010: CHF 82,000). The unutilised tax loss carry-forwards amounting to CHF 8,558,000 (2010: CHF 390,000), arising mainly at Atlantic Zeiser GmbH, can be carried forward and offset against future taxable income.

4.24 DIVIDEND PER SHARE

The dividends paid in 2011 and 2010 were in an amount of CHF 4,900,000 (CHF 2.50 per share) and CHF 4,900,000 (CHF 2.50 per share) respectively. A dividend in respect of the year ended at 31 December 2011 of CHF 3,920,000 (CHF 2.00 per share) is to be proposed to the shareholders at the Annual General Meeting to be held on 10 May 2012. These financial statements do not reflect this dividend payable.

4.25 GOODWILL FROM ACQUISITIONS

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

THEORETICAL STATEMENT OF GOODWILL

in CHF '000	2011	2010
Cost at 1 January	5,110	–
Additions in scope of consolidation (acquisitions)	135	5,110
Cost at 31 December	5,245	5,110
Accumulated amortisation at 1 January	–1,022	–
Depreciation and impairment	–1,036	–1,022
Accumulated amortisation at 31 December	–2,058	–1,022
Theoretical net book value at 1 January	4,088	–
Theoretical net book value at 31 December	3,187	4,088

A theoretical linear amortisation period of five years is usually applied. Goodwill items existing when the change was made from IFRS to Swiss GAAP FER on 1 January 2011, are converted into Swiss francs at a fixed rate on the date of acquisition in the above theoretical statement of assets. No currency adjustments in the statement of assets arise from this approach.

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF '000	2011	2010
Earnings before interest and taxes (EBIT) according to consolidated income statement	2,408	13,235
Goodwill amortisation	–1,036	–1,022
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	1,372	12,213
Net income for the period after minority interests	199	9,454
Goodwill amortisation	–1,036	–1,022
Net income for the period after minority interests including goodwill amortisation	–837	8,432

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

in CHF '000 at 31 December	2011	2010
Equity before minority interests according to the consolidated balance sheet	156,479	162,120
Theoretical capitalisation of goodwill (net book value)	3,187	4,088
Theoretical equity before minority interests goodwill (net book value)	159,666	166,208

4.26 FINANCIAL INSTRUMENTS

Open currency futures contracts to hedge future cash flows were not yet included in the balance sheet on the closing date. Several foreign currencies with a total value of CHF 15,772,000 were hedged (2010: CHF 5,174,000), resulting in a current value of CHF –420,000, which was not included in the balance sheet (2010: CHF 904,000).

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

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

CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

in CHF '000 at 31 December	2011	2010
Advance payment guarantees	2,823	13,025
Rental guarantees	3,365	3,730
Bank guarantees	440	440
Liability for purchase of 25.1 % minority interests of SOFHA GmbH	1,217	1,247
Total contingencies and other off-balance sheet liabilities	7,845	18,442

4.28 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	2011	2010
No later than 1 year	11,838	12,116
Later than 1 year and no later than 5 years	39,904	42,097
Later than 5 years	29,140	38,842
Total future aggregate minimum lease payments	80,882	93,055

4.29 CHANGES IN SCOPE OF CONSOLIDATION 2011

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

The acquisition balance sheet is shown below:

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

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

4.30 CHANGES IN SCOPE OF CONSOLIDATION 2010

SOFHA GmbH: The German subsidiary Atlantic Zeiser GmbH acquired 74.9 % of the shares of Berlin-based SOFHA GmbH effective from 1 January 2010. As a result of the change in accounting policies and the decision to offset goodwill directly against shareholders' equity, calculation of goodwill under Swiss GAAP FER was redefined and customer relationships, current licences and in-house developments in particular were no longer capitalised.
The acquisition balance sheet according to Swiss GAAP FER is shown below:

ACQUISITION BALANCE SHEET OF SOFHA GMBH, BERLIN

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
Current liabilities	–509	–756
Current provisions	–154	–229
Accrued expenses and deferred income	–118	–175
Net assets	746	1,108
Goodwill	4,594	6,823
Anticipated purchase price for 100 %	5,340	7,931
Minority interests of 25.1 %	–1,340	–1,991
Effective purchase price for 74.9 %	4,000	5,940
Goodwill for 74.9 %	3,441	5,110

The remaining minority interests of 25.1% can be acquired from 2014 onwards.

Böwe Cardtec GmbH: Subsidiary Atlantic Zeiser GmbH acquired significant assets of the insolvent Böwe Cardtec GmbH, based in Paderborn (D), in September 2010. No goodwill arose from the acquisition.
Photoglob Ltd: In March 2010 Management of the Group decided to dispose of its existing 71 % majority interest in Photoglob Ltd. 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.
Atlantic Zeiser Malaysia: Subsidiary Atlantic Zeiser GmbH formed a new company in Kuala Lupur, Malaysia. This new company, Atlantic Zeiser SDN BHD, has been operational since 1 January 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.

4.31 RELATED PARTY TRANSACTIONS

All transactions with related parties are included in the consolidated annual financial statements for 2011 and 2010. They consist of deliveries of goods and raw materials, services and financial movements from and to related parties.

The relevant balances of accounts receivable and payable are stated separately in these financial statements (Notes 4.12 and 4.19).

RELATED PARTY TRANSACTIONS

in CHF '000	with associated entities	with shareholders	with other related parties	Total 2011	with associated entities	with shareholders	with other related parties	Total 2010
Net revenues from sales	–	28,290	–	28,290	16	31,327	–	31,343
Other operating income	288	–	–	288	172	–	–	172
Financial income	35	–	–	35	34	–	–	34
Cost of materials	5	–	5,950	5,955	4	–	5,687	5,691
Other operating expenses	–	–	160	160	–	–	160	160

In 2011 and 2010, the Orell Füssli Group continued to sell books and publishing products to related parties and to employees at favourable rates.

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

4.32 BOARD AND EXECUIVES COMPENSATIONS

The Orell Füssli Group assigned salaries and other current compensations to the Board of Directors and Executive Board of the Group in the amount of CHF 2,691,000 (2010: CHF 3,204,000) for the financial year 2011. The social insurance contribution amounted to CHF 322,000 (2010: CHF 392,000).

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.

4.33 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors will submit a proposal to the Annual General Meeting to elect Heinrich Fischer to the Board.

Manfred Minich has been appointed Head of the Atlantic Zeiser Division with effect from 1 May 2012, and at the same time elected a member of the Executive Board of Orell Füssli Holding Ltd.

No other events occurred between the balance sheet date and the date of 30 March 2012 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 income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 10 to 34), for the year ended 31 December 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and the fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditors Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We recommend that the consolidated financial statements submitted to you be approved, provided that at the general meeting of 10 May 2012 approves the changes in the articles of incorporation outlined in note 2.2 of the financial report.

PricewaterhouseCoopers Ltd

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

Zurich, 30 March 2012

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

in CHF '000	NOTES	2011	2010
Income from investments	7.1	9,020	11,040
Other operating income		2,188	2,252
Total operating income		11,208	13,292
Personnel expenditure		–1,670	–2,050
Other operating expenses		–1,757	–1,487
Earnings before interest and taxes		7,781	9,755
Financial income		6,541	6,598
Financial expenses		–3,269	–8,250
Financial result	7.2	3,272	–1,652
Net operating income before extraordinary income and expenses		11,053	8,103
Extraordinary income	7.3	332	421
Extraordinary expenses	7.4	–3,338	–144
Earning before taxes (EBT)		8,047	8,380
Income tax expenses	7.5	190	–6
Net income for the period	7.6	8,237	8,374

6.2 BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2011	2010
Assets			
Cash and cash equivalents		667	2,560
Receivables from affiliated and associated entities	7.7	58,707	56,429
Other receivables		96	109
Total current assets		59,470	59,098
Operating assets		45	62
Investments in affialiated and associated entities	7.8	28,241	28,191
Loans to affiliated and associated entities	7.7	56,642	54,481
Total non-current assets		84,928	82,734
Total assets		144,398	141,832
Liabilities			
Trade payables		84	155
Payables to affiliated and associated entities	7.9	13,632	13,444
Current provisions		5	5
Other current liabilities		548	1,432
Total current liabilities		14,269	15,036
Provisions for restructuring		139	143
Total non-current liabilities		139	143
Share capital		1,960	1,960
Legal reserves		11,140	11,140
Unrestricted reserves	7.10	108,653	105,179
Retained earnings:			
Net income for the period		8,237	8,374
Total equity		129,990	126,653
Total liabilities		144,398	141,832

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 INCOME FROM INVESTMENTS
Income from investments relates to distributions by subsidiaries from retained earnings at 31 December 2011. The relevant annual general meetings have already approved these dividend payments.

7.2 FINANCIAL RESULT
In 2010 Orell Füssli Holding Ltd accounted for an exceptionally high adjustment of CHF 5,165,000 on euro-denominated loans due to the steep decline in the euro exchange rate. A further adjustment of CHF 639,000 was necessary in the 2011 financial year. Orell Füssli Holding Ltd states currency fluctuations in gross figures.

7.3 EXTRAORDINARY INCOME
The outcome for 2011 arose from the release of provisions dating from 2007 which are no longer necessary. The outcome in 2010 related to the sale of the majority holding in Photoglob Ltd and the revaluation of minority interests.

7.4 EXTRAORDINARY EXPENSES
Extraordinary expenses of CHF 3,043,000 in 2011 arose from the value adjustment on the loan to Atlantic Zeiser GmbH and the CHF 150,000 write-down of goodwill on the 100% acquisition of Orell Füssli Banknote Engineering Ltd. Payments of CHF 145,000 were also made to pensioners of the Orell Füssli Group and other donations disbursed both in the 2011 financial year and in the previous year.

7.5 INCOME TAX EXPENSES
Income tax for the 2011 financial year is calculated on ordinary net income less income from investments. Tax provisions from earlier years which were no longer necessary were released.

7.6 NET INCOME FOR THE PERIOD
The value adjustment to loans had a significant impact on the outcome in the 2011 financial year. In the previous year exchange rate losses on foreign currency loans had a negative impact.

7.7 RECEIVABLES FROM AND LOANS TO CONSOLIDATED AND ASSOCIATED ENTITIES
Orell Füssli Holding Ltd provides necessary financial resources for its subsidiaries and other associated companies in the form of loans or short-term overdraft facilities.

7.8 INVESTMENTS IN CONSOLIDATED AND ASSOCIATED ENTITIES
The change of CHF 50,000 is attributable to the 100% acquisition of Orell Füssli Banknote Engineering Ltd.

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

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

UNRESTRICTED RESERVES

in CHF '000	2011	2010
Opening balance at 1 January	105,179	96,649
./. dividends paid	–4,900	–4,900
+ retained earnings from previous period	8,374	13,430
Closing balance at 31 December	108,653	105,179

7.11 RISK ASSESSMENT

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

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

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

Basic principles

The remuneration stated relates to payments made in the period under review. The tables below therefore contain in full all entitlements to remuneration in respect of the 2011 financial year. Provisions are made in the relevant financial year for all remuneration as yet unpaid, even if this is not disbursed until the following year.

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

Share ownership

On balance sheet date, 200 shares were held by Nick Huber and 100 shares by Dieter Widmer, both members of the Board of Directors, and 265 shares were held by Michel Kunz and 80 shares by Dr. Anton Gasteiger, both members of the Executive Board. Directors Dr. Hans Kuhn and Dewet Moser are officers of the Swiss National Bank (SNB), which holds 653,460 shares of Orell Füssli Holding Ltd.

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

Compensation for non-executive directors always applies to a period of office.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2011

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

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

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2010

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2010
	in cash	in cash	Special allowances	Social security and pension costs	
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)	20,000	20,500	–	1,317	41,817
Dr. Rudolf W. Hug Compensation Committee (Chairman)	20,000	22,500	–	1,382	43,882
Dr. Hans Kuhn Compensation Committee (Member)	20,000	18,500	–	2,824	41,324
Nick Huber Audit Committee (Member)	20,000	12,500	–	2,384	34,884
Total	341,000	109,000	–	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.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2011

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

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

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2010

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

1) The remuneration disclosed for CEO Michel Kunz relates to the period from 1 May to 31 December 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 in the 2010 financial year totalled CHF 428,090. This amount comprises basic remuneration of CHF 248,800, a variable component of CHF 125,000 and social security payments of CHF 54,290. This expenditure is not included in the total remuneration of members of the Executive Board.

7.13 MAJOR SHAREHOLDERS

at 31 December 2011	Total registered shares	Participation in %
Swiss National Bank (SNB), Berne (CH)	653,460	33.34%
Dieter Meier, Buenos Aires (AR)	274,226	13.99%
Fam. Siegert, Meerbusch (D)	156,800	8.00%
Sarasin Investmentfonds Ltd, Basle (CH)	138,389	7.06%

7.14 FURTHER INFORMATION

in CHF '000 at 31 December	2011	2010
Contingent liabilities in favour of third parties	6,628	17,195

Orell Füssli held none of its own shares on 31 December 2011.

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

7.15 PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

The following proposal for the appropriation of retained earnings will be submitted to the Annual General Meeting on 10 May 2012:

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000	2011
Unrestricted reserves	108,653
Net income for the year 2011	8,237
Earnings available for appropriation	116,890
Dividend per share of CHF 2.00	–3,920
Total unrestricted reserves	112,970

If this proposal is approved, the dividend will amount to:

DIVIDEND UPON APPROVAL OF THE PROPOSED APPROPRIATION OF RETAINED EARNINGS

in CHF	2011
Dividend per share	2.00
minus withholding tax	–0.70
To be paid out	1.30

8 COMPANIES OF THE ORELL FÜSSLI GROUP

SIGNIFICANT INVESTMENTS

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

9 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

To the general meeting of Orell Füssli Holding Ltd, Zurich
As statutory auditor, we have audited the financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet and notes (pages 36 to 42), for the year ended 31 December 2011.

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 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers Ltd

Christian Kessler
Audit expert
Auditor in charge

Thomas Wallmer
Audit expert

Zurich, 30 March 2012