

Orell Füssli Annual Report 2012

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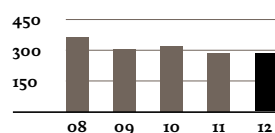
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Key figures

2012

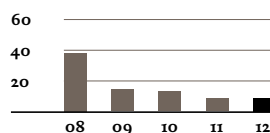
TOTAL OPERATING INCOME

in CHF million



EBIT^{1,2}

in CHF million



CONSOLIDATED INCOME STATEMENT¹

in CHF million

	2012	2011	2010	2009
Total operating income	284.9	287.8	319.4	306.3
EBITDA ²	23.0	24.5	29.2	24.3
Earnings before interest and taxes (EBIT) ²	8.3	8.3	13.2	14.6
Extraordinary income and expenses	-4.7	-5.9	-	8.5
Net income for the period before minority interests	-1.0	0.2	9.5	14.7
Equity before minority interests	151.2	156.5	162.1	170.2

WEIGHTED AVERAGE WORKFORCE

	2012	2011	2010	2009
Full time equivalents	971	1,048	1,046	1,027

SHARE STATISTIC¹

in CHF

	2012	2011	2010	2009
High	108.80	143.00	145.90	162.00
Low	91.50	97.00	131.00	130.00
Earnings per share ³	-0.52	0.10	4.82	7.50
Dividend per share ⁴	-	2.00	2.50	2.50

¹ Financial year 2009: values according to IFRS

² In 2009: EBIT before recognition of disposal of subsidiaries and investment property, in 2011 and 2012: EBIT before provisions.

³ At 31 December 2012 the share capital comprised 1,960,000 registered shares with a par value of 1 CHF each.

⁴ Dividend proposed to the Annual General Meeting on 7 May 2013.

KEY FIGURES ORELL FÜSSLI GROUP

OPERATING INCOME BY DIVISIONS

in percent

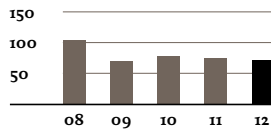


27% Division Atlantic Zeiser
31% Division Security Printing
39% Division Book Retailing
3% Other

Total operating income CHF 284.9 Mio.

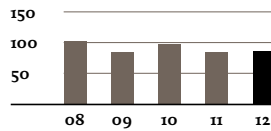
ATLANTIC ZEISER

in CHF million



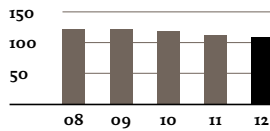
SECURITY PRINTING

in CHF million



BOOK RETAILING

in CHF million



EBIT BY DIVISIONS BEFORE EXTRAORDINARY INCOME AND EXPENSES

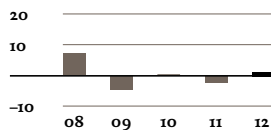
in percent

75% Division Security Printing **17%** Division Atlantic Zeiser
44% Division Book Retailing **-36%** Other

EBIT before extraordinary income and expenses CHF 8.3 Mio.

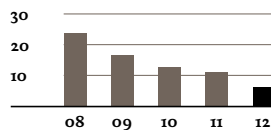
ATLANTIC ZEISER

in CHF million



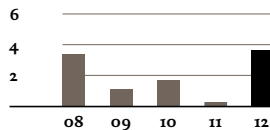
SECURITY PRINTING

in CHF million



BOOK RETAILING

in CHF million



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. With outlets located mainly in the Zurich/Eastern Switzerland region and a strong presence in online trading, Orell Füssli is one of Switzerland's leading book retailing groups.

Orell Füssli generates sales of some CHF 300 million with 1000 employees at locations in 10 countries and is listed on the SIX Swiss Exchange.

Editorial

Dear shareholder,

In the past year the Board of Directors undertook an in-depth examination of the business portfolio and the strategies of the individual divisions of the Orell Füssli Group.

The group will focus in future on the fields of unequivocal identification and product security, with the emphasis on the manufacture of banknotes, passports and identity cards as well as systems for identifying and tracking product authenticity. The technological prerequisites for the success of this strategy already exist at Security Printing and Atlantic Zeiser.

The business environment for traditional book retailing has changed dramatically in recent years. Powerful competitors operating on an international scale, such as Amazon, Apple and Barnes & Noble (with Microsoft), have also entered the Swiss market via Internet trading. This has resulted in declining sales. The response to these new market conditions will be a strong Swiss solution. Orell Füssli has decided to merge its book retailing operations in Switzerland with those of Thalia Bücher AG, thus enabling it to stand on an equal footing with the large international groups. The combination of national branch network coverage and a strong presence on the Internet will create the preconditions for this new undertaking to hold its own as a national supplier catering to specifically Swiss needs. The implementation of this project is still subject to the approval of the merger by the relevant competition authorities.

In 2011 we had to report negative results and initiate restructuring action at Atlantic Zeiser and the Book Retailing Division. Both divisions posted significantly improved results in 2012. Atlantic Zeiser is focusing on core markets in line with its strategy and is developing scalable solutions. Additional optimisation programmes are intended to lower the sales breakeven level further, thus reducing the business risks in the volatile project segment.

Security printing profits fell to an unacceptably low level in 2012. The contraction in profits was caused by non-recurring charges for adjustments to inventories and substantial operating inefficiencies with high follow-up costs. A task force headed by the CEO has been charged with restructuring and implementing all essential business processes. The costs of the action taken will continue to depress profits in 2013.

The Board of Directors will propose to shareholders at the Annual General Meeting on May 7, 2013, that no dividend should be paid.

Nick Huber and Dewet Moser will not be standing for re-election to the Board of Directors at the Annual General Meeting. This will enable the Board of Directors to be reduced to five members again, which is appropriate for a company of Orell Füssli's size. The Board of Directors wishes to express its sincere thanks to its two colleagues for all their efforts during a difficult period.

Sincere thanks go to our customers for the confidence they again showed in us during the past year, and we look forward to continuing to set trends for the future together with them in the years to come.

BOARD OF DIRECTORS ORELL FÜSSLI HOLDING LTD

Heinrich Fischer	Chairman
Dr. Hans Kuhn ¹	Deputy Chairman
Nick Huber ¹	
Dewet Moser ²	
Gonpo Tsering ²	
Andreas S. Wetter ¹	
Dieter Widmer ²	

¹ Member of the Compensation Committee

² Member of the Audit Committee

We also want to thank our employees and managers for their strong commitment. A group-wide employee survey was conducted for the first time in 2012. The feedback from this also revealed some shortcomings, which we shall now systematically remedy. We aim to give added momentum to Orell Füssli's development with specific training programmes for managers and personnel.

Thanks go to you, our shareholders, for your loyalty to Orell Füssli. You may be assured that we shall devote all our energies to ensuring that the capital you have invested will again generate healthy returns.

Zurich, April 2013



Heinrich Fischer
Chairman of the Board of Directors



Michel Kunz
CEO

Business in 2012

Operating earnings at Orell Füssli improved slightly in 2012. However, there were wide variations in the development of the divisions. Profits were significantly better at the Atlantic Zeiser and Book Retailing divisions, whereas profits at Security Printing slumped to a historically low level.

Orell Füssli reported sales of CHF 284.9 million in the 2012 financial year, equivalent to a slight decline of 1% compared to the previous year. Earnings at the EBIT level amounted to CHF 3.6 million (CHF 2.4 million in 2011). This figure includes non-recurring charges of CHF 4.7 million (CHF 5.9 million in 2011). Net income of the Orell Füssli Group for the period amounted to CHF 0.8 million (CHF -0.2 million in 2011). Since good results were posted in particular by co-owned companies, profits excluding minority interests amounted to CHF -1.0 million (CHF + 0.2 million in 2011).

Equity capital including minority interests declined from CHF 171.9 million to CHF 167.6 million as a result of the dividend payment and the stated loss for the year. The equity ratio was 61.9% (66.5% in 2011).

SEGMENTAL RESULTS

<i>in CHF '000</i>	2012	2011	2010	2009
Division Atlantic Zeiser				
Net revenues from sales to customers	75,565	75,752	79,151	72,536
Earnings before interest and taxes (EBIT) and before extraordinary income and expenses	1,438	-1,901	212	-4,427
Division Security Printing				
Net revenues from sales to customers	85,910	85,402	99,275	85,323
Earnings before interest and taxes (EBIT) and before extraordinary income and expenses	6,229	11,347	13,075	16,704
Division Book Retailing				
Net revenues from sales to customers	109,506	113,768	119,861	123,629
Earnings before interest and taxes (EBIT) and before extraordinary income and expenses	3,660	304	1,653	1,167

Atlantic Zeiser Division

Atlantic Zeiser reported a 3% increase in sales revenues to € 63.5 million in 2012. Operating earnings improved considerably compared to a year earlier due to extensive restructuring and cost-cutting efforts as well as slightly improved margins, and EBIT amounted to € 1.6 million. A loss of € 4.0 million was reported in 2011, including restructuring charges of € 2.5 million.

Atlantic Zeiser operates in the business sectors of card systems, banknote numbering systems, security printing systems and packaging printing. In 2012 the trend was especially encouraging in the card segment, where Atlantic Zeiser supplies systems solutions for the growing markets in identity cards, such as driving licences and identity documents, as well as gift cards, with high quality and productivity benefits. In the banknote and security printing systems field, revenues increased and the company's leading market position was reinforced primarily due to orders from neighbouring countries. In the digital printing sector, Atlantic Zeiser systematically pursued its concentration on the market segment of packaging printing for the pharmaceutical and cosmetics industries and acquired additional important reference customers. Atlantic Zeiser also felt the effects of the economic problems in the eurozone through declining sales in Italy and Spain. However, this was offset by the positive trend of business in the USA and South America. The business with software solutions and special inks for the printing industry pursued by the SOFHA and Tritron affiliates developed as planned in terms of sales and earnings.

At DRUPA, the key trade fair for the printing industry, Atlantic Zeiser presented the complete product range of digital printing solutions for individualisation and marking on challenging substrates in volume production under the motto of “Creating Identity”. The high level of acceptance by the international audience resulted in interesting orders, which helped to increase the level of orders in hand for the new financial year.

Developments:

The value-adding and “know-how” chain consisting of systems and installations, special inks and software solutions was expanded further in 2012. With PMP production management software Atlantic Zeiser offers a solutions package for the growing demand for product tracking and brand protection. This is unique on the market, especially in combination with Atlantic Zeiser printing systems.

Atlantic Zeiser’s structural and workflow organisation, and its management structure in particular, have been reviewed and simplified. Key Account Management was specifically installed for the pharmaceutical industry. Following the restructuring efforts at the Emmingen site in the previous year, an efficiency enhancement programme was launched in 2012 with the objective of reducing manufacturing lead times and further lowering fixed costs. The product development programme has been streamlined and focused increasingly on repeat orders in growth segments.

Orell Füssli Security Printing Division

The Security Printing Division posted sales of CHF 85.9 million in 2012. This was a slight improvement over the previous year, but operating earnings were very unsatisfactory at CHF 6.2 million (CHF 11.3 million in 2011). After deduction of non-recurring charges, EBIT amounted to CHF 2.6 million (CHF 12.3 million in 2011).

There were various reasons for this massive deterioration: A new ERP solution was introduced at Security Printing in 2011. In the course of the changeover, product master data and transactions were not transferred with sufficient accuracy, making value adjustments necessary. Special write-offs also had to be made on materials which had remained in storage beyond their expiry date.

Towards the end of 2011 it could be assumed that capacity would be substantially under-utilised in 2012 and 2013 if orders from regular customers were delayed or did not materialise. Relatively aggressive quotations were therefore submitted in international tenders and new orders were acquired. These orders ensured that capacity was well utilised in 2012. Delays in some orders and start-up problems with the new orders meant that the original production schedules could not be implemented. Delivery delays resulted in cost overruns of CHF 1.8 million. Operational deficiencies resulted in the initiation of a comprehensive programme aimed at optimising all production processes. This programme should be largely completed by the end of 2013.

Developments:

The goal in 2013 is to make every effort to eliminate the weaknesses which became clearly apparent in 2012. Steps will be taken with a view to improving production scheduling and control, material flow and the monitoring of process quality. Personnel training will be expanded in line with requirements, also to enable employees to be deployed more flexibly. These measures and an improved order mix due to substantial orders from regular customers mean that an initial improvement in profitability can be expected in 2013.

STARPERF, a new security element, was presented at the “Banknote 2012” conference in Washington and met with considerable interest – initial concrete customer enquiries have been received. With STARPERF Orell Füssli is pursuing a new technological approach inasmuch as a security element in the

banknote has been successfully combined with a Smartphone as a verification device for the first time in this case.

Orell Füssli Book Retailing Division

In the book retailing business Orell Füssli succeeded in stabilising the number of books sold. The shift from bricks-and-mortar to online book retailing, and recently also to e-books, is continuing unabated, but Orell Füssli has been able to absorb the effects of this trend to a large extent in its own sales channels. Selling prices in the past year were again lower than a year earlier as a result of the weak euro, and this resulted in a 3.7% decline in sales revenues to CHF 109.5 million (CHF 113.8 million in 2011). The online business with private customers recorded double-digit growth. The continued increase in business with large customers was also pleasing. Despite further charges for adjustments to the branch network and discontinuation of the online operations of secondary brand Storyworld amounting to CHF 1.2 million, the division reported EBIT of CHF 2.5 million in the year under review. The outcome in the previous year had been a loss of CHF 3.5 million, when results had been depressed by special charges of CHF 3.8 million for adjustments to the branch network.

No sales outlets were opened or closed in 2012. The e-commerce business with the Storyworld secondary brand was discontinued at the end of 2012 with a view to concentrating resources. The funds released as a result are being employed for the further development of the online activities of the main Orell Füssli brand (www.books.ch). In the trend-setting e-reading segment Orell Füssli opened Switzerland's first e-book shop in its main outlet in Zurich in time for the Christmas season. Two e-reader models with pre-installed e-book shop have been added to the sales programme. In this segment Orell Füssli is therefore prepared to participate in the growing demand for digital books.

Developments:

The implementation of the planned joint venture with Thalia Bücher AG is subject to the approval of the competition authorities. Until then the business will continue to be managed as an independent entity. The closure of the Westside branch in Berne which was announced last year will take place in the second half of this year. In the remaining branches the e-book business is being expanded in line with the Zurich model.

Orell Füssli Publishing

Sales revenues at Orell Füssli Verlag Ltd in 2012 were 9% lower than a year earlier. The main reasons were the systematic reduction of less profitable activities by the Huber publishing unit and for contract publications, as well as adverse currency effects in the case of high-priced picture books published by Atlantis. There were improvements in two important segments: non-fiction by 10% and Globi publications by 15%. The cost of materials and personnel expenditure were considerably reduced by rigorous cost management. Net income before special effects was slightly better than in 2011 and was almost at breakeven level.

Developments:

Marketing cooperation with Deutscher Taschenbuch Verlag (dtv) proved its worth in its first year. It will be continued with some improvements. Orell Füssli has launched non-fiction and children's e-books on the market, but sales are still insignificant to date. The e-book market is currently still dominated by fictional works. As in the past, legal media and textbooks were stable and profitable. A decline in textbook volumes as a result of the termination of some distribution agreements by German publishing houses will be more than offset by the acquisition of Verlag Fuchs AG. In the non-fiction sector, prominent authors have raised awareness of Orell Füssli Publishing on the German market, for example Gertrud Höhler with the SPIEGEL bestseller "Die Patin" and Ulrich Tilgner with "Die Logik der Waffen". In order to hold our own in this segment, publishing services for authors in the non-fiction

field have to be enhanced. In the children's book segment – according to media control Orell Füssli has the highest selling children's book programme in Switzerland – title production is being increased. As from 2013 titles are being offered under the new publishing label of "Orell Füssli Children's Books".

Changes in the Board of Directors

Heinrich Fischer has headed Orell Füssli Holding Ltd as Chairman of the Board of Directors since May 10, 2012. He was elected at the Annual General Meeting to succeed Dr. Klaus Oesch on the Board of Directors and thereupon became chairman.

Dewet Moser and Nick Huber will not stand for re-election to the board at the 2013 Annual General Meeting. The Board of Directors wishes to thank its retiring colleagues for all their efforts during a difficult period. The Board of Directors of Orell Füssli Holding Ltd will again consist of five members in future.

Personnel

Johannes Caprez, the long-serving CFO of Orell Füssli Holding Ltd, will relinquish responsibility for group finances at the end of March 2013 and leave the Executive Board. He will maintain his links with the company in other capacities. The Board of Directors wishes to thank Johannes Caprez for his service to the group. Beat Müller has been appointed as his successor and a member of the Executive Board. Dr. Martin Söderberg, Head Corporate Development, Orell Füssli Group, has also been elected to the Executive Board.

GROUP MANAGEMENT (AT 31 DECEMBER 2012)

Michel Kunz	CEO
Johannes Caprez	CFO
Peter Crottogini	Head Human Resources
Fabio Amato	Head of the Book Retailing Division
Dr. Anton Gasteiger	Head of the Security Printing Division
Dr. Matti Schüsseler	Head of the Publishing Division
Manfred Minich	Head of the Atlantic Zeiser Division

Financial Report 2012

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1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

<i>in CHF '000</i>	NOTES	2012	2011
Net revenues from sales to customers	4.1 / 4.2	281,086	285,466
Other operating income		3,387	3,560
Changes in inventories of semi-finished and finished products, capitalised costs		406	-1,244
Total operating income	4.3	284,879	287,782
Cost of materials		-120,665	-117,211
External production costs		-14,786	-13,053
Personnel expenditure	4.4 / 4.5	-83,670	-88,434
Other operating expenses	4.6	-46,969	-49,287
Depreciation and impairment on tangible assets	4.15	-12,616	-16,031
Depreciation and impairment on intangible assets	4.16	-2,602	-1,358
Earnings before interest and taxes (EBIT)	4.1	3,571	2,408
Financial income		1,115	975
Financial expenses		-2,656	-1,638
Financial result	4.7	-1,541	-663
Earnings before income taxes (EBT)		2,030	1,745
Income tax expenses	4.8	-1,279	-1,992
Net income for the period		751	-247
Attributable to the shareholders of Orell Füssli Holding Ltd		-1,014	199
Attributable to minority interests		1,765	-446
<i>in CHF</i>	NOTES	2012	2011
Earnings per share	4.9	-0.52	0.10

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

FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

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

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

FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.3 CONSOLIDATED CASH FLOW STATEMENT

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

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

FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF '000

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

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

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

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

2 ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

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

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

2.2 CONSOLIDATION

Subsidiaries

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

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

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

Investments in associates

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

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

Other investments

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

2.3 CURRENCY TRANSLATION

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

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

CURRENCY EXCHANGE RATES

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

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

2.5 SEGMENT REPORTING

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

2.6 REVENUE RECOGNITION

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

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

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

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

2.7 IMPAIRMENT

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

2.8 INCOME TAXES

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

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

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

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

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

2.9 CASH AND CASH EQUIVALENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.10 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2.11 TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ACCOUNTS RECEIVABLE

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

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

2.12 CONSTRUCTION CONTRACTS

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

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

2.13 INVENTORIES

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

2.14 FINANCIAL ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.15 TANGIBLE ASSETS

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

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

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

ESTIMATED USEFUL LIFE OF EACH FIXED ASSET CATEGORY

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

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

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

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

2.16 INTANGIBLE ASSETS

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

2.17 GOODWILL

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

2.18 TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at face value.

2.19 DIVIDEND DISTRIBUTION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.20 FINANCIAL LIABILITIES

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

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

2.21 LEASES

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

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

2.22 EMPLOYEE BENEFITS

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

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

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

2.23 PROVISIONS

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

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

2.24 SHARE CAPITAL

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

3 RISK MANAGEMENT

3.1 FINANCIAL RISK MANAGEMENT

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

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

3.2 CURRENCY RISK

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

3.3 INTEREST RATE RISK

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

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

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

3.4 CREDIT RISK

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

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

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

3.5 LIQUIDITY RISK

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

Available liquidity on balance sheet date was as follows:

LIQUIDITY RESERVES AND CREDIT FACILITIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.6 CAPITAL RISK

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

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

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

NET GEARING RATIO

in CHF '000 at 31 December

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

4 EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

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

Industrial Systems

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

Security Printing

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

Book Retailing

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

Other business activities

In 2012 and 2011 this segment consisted primarily of the publishing business.

Unallocated are infrastructure services, costs and revenues on holding level and consolidation effects arising from inter-segmental income.

SEGMENT RESULTS 2012

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

SEGMENT RESULTS 2011

<i>in CHF '000</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 NET REVENUES FROM SALES AND SERVICES BY COUNTRY AND REGION

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

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

NET REVENUES FROM SALES TO CUSTOMERS BY REGION

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

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

4.3 OPERATING INCOME

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

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

4.4 PERSONNEL EXPENDITURE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.5 PENSION FUNDS

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

EMPLOYER CONTRIBUTION RESERVES

in CHF '000

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

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF '000

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

4.6 OTHER OPERATING EXPENSES

in CHF '000

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

4.7 FINANCIAL RESULT

in CHF '000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.8 INCOME TAX EXPENSES

<i>in CHF '000</i>	2012	2011
Current income tax	2,049	2,958
Deferred income tax	-770	-966
Total income tax expenses	1,279	1,992

4.9 EARNINGS PER SHARE

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

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

4.10 CASH AND CASH EQUIVALENTS

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

For purpose of the cash flow statement, the "cash and cash equivalents" item comprised liquid assets.

Current account credits were not included in "cash and cash equivalents".

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

4.11 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.12 TRADE ACCOUNTS RECEIVABLE

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

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

PROVISION FOR DOUBTFUL TRADE ACCOUNTS RECEIVABLE

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

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

4.13 OTHER RECEIVABLES

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

4.14 INVENTORIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.15 TANGIBLE ASSETS IN 2012

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

TANGIBLE ASSETS IN 2011

<i>in CHF '000</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.16 INTANGIBLE ASSETS IN 2012

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

INTANGIBLE ASSETS IN 2011

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.17 FURTHER DETAILS OF TANGIBLE AND INTANGIBLE ASSETS

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

FURTHER DETAILS OF TANGIBLE ASSETS

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

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

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

4.18 INVESTMENTS

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

INVESTMENTS

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

4.19 OTHER NON-CURRENT FINANCIAL ASSETS

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

4.20 OTHER CURRENT LIABILITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.21 FINANCIAL LIABILITIES

The book values of financial liabilities have the following maturities:

MATURITIES OF FINANCIAL LIABILITIES

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

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

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

4.22 PROVISIONS

Provisions are included for restructuring, warranties, outstanding commissions and unfinished projects.

Restructuring provisions made in 2011 to reduce fixed costs at Atlantic Zeiser GmbH were not required in full. The remaining provisions were released and posted to net income. Further provisions were made for current and planned adjustments to the branch network of Orell Füssli Buchhandlungen Ltd.

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

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

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

MOVEMENT IN PROVISIONS 2012

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

MOVEMENT IN PROVISIONS 2011

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities were as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

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

4.24 DIVIDEND PER SHARE

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

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

4.25 GOODWILL FROM ACQUISITIONS

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

THEORETICAL STATEMENT OF GOODWILL

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

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

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

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

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

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

CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

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

4.27 PAYABLES FROM OPERATING LEASE CONTRACTS

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

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

MATURITIES OF FUTURE AGGREGATE MINIMUM LEASE PAYMENTS

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

4.28 CHANGES IN SCOPE OF CONSOLIDATION

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

The acquisition balance sheet is shown below:

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

<i>in CHF '000 at 1 July 2011</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.29 RELATED PARTY TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

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

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

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

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

4.30 BOARD AND 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 2,357,000 (2011: CHF 2,691,000) for the financial year 2012. The social insurance contribution amounted to CHF 296,000 (2011: CHF 322,000).

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

4.31 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

5 REPORT OF THE GROUP AUDITORS

To the general meeting of Orell Füssli Holding Ltd

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

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd



Christian Kessler
Audit expert
Auditor in charge



Thomas Wallmer
Audit expert

Zurich, 12 March 2013

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

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

FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.2 BALANCE SHEET AT 31 DECEMBER

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

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 INCOME FROM INVESTMENTS

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

7.2 FINANCIAL RESULT

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

7.3 EXTRAORDINARY INCOME

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

7.4 EXTRAORDINARY EXPENSES

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

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

7.5 INCOME TAX EXPENSES

Income tax is calculated on ordinary net income less income from investments.

7.6 NET INCOME FOR THE PERIOD

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

7.7 RECEIVABLES FROM AND LOANS TO CONSOLIDATED AND ASSOCIATED ENTITIES

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

7.8 INVESTMENTS IN CONSOLIDATED AND ASSOCIATED ENTITIES

The changes are due to adjustments of Orell Füssli Verlag Ltd CHF 1,000,000 and CHF 60,000 at Photoglob Ltd.

7.9 PAYABLES TO CONSOLIDATED AND ASSOCIATED ENTITIES

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

7.10 UNRESTRICTED RESERVES

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

UNRESTRICTED RESERVES

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

NOTES TO THE FINANCIAL STATEMENTS

7.11 RISK ASSESSMENT

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

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

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

Basic principles

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

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

Share ownership

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

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

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

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2012

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

NOTES TO THE FINANCIAL STATEMENTS

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2011

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

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

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2012

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

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

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2011

<i>in CHF</i>	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.

NOTES TO THE FINANCIAL STATEMENTS

7.13 MAJOR SHAREHOLDERS

at 31 December 2012

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

7.14 FURTHER INFORMATION

in CHF '000 at 31 December

	2012	2011
Contingent liabilities in favour of third parties	9,172	6,628

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

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

7.15 PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

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

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000

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

COMPANIES OF THE ORELL FÜSSLI GROUP

8 COMPANIES OF THE ORELL FÜSSLI GROUP

SIGNIFICANT INVESTMENTS

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

¹⁾ Capital held and voting rights in % are identical except the participation in the cooperative Schweizer Buchzentrum.

²⁾ Capital participation of the particular mother company.

³⁾ Held through Orell Füssli Buchhandlungs Ltd.

⁴⁾ Held through Atlantic Zeiser GmbH

9 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

To the general meeting of Orell Füssli Holding Ltd, Zurich

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

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd



Christian Kessler
Audit expert
Auditor in charge



Thomas Wallmer
Audit expert

Zurich, 12 March 2013

Corporate Governance

This report complies with the requirements of the SIX Swiss Exchange's guidelines regarding information on corporate governance. Unless stated otherwise, the data refer to 31 December 2012.

1. GROUP STRUCTURE AND SHAREHOLDERS

Operating structure of the group

In management terms the Orell Füssli Group is subdivided into three divisions and the publishing companies.

Strategic and operating management within the Atlantic Zeiser, Security Printing and 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 focus of the individual divisions.

Companies included in the scope of consolidation

The registered office of the parent company, Orell Füssli Holding Ltd, is in Zurich. The company is listed on the SIX Swiss Exchange under security code 342 080 and ISIN code CH0003420806. Its market capitalisation on 31 December 2012 was CHF 181 million.

Orell Füssli Holding Ltd has no investments in listed companies. An overview of its main investment holdings is included in the financial report.

Major shareholders

There were no material changes in shareholdings in the year under review and therefore no disclosures were required. Please refer to the financial report for a list of major shareholders.

Cross-shareholdings

There are no cross-shareholdings with other public limited companies.

2. CAPITAL STRUCTURE

Capital

The share capital of Orell Füssli Holding Ltd consists of 1,960,000 registered shares with a par value of CHF 1.– each and is fully paid. Each share entitles the holder to one vote. Orell Füssli Holding Ltd has issued neither dividend-right certificates nor participation certificates.

At 31 December 2012, Orell Füssli Holding Ltd had neither contingent nor authorised capital at its disposal, and no convertible bonds or options were outstanding.

Changes in capital

The share capital of Orell Füssli Holding was unchanged in the year under review and the two preceding years.

Transfer restrictions

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

The Articles of Incorporation of Orell Füssli Holding Ltd can be accessed online at (www.orell-fuessli.com/en/investors/corporate-governance).

3. BOARD OF DIRECTORS

<i>Members of the Board of Directors</i>	Year of birth	Nationality	Member since
Heinrich Fischer	1950	Swiss	10.05.2012
Dr. Hans Kuhn	1961	Swiss	09.05.2007
Nick Huber	1964	Swiss	11.05.2010
Dewet Moser	1960	Swiss	10.05.2011
Gonpo Tsering	1956	Swiss	10.05.2011
Andreas S. Wetter	1949	Swiss	10.05.2011
Dieter Widmer	1963	Swiss	10.05.2011

Biographical details of the members of the Board of Directors

There are no executive directors. Dr. Hans Kuhn and Dewet Moser represent the Swiss National Bank (SNB), the company's largest shareholder. The SNB has its banknotes produced by Orell Füssli. All other directors are independent and have no material business relationships with Orell Füssli Holding Ltd or any other company in the Orell Füssli Group besides their directorship.

Heinrich Fischer



CHAIRMAN

Member of the Board of Directors since 2012

Swiss, born 1950; Qualifications: Dipl. Ing. ETH Zurich, lic.oec.publ. University of Zurich, MBA University of Zurich

Significant professional activities and functions:

- 1980–1990 Oerlikon-Bührle Group, Head BU Coating Equipment, Director of Staff Technology at Balzers Ltd., Balzers/FL
- 1991–1996 Oerlikon-Bührle Holding, Zurich, Head Corporate Development and Member of the Group Executive Board
- 1994–2005 ISE Integrated System Engineering, Zurich/San José, USA, Co-Found and Chairman (today a division of Synopsys, Inc.)
- 1996–2007 Saurer Ltd, Arbon, Delegate of the Board of Directors and CEO
- Since 2007 DiamondScull Ltd, Zug, Owner and Chairman of the Board of Directors (Investment company for start-ups)

Other board appointments:

- Member of the Board of Directors, Hilti Ltd, Schaan/FL
- Member of the Board of Directors, Schweiter Ltd, Horgen
- Member of the Board of Directors, Sensirion Holding Ltd, Stäfa
- Member of the Board of Directors, Tecan Group Ltd, Stäfa
- Member of the Board of Directors, CAMOX Fund, London
- Chairman of the Board of Directors, Zhoulang Textile Machinery Ltd, Jintan, China

Dr. Hans Kuhn



DEPUTY CHAIRMAN Chairman of the Compensation Committee
Member of the Board of Directors since 2007

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): 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 of the StabFund Group

Nick Huber



MEMBER OF THE BOARD Member of the Compensation Committee
Member of the Board of Directors since 2010

Swiss, born 1964; Qualifications: Businessman

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

Other board appointments:

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

Dewet Moser



MEMBER OF THE BOARD Member of the Audit Committee
Member of the Board of Directors since 2011

Swiss, born 1960; Qualifications: Lic.rer.pol., University of Basel

Significant professional activities and functions:

- 1986–1990 Swiss National Bank (SNB), Zurich: Research Assistant
- 1990–1991 US Federal Reserve Bank, St. Louis/USA: period of research
- 1992–1997 SNB, Zurich: Head Monetary Operations Advisory
- 1997–2006 SNB, Zurich: Head Risk Management
- Since May 2007 SNB, Zurich: Head Financial Markets and Alternate Member of the Governing Board (appointment by the Swiss Federal Council in December 2006)

Other board appointments:

- None

Gonpo Tsering



MEMBER OF THE BOARD Member of the Audit Committee
Member of the Board of Directors since 2011

Swiss, born 1956; Qualifications: Lic.oec. HSG University of St. Gallen, MBA IMD Lausanne

Significant professional activities and functions:

- 1983–1984 Ciba-Geigy Ltd, Basel: Controller
- 1985–1988 Ciba-Geigy Ltd, Nairobi/Kenya: Regional Planning & Controlling Manager
- 1990–1997 Diethelm Holdings Bhd, Kuala Lumpur/Malaysia: Group Finance Director
- 1998–1999 Rothmans of Pall Mall Ltd, Zug: Finance Director
- 2000–2001 SiberHegner Holding Ltd, Zurich: Chief Financial Officer, Member of Group Management
- Since 2002 DKSH Holding Ltd, Zurich: Head Operations Support, Member of Group Management

Other board appointments:

- Chairman of the Board of Directors, Maurice Lacroix Holding Ltd, Zurich
- Member of the Board of Directors, Bovet Fleurier S.A., Plan-les-Ouates, Geneva
- Member of the Board of Directors, Lomb Art Ltd, Freienbach
- Member of the Board of Directors of several DKSH Holding subsidiaries

Andreas S. Wetter



MEMBER OF THE BOARD Member of the Compensation Committee
Member of the Board of Directors since 2011

Swiss, born 1949; Qualifications: Electronics engineer, Executive MBA GSBA Zurich/Boston University
Significant professional activities and functions:

- 1974–1976 Assignments in Canada
- 1977–1993 Various managerial functions in companies in the IT industry, Zurich
- 1993–1995 Ascom Audisys Ltd, Flamatt: Executive Director
- 1996–1998 Radio TV Steiner Ltd, Berne (Coop Group): Managing Director
- 1998–2009 Orange Switzerland, Lausanne: Executive Director
- 2010–2012 Orange Switzerland, Lausanne: Chairman of the Board of Directors
- Since 2009 Wetter & Partner GmbH, Feldmeilen: Partner, independent Management Consultant and Director

Other board appointments:

- Member of the Board of Directors, Broadband Networks Ltd, Urdorf
- Board member of trade associations ICTswitzerland and asut
- Chairman of the Board of Trustees, Retirement Home “Büttenberg”, Biel/Bienne

Dieter Widmer



MEMBER OF THE BOARD Member of the Audit Committee
Member of the Board of Directors since 2011

Swiss, born 1963; Qualifications: Swiss certified public accountant (CPA) and auditor
Significant professional activities and functions:

- 1986–2010 KPMG, Zurich, Vancouver, Berne: Auditor and Management Consultant, as of 1997 Head of KPMG Berne, as of 1998 Partner and as of 2002 Member of the Executive Committee of KPMG Switzerland, as of 2007 Member of the Non-Executive Board and Member of the Audit Committee of KPMG Europe LLP (Frankfurt/London)
- Since 2010 valet, Forch: Owner, Management Consultant and independent Member of various Boards of Directors

Other board appointments:

- Member of the Red Cross Council, Swiss Red Cross, Berne
- Co-owner and Member of the Board of Directors, EquityNova Ltd, Zug
- Co-owner and Member of the Board of Directors, EnergyOn Holding Ltd, Zug
- Chairman of the Board of Directors, Curena Ltd, Zurich
- Chairman of the Board of Directors, Ilford Property Switzerland GmbH, Marly
- Member of the Board of Directors, Mühle Walther Ltd, Bolligen

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. Directors are elected individually. The restrictions on age and duration of office are stipulated in the regulations governing the organisation of the company, which can be accessed online at (www.orellfuessli.com/en/investors/corporate-governance).

Internal organisation

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

The principal duties of the Board of Directors are as defined by the Swiss Code of Obligations, in particular Art. 716a, and the regulations governing the organisation of the company. Management of the business is delegated to the CEO and the Executive Board of Orell Füssli Holding Ltd. The CEO chairs the Executive Board.

The Board of Directors meets as often as business requires, but at least once a quarter. In the year under review the Board of Directors met five times for a full day (plus the constituent meeting following the Annual General Meeting). Members of executive management may also be invited to attend meetings. The Board of Directors can also call in external consultants in order to deal with specific issues. The Board of Directors is assisted in its work by the two permanent committees referred to below. Towards the end of the year under review an ad hoc committee was formed to deal with issues relating to Security Printing.

Audit Committee

The Board of Directors has appointed an Audit Committee, which assesses the annual and half-year financial statements, the internal controls and the external auditors. The duties of the Audit Committee are defined in specific regulations. The Audit Committee has decision-making authority subject to the approval of the Board of Directors as a whole, which also receives the minutes of the meetings. The committee consists of three members of the Board of Directors. The CEO, the ICS Officer and the CFO as well as a representative of the auditors also attend the meetings of the Audit Committee in a consultative capacity. The committee meets at least twice a year, usually in the first and third quarter. The Audit Committee held two half-day meetings 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 profits and performance. The duties of the Compensation Committee are defined in specific regulations. The Compensation Committee has decision-making authority. The other members of the Board of Directors are informed of the business dealt with and the main decisions taken after each meeting. The Compensation Committee consists of three members of the Board of Directors. The Group CEO also attends the meetings in a non-voting capacity. The committee meets at least once a year. The Compensation Committee held one meeting lasting about two hours each 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 defined by the regulations governing the organisation of the company, which can be accessed online at (www.orellfuessli.com/en/investors/corporate-governance). The Board of Directors determines business policy and the organisational structure, appoints the CEO, approves the budget and takes decisions on proposals assigned to it in the context of the allocation of authority. The Board of Directors has entrusted the management of the business to the Executive Board under the chairmanship of the CEO.

Information and control instruments of the Board of Directors

The CEO briefs the Board of Directors at its meetings about the current trend of business and important business transactions. Financial reporting to the Board of Directors consists of monthly management income statements, the half-year report and the Annual Report with annual financial statements at the end of the financial year.

The Chairman of the Board of Directors regularly meets with the CEO and receives for information purposes the minutes of the meetings of the Executive Board of Orell Füssli Holding Ltd as well as of the business review meetings held with the divisions every two to three months.

The Board of Directors and the Audit Committee in particular supervises risk management and implementation of the internal control system. The Audit Committee defines its own audit areas and is informed at its meetings by the ICS Officer about the results of audits conducted by independent internal or external units. Details of the internal control system and risk management can be accessed online at (www.orellfuessli.com/en/investors/corporate-governance). Please also refer to the details of risk assessment in the notes to the annual financial statements of Orell Füssli Holding Ltd.

4. EXECUTIVE BOARD

Members of the Executive Board (at 31 December 2012)

Michel Kunz



MEMBER OF THE EXECUTIVE BOARD 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), finally 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
- Member of the Board of Directors, BSI Business Systems Integration Ltd, Baden

Johannes Caprez



MEMBER OF THE EXECUTIVE BOARD CFO Orell Füssli Holding Ltd
(until 31 March 2013)

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 CFO Orell Füssli Group

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 Ltd, Zurich

Peter Crottogini



MEMBER OF THE EXECUTIVE BOARD Head Human Resources
Orell Füssli Holding Ltd

Swiss, born 1959; Qualifications: Trainer in Further Education (Swiss Federal Certificate),
Manager in Adult Education (Swiss Diploma)

Significant professional activities and functions:

- 1995–2001 Swissair: Instructor & Manager of Training Ground Services worldwide
- 2001–2002 ESEC Management Ltd: Manager Education & Training
- 2002–2003 Swiss International Air Lines: General Manager Sales & Marketing and Airport Training
- 2003–2009 Sunrise Communication Ltd: Manager Training & Development
- 2010 Orell Füssli Holding Ltd: Head Personnel & Organisational Development
- Since 1 January 2011 Head Human Resources Orell Füssli Group

Other board appointments:

- None

Fabio Amato



MEMBER OF THE EXECUTIVE BOARD 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
- Since 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

Dr. Anton Gasteiger



MEMBER OF THE EXECUTIVE BOARD 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 2009 Head of the Security Printing Division, Orell Füssli Group

Other board appointments:

- Various directorships with companies in the Orell Füssli Group

Manfred Minich



MEMBER OF THE EXECUTIVE BOARD Head of the Atlantic Zeiser Division

German, born 1958; Qualifications: Industrial Business Administrator, Study “Corporate Management” Hochschule Pinneberg

Significant professional activities and functions:

- 1976–1997 Metabowerke GmbH & Co, Nürtingen: various functions in Sales and Marketing, finally Director Sales Region DACH
- 1997–1999 Black & Decker Germany, Idstein: Director Marketing German-Alpine (DACH) and Member of the Extended Executive Board
- 1999–2000 Loewe AG (Loewe Opta GmbH), Kronach: Director Marketing CE
- 2001–2006 Herma GmbH, Stuttgart: Managing Director Label Division and Machinery Division, Member of Executive Boards in various subsidiaries, finally Chairman of the Executive Board of the Herma Group
- 2006–2011 MBO Binder GmbH & Co.,KG, Oppenweiler: Director Sales, Marketing and Service, Member of Executive Boards in various subsidiaries, Spokesman of the Executive Board of the MBO Group
- Since 1.5.2012 Head of the Atlantic Zeiser Division, Orell Füssli Group

Other board appointments:

- None

CORPORATE GOVERNANCE

Dr. Matti Schüsseler



MEMBER OF THE EXECUTIVE BOARD Head of the Publishing Division

German, born 1959; Qualifications: Studies in literature and linguistics at the Universities of Göttingen, Rennes (France), Munich and Constance

Significant professional activities and functions:

- 1988–1991 Bertelsmann AG, Gütersloh: various functions, finally Head of the Representative Office in Berlin
- 1991–1993 FNAC Deutschland GmbH, Berlin: Division Manager Books
- 1993–1996 Klett AG, Stuttgart: General Manager Ernst Klett Distribution Company
- 1996–2010 Langenscheidt KG, Munich: Director Marketing & Distribution and Member of the Management Board;
in addition CEO Langenscheidt Poland, Warsaw (as of 2000) and Langenscheidt Ibérica, Madrid (as of 2008)
- Since 1 March, 2011 Head of the Publishing Division, Orell Füssli Group

Other board appointments:

- None

New member of the Executive Board as of 1 April 2013

Beat Müller



MEMBER OF THE EXECUTIVE BOARD CFO Orell Füssli Holding Ltd

Swiss, born 1956; Qualifications: Business Economist (lic.oec.publ. Zurich University), EMBA Executive Master of Business Administration GSBA, Zurich/Albany

Significant professional activities and functions:

- 1983–1985 Limmatt Insurance, Zurich: Controller
- 1987–1989 Swissôtel, Zurich: Country Controller Switzerland
- 1989–1992 Swissair, Zurich: Controller Operations and Information Technology
- 1993–1995 Swissair, Zurich: Head of Business Administration and Strategic Planning Operations
- 1996–2000 Swissair, Zurich: Vice President Planning and Business Administration Operations, Member of the Management Board Operations
- 2000–2009 Swiss Post, Berne, Post Offices and Sales: CFO, Member of the Management Board
- 2010–2011 Swiss Post, Berne, Swiss Post International Management Ltd: CFO, Member of the Management Board
- 2012 Orell Füssli Holding Ltd: Head Group Controlling
- Since 1 April 2013, CFO Orell Füssli Holding Ltd

Other board appointments:

- None

New member of the Executive Board as of 1 April 2013

Dr. Martin Söderberg



MEMBER OF THE EXECUTIVE BOARD Head Corporate Development Orell Füssli Holding Ltd

Swiss-Swedish dual citizenship, born 1959; Qualifications: M.Sc. and Ph.D. in Engineering Physics, Royal Institute of Technology, Stockholm; MBA, IMD, Lausanne

Significant professional activities and functions:

- 1987–1989: Tetra Pak Stockholm: Logistics Officer
- 1989–1991: Tetra Pak Pully: Decision Support Manager
- 1993–1995: McKinsey & Co.: Management Consultant
- 1995–2000: General Motors Europe: Manager New Business Development and Strategic Planning
- 2001–2003: Management Consultant
- 2003–2009: Swiss Post/Corporate Development: Vice President Strategy
- 2009–2010: Swiss Post: Advisor to the Chairman of the Board of Directors
- 2011: Management Consultant
- Since 1 Feb. 2012: Head Corporate Development Orell Füssli Group

Other board appointments:

- None

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

Basic principles

Compensation of the Board of Directors and the Executive Board consists of a fixed and a variable component. External experts are consulted on the specification of the remuneration system only in the event of a fundamental restructuring. Functionally specific benchmarks are applied to the determination of remuneration in the case of new appointments or promotions at group level.

The Orell Füssli Group has neither a share nor an option allocation scheme for members of the Board of Directors and the Executive Board. There is therefore no direct connection between shares in Orell Füssli Holding Ltd held by members of the Executive Board and the Board of Directors and the functions of these officers; they have been acquired privately in open trading on the stock market.

With the exception of contributions to the pension fund, the upper limit of which (CHF 835,200) is defined by occupational pensions' legislation, the Orell Füssli Group does not provide any specific retirement pension schemes for members of the Board of Directors and the Executive Board.

No contractually agreed severance payments ("golden parachutes") have been stipulated in advance for the members of the Board of Directors and the Executive Board. The members of the Executive Board are not employed under long-term contracts (no longer than 6 months).

Compensation

The fixed directors' fees are periodically reviewed by the Board of Directors at its own discretion and adjusted if appropriate. The variable compensation component for the Board of Directors depends both on the number of meetings held by the committees (attendance fee) and on the dividend paid (CHF 5,000 per Swiss franc of dividend paid).

The fixed remuneration component for the Executive Board as proposed by the CEO is stipulated annually with final authority at the start of the new financial year by the Compensation Committee of the Board of Directors. The amount of fixed remuneration is defined by function, duties, qualifications, experience and the market environment. The variable compensation component for the Executive Board is based on bonus regulations adopted by the Board of Directors. The maximum possible amount of variable remuneration (if all targets are achieved) is stipulated individually and amounts to 20–60 percent of basic salary. It is calculated on the basis of a preset formula which takes into account EBIT and RONA and the achievement of individually specified annual targets, whereby the weighting of EBIT, RONA and individually specified targets is stipulated individually for each member of the Executive Board. The members of the Executive Board performing exclusively group-related functions are assessed in terms of group profit with regard to EBIT and RONA, other members of the Executive Board mainly with regard to the profits of the division headed by them. The individually specified three to five annual targets comprise quantitative and qualitative components and must be specific, measurable, challenging, relevant and have time limits. They can, for example, relate to the implementation of a project, compliance with a project budget or professional further development. The Chairman of the Board of Directors is responsible for specifying individual targets for the CEO. The CEO specifies the individual targets of the other members of the Executive Board.

The fixed remuneration component of the Executive Board and the Chairman of the Board of Directors includes a lump sum for expenses and individually agreed additional benefits such as providing a free company car or assuming the cost of a rail season ticket.

CORPORATE GOVERNANCE

Loans and other payments

No loans were granted to current or former members of the Board of Directors and the Executive Board in the 2012 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 2012.

Other information

Detailed information on the compensation of the Board of Directors and the Executive Board in the 2012 financial year is included in the notes to the annual financial statements of Orell Füssli Holding Ltd (Section 7 of the financial report).

The Orell Füssli Group made no further payments to current or former members of the Board of Directors and the Executive Board or related parties and did not waive any claims on these parties.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

Only those persons listed in the shareholders' register are recognised as shareholders in relation to the company. Entry in the shareholders' register presupposes evidence of beneficial ownership of the shares to be registered. The conditions are stipulated in the relevant regulations (Regulations of the Board of Directors regarding the registration of shares and maintenance of the shareholders' register), which together with the company's Articles of Incorporation can be accessed online at (www.orell-fuessli.com/en/investors/corporate-governance).

In order to attend the Annual General Meeting each shareholder must furnish evidence of his shareholding no less than five days prior to the date of the meeting. He will then receive an admission card issued in his name. Notwithstanding the relevant legal provision (Art. 689, para. 2 of the Swiss Code of Obligations) the Articles of Incorporation provide that a shareholder can only be represented by another shareholder and therefore not by any third party at the Annual General Meeting. The only exceptions from this requirement are senior officers of companies listed in the Commercial Register.

Shareholders representing at least 5% of the share capital may request the inclusion of an item on the agenda.

7. CHANGE IN CONTROL AND DEFENSIVE MEASURES

There are no provisions in the Articles of Incorporation relating to "opting out" or "opting up".

Orell Füssli Holding Ltd has no clauses applying to members of the Board of Directors and the Executive Board in the event of a change in control.

8. AUDITORS

Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers were first elected external auditors of the consolidated financial statements and those of the holding company at the Annual General Meeting of shareholders held on 14 May 2003. Christian Kessler has officiated as lead auditor since the 2009 financial year.

Audit fees of CHF 376,430 to PricewaterhouseCoopers were incurred in 2012.

Additional fees totalling CHF 13,800 were charged by PricewaterhouseCoopers in the year under review.

Audit supervision and control instruments

The Audit Committee is responsible for supervising and controlling the external auditors. A representative of the auditors is also invited to attend meetings of the Audit Committee to provide information. The Audit Committee assesses the performance, fees and independence of the external auditors on the basis of criteria such as professional expertise, scope and quality of written reports and oral comments, practical feasibility of recommendations, transparent and effective communication and coordination, as well as compliance with deadlines. The Audit Committee examines the scope of external auditing, audit planning and the relevant processes annually, and discusses the audit results with the external auditors. Reporting by the external auditors includes the audit reports, the Management Letter and the detailed report by the auditors on the past financial year addressed to the Audit Committee and the Board of Directors.

9. INFORMATION POLICY

A press release including key group figures for the year under review is issued in mid-March, after the close of the financial year. The detailed annual financial statements are published each year together with the Annual Report in April. A presentation for financial analysts is held on the same day.

The Annual General Meeting of shareholders is held in May. The group issues a press release with the half-year figures about mid-August. Planned publication dates can be accessed online at (www.orellfuessli.com/en/investors/events).

Shareholders receive the annual financial statements (short report) and the half-year report. Press releases can also be accessed online at (www.orellfuessli.com/en/media/messages).

Information on exceptional events of relevance for the stock market is published in ad hoc press releases. Shareholders can register at (www.orellfuessli.com/en/investors/ad-hoc-publicity) to have these forwarded to them automatically.

IMPRINT, CONTACT

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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, which can lead to actual developments and results differing significantly from the statements made in this document. Orell Füssli is under no obligation whatsoever to adjust or amend forward-looking statements on the basis of new information, future events or for other reasons.

PUBLISHED BY ORELL FÜSSLI HOLDING LTD, ZÜRICH
CONCEPT AND DESIGN ECLAT, ERLENBACH ZH
PHOTOS BEAT SCHWEIZER, BERN (PORTRAIT DR. M. SÖDERBERG: PAOLO DUTTO, ZÜRICH)
PREPRESS MANAGEMENT DIGITAL DATA LTD, LENZBURG
PRINTING NEIDHART + SCHÖN LTD, ZÜRICH
CLIMATE-NEUTRAL PRINTING, CO₂ COMPENSATION IN COOPERATION WITH MYCLIMATE
PAPER ARCTIC VOLUME WHITE, FSC-CERTIFIED

ClimatePartner[®]
climate neutral

Print | ID: 53232-1303-1005



THE ENGLISH TRANSLATION IS BASED ON THE ORIGINAL ANNUAL REPORT IN GERMAN.
THE PRINTED GERMAN TEXT IS BINDING.

APRIL 2013 – ORELL FÜSSLI HOLDING LTD, ZÜRICH, SWITZERLAND
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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 Divestment of Orell Füssli Business Information Division
- 2010 Acquisition of a majority shareholding in SOFHA GmbH, Berlin

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