Financial Report 2013

CONTENTS

1 FINANCIAL STATEMENTS OF THE ORELL FÜSSLI GROUP

1.1 CONSOLIDATED INCOME STATEMENT

in CHF '000	NOTES	2013	2012
Net revenues from sales to customers	4.1 / 4.2	272,181	281,086
Other operating income		4,351	3,387
Changes in inventories of semi-finished and finished products, capitalised costs		5,573	406
Total operating income	4.3	282,105	284,879
Cost of materials		–120,061	–120,665
External production costs		–15,264	–14,786
Personnel expenditure	4.4 / 4.5	–89,581	–83,670
Other operating expenses	4.6	–62,803	–46,969
Depreciation and impairment on tangible assets	4.15	–13,383	–12,616
Depreciation and impairment on intangible assets	4.16	–1,760	–2,602
Earnings before interest and taxes (EBIT)	4.1	–20,747	3,571
Financial income		1,884	1,115
Financial expenses		–2,073	–2,656
Financial result	4.7	–189	–1,541
Earnings before income taxes (EBT)		–20,936	2,030
Income tax expenses	4.8	3,893	–1,279
Net income for the period		–17,043	751
Attributable to the shareholders of Orell Füssli Holding Ltd		–18,226	–1,014
Attributable to minority interests		1,183	1,765

in CHF	NOTES	2013	2012
Loss per share	4.9	–9.30	–0.52

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

1.2 CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2013	2012
Assets			
Cash and cash equivalents	4.10	27,202	17,060
Marketable securities & derivative financial instruments	4.11	676	1,047
Trade accounts receivable	4.12	32,469	31,645
Other receivables	4.13	41,156	66,056
Inventories	4.14	50,943	48,040
Current income tax receivables		1,360	1,709
Accrued income and deferred expenses		4,484	3,593
Total current assets		158,290	169,150
Tangible assets	4.15 / 4.17	81,025	81,941
Intangible assets	4.16 / 4.17	4,058	4,372
Investments	4.18	3,482	4,770
Deferred tax assets	4.23	9,675	4,621
Other non-current financial assets	4.19	5,545	5,813
Total non-current assets		103,785	101,517
Total assets		262,075	270,667
Liabilities			
Trade payables		21,322	23,292
Other current liabilities	4.20	52,099	35,120
Current income tax liabilities		1,192	660
Accrued expenses and deferred income		12,090	10,323
Current financial liabilities	4.21	11,749	26,550
Current provisions	4.22	12,871	3,098
Total current liabilities		111,323	99,043
Non-current financial liabilities	4.21	2,550	1,086
Pension fund liabilities		369	344
Non-current provisions	4.22	1,819	340
Deferred tax liabilities	4.23	1,694	2,209
Total non-current liabilities		6,432	3,979
Share capital		1,960	1,960
Capital reserves		4,160	4,160
Retained earnings		139,717	159,352
Translation differences		–14,166	–14,270
Total equity before minority interests		131,671	151,202
Minority interests		12,649	16,443
Total equity		144,320	167,645
Total liabilities		262,075	270,667

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

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF '000	NOTES	2013	2012
Net income for the period		–17,043	751
Depreciation		14,672	14,608
Impairment and amortisation		1,027	610
Share of loss applicable to equity method		100	61
Other non-fund related income and expenses		–2,234	–1,037
Change in trade accounts receivable		–589	–6,863
Change in inventories		796	1,839
Change in other receivables		30,630	–17,926
Change in trade payables		–2,116	1,243
Change in other liabilities		10,326	573
Change in accruals net		711	2,816
Change in provisions and deferred income tax		5,720	–2,898
Cash flow from operating activities		42,000	–6,223
Purchase of tangible assets		–10,460	–4,999
Proceeds from disposals of tangible assets		307	795
Purchase of intangible assets		–1,233	–2,968
Proceeds from disposals of intangible assets		–	2
Purchase of Verlag Fuchs Ltd	4.28	–1,670	–
Net increase from change in scope of consolidation	4.28	3,576	–
Proceeds from disposals of other investments		645	–
Purchase of other non-current assets		–199	–84
Proceeds from disposals of other non-current assets		243	–
Cash flow from investing activities		–8,791	–7,254
Increase of financial liabilities		66	16,387
Repayment of financial liabilities		–18,127	–1,171
Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, Sofha GmbH)		–4,993	–704
Dividends paid		–	–3,920
Cash flow from financing activities		–23,054	10,592
Translation effects		–13	–41
Increase (decrease) in cash and cash equivalents		10,142	–2,926
Cash and cash equivalents at 1 January		17,060	19,986
Cash and cash equivalents at 31 December		27,202	17,060

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

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF '000	Share capital	Capital reserves	Retained earnings and net income	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 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
Equity at 1 January 2013	1,960	4,160	159,352	–14,270	151,202	16,443	167,645
Dividends paid	–	–	–	–	–	–4,993	–4,993
Offsetting goodwill against equity	–	–	–1,409	–	–1,409	–	–1,409
Currency translation effects	–	–	–	104	104	16	120
Net income for the period	–	–	–18,226	–	–18,226	1,183	–17,043
Total equity at 31 December 2013	1,960	4,160	139,717	–14,166	131,671	12,649	144,320

The share capital as at 31 December 2013 and 31 December 2012 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 8,464,000 (2012: CHF 9,002,000).

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

2 ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

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

Holdings in joint ventures

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

Orell Füssli Thalia Ltd was created by the merger of the book retailing activities of Thalia Bücher Ltd and Orell Füssli Buchhandlungs Ltd. Each parent company holds a 50% interest and the Board of Directors consists of two representatives of each parent company. This joint venture is consolidated pro rata. 50% of all income statement and balance sheet items is included in the consolidated financial statements of the Orell Füssli Group. Orell Füssli Holding Ltd and the Hugendubel family continue to hold 51% and 49% respectively of the capital of Orell Füssli Buchhandlungs Ltd.

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 2013 and 2012 financial years:

CURRENCY EXCHANGE RATES

	Closing rate		Annual average rate	
	2013	2012	2013	2012
EUR at a rate of CHF	1.2259	1.2077	1.2309	1.2055
USD at a rate of CHF	0.8905	0.9139	0.9272	0.9380
GBP at a rate of CHF	1.4684	1.4768	1.4500	1.4865

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

2.5 SEGMENT REPORTING
A business segment is a group of assets and operations engaged in providing products and services that are subject to risk and returns different from those of other business segments.

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments used to hedge transactions with future cashflows are recognised with the fair value in the balance sheet if the underlying transaction is recorded in the balance sheet. Otherweise they are solely disclosed in the notes of the financial statements. The Orell Füssli Group uses no other derivative financial instruments.

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

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

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

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

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

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

2.15 TANGIBLE ASSETS

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

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

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

ESTIMATED USEFUL LIVE OF EACH FIXED ASSET CATEGORY

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

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

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

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

2.16 INTANGIBLE ASSETS

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

2.17 GOODWILL

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

2.18 TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at face value.

2.19 DIVIDEND DISTRIBUTION

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

2.20 FINANCIAL LIABILITIES

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

Financial liabilities are classified as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months. In case of a loan prolongation commitment on the reporting date, the new duration of the loan will be taken into account for its classification.

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 RISK ASSESSMENT
The Board of Directors of Orell Füssli Holding Ltd conducts a systematic risk assessment at least once a year in the context of its obligation of supervisory management of the Orell Füssli. At its meeting on 6 September 2013 the Board of Directors took note of management's report on group-wide risk management and approved the steps proposed.

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

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

3.3 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.

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

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

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

3.5 CREDIT RISK
Credit risks can arise 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.

3.6 LIQUIDITY RISK

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

Available liquidity on balance sheet date was as follows:

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF '000 at 31 December	2013	2012
Liquidity reserves	27,879	17,724
Committed credit facilities	80,906	71,656
./. bank guarantees	–32,065	–3,353
./. utilised credit facilities	–8,581	–27,468
Total liquidity reserves and non-utilised credit facilities	68,139	58,559

As well as committed credit facilities in local currencies, sufficient funds should also be available to conduct ordinary business activities in future. Credit facilities were increased by CHF 8,000,000 net in 2013.

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. However, a mortgage could also be taken out on the unencumbered property on Dietzingerstrasse, Zurich.

3.7 CAPITAL RISK

In managing capital, the Orell Füssli Group seeks in particular to safeguard the group's ability to continue operating as a going concern and to optimise the balance sheet structure 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	2013	2012
Total financial liabilities	14,299	27,636
+ trade payables	21,322	23,292
+ prepayments from customers	76,866	61,567
+ other current liabilities	4,051	5,479
./. cash and cash equivalents	–27,202	–17,060
Net indebtedness	89,336	100,914
Total equity	144,320	167,645
Total capital	233,656	268,559
Net gearing ratio	38%	38%

4 EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 SEGMENT REPORTING BY BUSINESS UNITS

The business activities of the Orell Füssli Group are organised 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. 100% of the income statement and balance sheet items of Orell Füssli Buchhandlungs Ltd until 30 September 2013 and 50% of Orell Füssli Thalia Ltd as from 1 October 2013 are included.

Other business activities

In 2013 and 2012 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 2013

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

SEGMENT RESULTS 2012

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

4.2 NET REVENUES FROM SALES AND SERVICES BY COUNTRY AND REGION

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

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

NET REVENUES FROM SALES TO CUSTOMERS BY REGION

in CHF '000	2013	2012
Switzerland	170,822	172,238
Germany	13,075	12,854
The rest of Europe and Africa	39,034	41,340
North and South America	31,056	21,777
Asia and Oceania	18,194	32,877
Total net revenues from sales to customers by region	272,181	281,086

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

4.3 OPERATING INCOME

in CHF '000	2013	2012
Sales of goods and products	268,288	277,425
Revenues from license fees	3,893	3,661
Rental income from operating leases	549	735
Gain from sales of non-current assets	20	98
Other income	3,782	2,554
Changes in inventories of semi-finished and finished products	3,761	–271
Capitalised costs	1,812	677
Total operating income	282,105	284,879

The "Sales of goods and products" item includes revenues from construction contracts based on PoC of CHF 38,083,000 (2012: CHF 65,431,000). Security Printing accounts for more than 80% of PoC orders, and Atlantic Zeiser accounts for the remainder. Completion of various orders originating from 2012 enabled Security Printing to reduce outstanding PoC orders considerably.

4.4 PERSONNEL EXPENDITURE

in CHF '000	2013	2012
Wages and salaries	75,588	70,648
Social security costs	6,781	6,290
Pension costs	4,803	4,450
Other personnel expenditure	2,409	2,282
Total personnel expenditure	89,581	83,670

The problems arising at Orell Füssli Security Printing Ltd necessitated the employment of more personnel in security services, logistics, materials management and quality assurance.

4.5 PENSION FUNDS

The Orell Füssli Foundation has used the new 2010 BVG mortality table since 2011. The actuarial interest rate is 2.75% (2012: 3.00%).

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
	31.12.2013	31.12.2013	31.12.2013	2013	31.12.2013	31.12.2012	2013	2012
Pension schemes without funding surplus / deficit (Switzerland)	3,623				3,623	3,623	–	–

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF '000	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit/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
	31.12.2013	31.12.2013	31.12.2012	2013	31.12.2013	31.12.2013	2013	2012
Pension schemes without funding surplus / deficit (Switzerland)	–	–	–	–	–	–	3,167	2,752
Unfunded pension schemes (abroad)	–	–	–	–	–	–	1,636	1,698
Total	–	–	–	–	–	–	4,803	4,450

4.6 OTHER OPERATING EXPENSES

in CHF '000	NOTES	2013	2012
Marketing and distribution expenses		11,560	13,260
Operating lease expenses		12,227	12,409
Repairs and maintenance		5,571	5,410
Administration expenses		6,642	6,487
Losses on bad debts		517	94
Made provisions for POC	4.22	9,250	–
Losses from sales of fixed assets		41	23
Impairment loss on investments and loan assets	4.18	555	–
Share of loss applicable to equity method		–	61
Energy		2,707	2,268
Other operating expenses		13,733	6,957
Total other operating expenses		62,803	46,969

The increase in the "Other operating expenses" item was attributable primarily to the setting up of provisions by the joint venture and special charges at Security Printing. See also Note 4.22 "provisions".

4.7 FINANCIAL RESULT

in CHF '000	Expenses	Income	Balance 2013	Expenses	Income	Balance 2012
Interest income and expenses						
Bank borrowings	–623	119	–504	–1,172	118	–1,054
Finance lease liabilities	–65	–	–65	–91	–	–91
Total interest income and expenses	–688	119	–569	–1,263	118	–1,145
Other financial income and expenses						
Dividend income	–	180	180	–	167	167
Income from derivative financial instruments	–383	–	–383	–	383	383
Net gains (losses) from foreign exchange differences	–714	1,585	871	–1,124	297	–827
Bank charges and other finance cost	–288	–	–288	–269	150	–119
Total other financial income and expenses	–1,385	1,765	380	–1,393	997	–396
Total financial result	–2,073	1,884	–189	–2,656	1,115	–1,541

4.8 INCOME TAX EXPENSES

in CHF '000	2013	2012
Current income tax	1,647	2,049
Deferred income tax	–5,540	–770
Total income tax expenses	–3,893	1,279

4.9 EARNINGS PER SHARE

at 31 December	2013	2012
Net income for the period in CHF '000	–18,226	–1,014
Weighted average numbers of shares in issue (in thousands)	1,960	1,960
Loss per share in CHF	–9.30	–0.52

There were no dilution effects either in 2013 or in 2012.

4.10 CASH AND CASH EQUIVALENTS

in CHF '000 at 31 December	2013	2012
Cash in bank accounts and in hand	26,083	16,539
Short-term bank deposits	1,119	521
Total cash and cash equivalents	27,202	17,060

For purposes 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".

Cash and cash equivalents include CHF 10,861,000 from the joint venture company Orell Füssli Thalia AG. The Orell Füssli Group has only limited access to these funds. The size of this amount is due to Christmas season business, which features large holdings of liquid funds and always declines steeply in the 1st quarter of the following year.

4.11 MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

in CHF '000 at 31 December	2013	2012
Marketable securities & bank deposits	676	664
Derivative financial instruments	–	383
Total marketable securities and derivative financial instruments	676	1,047

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

No foreign exchange contracts to hedge future cash flows were open on 31 December 2013. In the previous year forward foreign exchange contracts totalling CHF 814,000 not yet included in the balance sheet were open on balance sheet date.

No foreign currency hedges existed on balance sheet date (2012: CHF 20,620,000).

4.12 TRADE ACCOUNTS RECEIVABLE

in CHF '000 at 31 December	2013	2012
Trade accounts receivable gross	33,659	32,676
./. provisions for doubtful trade accounts receivable	–1,190	–1,031
Total trade accounts receivable net	32,469	31,645

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

PROVISION FOR DOUBTFUL TRADE ACCOUNTS RECEIVABLE

in CHF '000	2013	2012
At 1 January	–1,031	–1,716
Increase in provisions for doubtful trade accounts receivable	–269	–295
Utilisation of provisions	121	145
Reversal of provisions	1	821
Exchange differences	–12	14
At 31 December	–1,190	–1,031

There are no assignments on the receivables portfolio.

4.13 OTHER RECEIVABLES

in CHF '000 at 31 December	2013	2012
Construction contracts gross	58,545	89,359
./. deductible customer advances received	–28,818	–31,927
Total construction contracts net	29,727	57,432
Prepayments to suppliers	1,130	3,455
Current financial assets	2,255	573
Other receivables	8,044	4,596
Total other receivables	41,156	66,056

The steep decline in PoC receivables is attributable to completed and finally invoiced orders at Security Printing.

The increase in other receivables is a result of the pro rata consolidation and represents receivables of Orell Füssli Thalia Ltd vis-à-vis Thalia Bücher Ltd.

4.14 INVENTORIES

in CHF '000 at 31 December	2013	2012
Raw materials, auxiliary materials and supplies	22,823	26,240
Semi-finished and finished products	21,168	17,309
Trading goods	18,925	16,739
Work-in-progress	686	737
Total inventories gross	63,602	61,025
./. allowance on inventories	–12,659	–12,985
Total inventories net	50,943	48,040

4.15 TANGIBLE ASSETS IN 2013

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

TANGIBLE ASSETS IN 2012

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

4.16 INTANGIBLE ASSETS IN 2013

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

INTANGIBLE ASSETS IN 2012

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

4.17 FURTHER DETAILS OF TANGIBLE AND INTANGIBLE ASSETS

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

FURTHER DETAILS OF TANGIBLE ASSETS

in CHF '000 at 31 December	2013	2012
Insurance value	283,578	287,263
Commitments for purchases of property, plant and other equipment	14,446	182

The assets were examined for any evidence of impairment on balance sheet date and necessary provisions were made.

The remaining fixed assets stated at cost on 31 December 2013 in Note 4.15 consist mainly of furniture and fixtures for CHF 18,649,000 (2012: CHF 22,748,000) and IT and systems for CHF 10,207,000 (2012: CHF 11,204,000).

The Software and Development item (4.16) consists solely of bought-in products.

In the 2012 and 2013 financial year no bank borrowings were secured on land and buildings. Lease rentals amounted to CHF 11,398,000 (2012: CHF 11,581,000), while CHF 829,000 (2012: CHF 828,000) were related to other leased tangible assets.

Commitments entered into to purchase fixed assets refer mainly to the purchase of a new offset printing press at Security Printing. The contract was signed in the 2013 financial year. Delivery and installation is expected in the 3rd quarter of 2014.

4.18 INVESTMENTS

The investment in Bider & Tanner AG was sold back to the majority shareholder as contractually agreed after entering into the joint venture with Thalia Bücher AG. This resulted in a loss of CHF 555,000.

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

INVESTMENTS

in CHF '000 at 31 December	2013	2012
Photoglob Ltd (34 %)	280	280
Bider & Tanner Ltd (0 % (2012: 25%))	–	1,200
Orell Füssli Kartographie Ltd (24 %)	50	150
Total investments in associates	330	1,630
Participation in cooperative Schweizer Buchzentrum	2,110	2,110
Other investments	1,042	1,030
Total investments	3,482	4,770

4.19 OTHER NON-CURRENT FINANCIAL ASSETS

in CHF '000 at 31 December	2013	2012
Loan assets	901	1,133
Pension fund assets	3,623	3,623
Other non-current financial assets	1,021	1,057
Total other non-current financial assets	5,545	5,813

4.20 OTHER CURRENT LIABILITIES

in CHF '000 at 31 December	2013	2012
Prepayments from customers on construction contracts gross	30,306	33,129
./. deductible customer advances received	–28,818	–31,927
Prepayments from customers on construction contracts net	1,488	1,202
Prepayments from customers	46,560	28,439
Liabilities to employees	1,153	1,684
VAT and similar taxes payable	774	451
Dividends payable	3	430
Other current payables	2,121	2,914
Total other current liabilities	52,099	35,120

4.21 FINANCIAL LIABILITIES

The book values of financial liabilities have the following maturities:

MATURITIES OF FINANCIAL LIABILITIES

in CHF '000 at 31 December	From borrowings	Liabilities from finance lease	Total 2013	From borrowings	Liabilities from finance lease	Total 2012
Current financial liabilities	11,449	300	11,749	26,273	277	26,550
Non-current financial liabilities	1,850	700	2,550	100	986	1,086
Total financial liabilities	13,299	1,000	14,299	26,373	1,263	27,636

Interest expenditure on finance lease liabilities amounted to CHF 65,000 (2012: CHF 91,000).

No secured liabilities are included in financial liabilities in 2013 or 2012. 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, unfinished projects and for the loss-free valuation of orders.

The restructuring provisions at Orell Füssli Buchhandlungs Ltd for the closure of the outlet at Berne Westside were not utilised in full, and the remainder was released to income in the 2013 financial year. Provisions of CHF 2,800,000 for restructuring were made in connection to establish the new joint venture company Orell Füssli Thalia AG. Further provisions had to be made as a result of the decision to close a branch in Winterthur.

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.

Provisions had to be made on orders already issued at Security Printing in connection with "loss-free valuation" with regard to ability to deliver. Total provisions of CHF 9,250,000 were calculated and included in "Other provisions".

No provision was made for legal claims either in 2013 or 2012.

MOVEMENT IN PROVISIONS 2013

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

MOVEMENT IN PROVISIONS 2012

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

4.23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities were as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

in CHF '000	Deferred tax assets	Deferred tax liabilities	Balance 2013	Deferred tax assets	Deferred tax liabilities	Balance 2012
At 1 January	4,621	–2,209	2,412	4,655	–2,988	1,667
Charges to income statement	5,017	523	5,540	6	764	770
Exchange differences	37	–8	29	–40	15	–25
At 31 December	9,675	–1,694	7,981	4,621	–2,209	2,412

Deferred taxes are calculated at the effective applicable rate for each company. This results in an average, weighted group tax rate of 21.1% (2012: 24.4%) on balance sheet date. Deferred taxes include capitalised losses carried forward in the amount of CHF 10,381,000 (2012: CHF 4,273,000). 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 2,810,000 (2012: CHF 2,769,000). The unutilised tax loss carry-forwards amounting to CHF 10,133,000 (2012: CHF 9,988,000), arising mainly at Atlantic Zeiser GmbH, can be carried forward and offset against future taxable income.

Tax loss carry-forwards at Orell Füssli Book Retailing Ltd amounting to CHF 2,775,000 were transferred to the new company in the course of establishing the joint venture.

4.24 DIVIDEND PER SHARE

Dividends of CHF 3,920,000 (CHF 2.00 per share) were disbursed in 2012 for the foregoing financial year. No dividend was paid in the current reporting year for the 2012 financial year.

It will be proposed to the shareholders at the Annual General Meeting to be held on 7 May 2014 that no dividend be paid in respect of the year ended 31 December 2013.

4.25 GOODWILL FROM ACQUISITIONS

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

THEORETICAL STATEMENT OF GOODWILL

in CHF '000	2013	2012
Cost at 1 January	5,245	5,245
Additions in scope of consolidation (acquisitions)	1,409	
Cost at 31 December	6,654	5,245
Accumulated amortisation at 1 January	–3,107	–2,058
Depreciation and impairment	–1,330	–1,049
Accumulated amortisation at 31 December	–4,437	–3,107
Theoretical net book value at 1 January	2,138	3,187
Theoretical net book value at 31 December	2,217	2,138

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

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF '000	2013	2012
Earnings before interest and taxes (EBIT) according to consolidated income statement	–20,747	3,571
Goodwill amortisation	–1,330	–1,049
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	–22,077	2,522
Net income for the period after minority interests	–18,226	–1,014
Goodwill amortisation	–1,330	–1,049
Net income for the period after minority interests including goodwill amortisation	–19,556	–2,063

THEORETICAL IMPACT ON SHAREHOLDERS' EQUITY

in CHF '000 at 31 December	2013	2012
Equity before minority interests according to the consolidated balance sheet	131,671	151,202
Theoretical capitalisation of goodwill (net book value)	2,217	2,138
Theoretical equity before minority interests including goodwill (net book value)	133,888	153,340

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

Liability arising from the purchase of minority interests of 25.1% of SOFHA GmbH, Berlin, CHF 1,226,000. (2012: CHF 1,208,000)

4.27 PAYABLES FROM OPERATING LEASE CONTRACTS

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

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

MATURITIES OF FUTURE AGGREGATE MINIMUM LEASE PAYMENTS

in CHF '000 at 31 December	2013	2012
No later than 1 year	11,488	11,647
Later than 1 year and no later than 5 years	37,840	37,851
Later than 5 years	17,607	18,667
Total future aggregate minimum lease payments	66,935	68,165

4.28 CHANGES IN SCOPE OF CONSOLIDATION

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

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

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

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

The acquisition balance sheet is shown below:

ACQUISITION BALANCE SHEET OF FUCHS VERLAG LTD, ROTHENBURG.

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

4.29 RELATED PARTY TRANSACTIONS

All transactions with related parties are included in the consolidated annual financial statements for 2013 and 2012.

RELATED PARTY TRANSACTIONS

in CHF '000	with associated entities	with shareholders	with other related parties	Total 2013	with associated entities	with shareholders	with other related parties	Total 2012
Net revenues from sales	248	29,302	–	29,550	209	33,600	–	33,809
Other operating income	358	15	–	373	62	–	–	62
Financial income	73	–	–	73	87	–	–	87
Cost of materials	22	–	123	145	14	–	6,710	6,724
Other operating expenses	565	–	160	725	–	–	160	160

in CHF '000 at 31 December	with associated entities	with shareholders	with other related parties	Total 2013	with associated entities	with shareholders	with other related parties	Total 2012
Trade accounts receivable	312	1,604	–	1,916	54	1,044	–	1,098
Other receivables	1,931	8,295	–	10,226	75	32,979	–	33,054
Financial assets	2,167	–	–	2,167	717	–	–	717
Trade payables	1	–	–	1	–	–	829	829
Other liabilities	–	13,075	–	13,075	–	–	–	–
Financial liabilities	4,650	–	–	4,650	22,041	–	–	22,041

In 2013 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 EXECUTIVE COMPENSATION

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 2,446,000 (2012: CHF 2,357,000) for the financial year 2013. The social insurance contribution amounted to CHF 360,000 (2012: CHF 296,000).

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 7.11 of the financial report of Orell Füssli Holding Ltd.

4.31 EVENTS AFTER THE BALANCE SHEET DATE

No further events which provide additional information on the items in the consolidated financial statements, cast doubt on the continued existence of the company or are otherwise material, occurred between balance sheet date and the date on which the annual report was approved by the Board of Directors (18 March 2014).

5 REPORT OF THE GROUP AUDITORS

To the general meeting of Orell Füssli Holding Ltd
As statutory auditor, we have audited the consolidated financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 10 to 34), for the year ended 31 December 2013.

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 2013 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, 18 March 2014

6 FINANCIAL STATEMENTS OF ORELL FÜSSLI HOLDING LTD

6.1 INCOME STATEMENT

in CHF '000	NOTES	2013	2012
Income from investments	7.1	1,056	5,100
Other operating income		2,381	1,816
Total operating income		3,437	6,916
Personnel expenditure		–2,084	–1,952
Other operating expenses		–1,381	–1,299
Earnings before interest and taxes		–28	3,665
Financial income		6,058	4,015
Financial expenses		–932	–1,518
Financial result	7.2	5,126	2,497
Net operating income before extraordinary income and expenses		5,098	6,162
Extraordinary income		–	1
Extraordinary expenses	7.3	–230	–2,214
Earning before taxes (EBT)		4,868	3,949
Income tax expenses	7.4	–380	–4
Net income for the period	7.5	4,488	3,945

6.2 BALANCE SHEET AT 31 DECEMBER

in CHF '000	NOTES	2013	2012
Assets			
Cash and cash equivalents		180	176
Receivables from affiliated and associated entities	7.6	50,634	82,126
Other receivables		28	794
Total current assets		50,842	83,096
Operating assets		137	57
Investments in affialiated and associated entities	7.7	36,074	27,181
Loans to affiliated and associated entities	7.7	49,010	57,950
Total non-current assets		85,221	85,188
Total assets		136,063	168,284
Liabilities			
Trade payables		154	23
Payables to affiliated and associated entities	7.8	227	21,140
Current provisions		5	5
Other current liabilities		1,044	16,967
Total current liabilities		1,430	38,135
Provisions for restructuring		130	134
Total non-current liabilities		130	134
Share capital		1,960	1,960
Legal reserves		11,140	11,140
Unrestricted reserves	7.9	116,915	112,970
Retained earnings:			
Net income for the period		4,488	3,945
Total equity		134,503	130,015
Total liabilities		136,063	168,284

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 INCOME FROM INVESTMENTS

The stated income from dividends is the result of the liquidation of Orell Füssli Security Documents Ltd, Zurich. This company has not been operational for some years. No other dividends were paid to the parent company in 2013.

7.2 FINANCIAL RESULT

The financial requirements of the subsidiaries in 2013 were greater than in the previous year. Interest income was therefore some CHF 1,000,000 higher. Currency gains also resulted in an increase in financial income of some CHF 1,000,000 compared with the previous year. The improvement in financial expenses was due virtually entirely to lower exchange losses than in the previous year.

7.3 EXTRAORDINARY EXPENSES

No value adjustments were made on investments in 2013.
A value adjustment of CHF 1,000,000 on the investment in Orell Füssli Verlag Ltd and of CHF 60,000 on the investment in Photoglob Ltd were included in 2012. A value adjustment of TCHF 1,000,000 was made on the loan to Orell Füssli Dienstleistungs Ltd.
Payments of CHF 147,000 (2012: CHF 149,000) were also made to pensioners of the Orell Füssli Group in the 2013 financial year.

7.4 INCOME TAX EXPENSES

Income tax is calculated on ordinary net income less income from investments. The high financial income and low dividend income resulted in higher income tax expenses than in prior years.

7.5 NET INCOME FOR THE PERIOD

Net income for the period was CHF 543,000 higher than a year earlier. Lower dividend income was offset by lower value adjustments and higher financial income.

7.6 RECEIVABLES FROM AND LOANS TO CONSOLIDATED AND ASSOCIATED ENTITIES

Orell Füssli Holding Ltd places the necessary financial resources at the disposal of its subsidiaries and other associated companies in the form of loans or short-term current account credit. The funding needs of Orell Füssli Security Printing Ltd rose steeply in 2012 due to delays in production. Orell Füssli Security Printing Ltd was able to reduce its liabilities towards Orell Füssli Holding Ltd considerably at the end of 2013 due to contracts concluded and prepayments by customers for future deliveries.

7.7 INVESTMENTS IN CONSOLIDATED AND ASSOCIATED ENTITIES

The transformation between Participation and Loan to a consolidated and loosely related company is due to the conversion of a loan of CHF 9,057,000 to Atlantic Zeiser GmbH into Equity. Value adjustments of CHF 1,000,000 at Orell Füssli Verlag Ltd and CHF 60,000 at Photoglob Ltd had been made in the previous year. A total of CHF 24,000,000 in claims arising from loans is subordinated.

7.8 PAYABLES TO CONSOLIDATED AND ASSOCIATED ENTITIES

The CHF 16,750,000 loan from Orell Füssli Buchhandlungs Ltd was repaid in full. The loan to Orell Füssli Security Documents Ltd was offset against the liquidation dividend.

7.9 UNRESTRICTED RESERVES

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

UNRESTRICTED RESERVES

in CHF '000	2013	2012
Opening balance at 1 January	112,970	108,653
./. dividends paid	–	–3,920
+ retained earnings from previous period	3,945	8,237
Closing balance at 31 December	116,915	112,970

7.10 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.

7.11 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 2013 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, 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 member of the Executive Board. Director Dr. Hans Kuhn is officer 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

The fees for the Chairman and the other members of the Board of Directors relate to the period of office.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2013

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2013
	in cash	in cash	Special allowances	Social security and pension costs	
Heinrich Fischer, Chairman Security Printing Committee (Chairman)	150,000	–	–	11,012	161,012
Dr. Hans Kuhn, Deputy Chairman Compensation Committee (Chairman) Security Printing Committee (Member)	45,000	–	–	3,347	48,347
Gonpo Tsering Audit Committee (Member)	45,000	–	–	3,347	48,347
Andreas S. Wetter Compensation Committee (Member)	45,000	–	–	3,347	48,347
Dieter Widmer Audit Committee (Chairman) Security Printing Committee (Member)	60,000	–	–	4,463	64,463
Total	345,000	–	–	25,516	370,516

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2012

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

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2013

in CHF	Basic remuneration	Variable remuneration	Other payments		Total 2013
	in cash	in cash	Special allowances	Social security and pension costs	
Michel Kunz CEO Orell Füssli Group	362,004	31,112	10,886	63,685	467,687
Other members of the Executive [1]	1,422,329	226,300	48,130	271,104	1,967,863
Total	1,784,333	257,412	59,016	334,789	2,435,550

1) Martin Söderberg was elected a member of the Executive Board responsible for corporate development with effect from 1 April 2013. Beat Müller was also appointed CFO on 1 April 2013. Fabio Amato, Head of the Book Retailing Division, left the company on 30 September 2013. The new head of joint venture company Orell Füssli Thalia Ltd is not a member of the Executive Board of the Orell Füssli Group. Anton Gasteiger resigned as CEO of Orell Füssli Security Printing Ltd and as a member of the Executive Board of the Orell Füssli Group on 7 July 2013. The above figures include compensation for Anton Gasteiger until his final departure on 31 December 2013. His total remuneration from 1 July until 31 December 2013, amounted to CHF 206,445, which includes holidays, bonus and pension fund contributions. The position of Head of the Security Printing Division is still vacant, so that the Executive Board consisted of six members at 31 December 2013.

REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD IN 2012

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

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

7.12 MAJOR SHAREHOLDERS

at 31 December 2013	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)	188,000	9.59%
Sarasin Investmentfonds Ltd, Basle (CH)	141,881	7.24%

7.13 FURTHER INFORMATION

in CHF '000 at 31 December	2013	2012
Contingent liabilities in favour of third parties	34,000	9,172

The steep rise in contingent liabilities is attributable to prepayment guarantees issued to a customer at the end of the year.

Orell Füssli held none of its own shares on 31 December 2013.

No further disclosures are required under Art. 663b^{bis} of the Swiss Code of Obligations.

7.14 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 2014:

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF '000	2013
Unrestricted reserves	116,915
Net income for the year 2013	4,488
Earnings available for appropriation	121,403
Dividend per share of CHF 0.00	–
Total unrestricted reserves	121,403

8 COMPANIES OF THE ORELL FÜSSLI GROUP

SIGNIFICANT INVESTMENTS

	City, Country	Currency	Nominal capital in 1000	% of capital held [1] 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	
Orell Füssli Verlag Ltd	Zurich, CH	CHF	1,000	100	
Orell Füssli Dienstleistungs Ltd	Zurich, CH	CHF	500	100	
Atlantic Zeiser GmbH	Emmingen, D	EUR	869	100	
Atlantic Zeiser Inc. [4]	West Caldwell, USA	USD	0		100
Atlantic Zeiser (M) SDN BHD [4]	Kuala Lumpur, MAL	EUR	102		100
Atlantic Zeiser Ltd [4]	Andover, UK	GBP	0		100
Atlantic Zeiser SAS [4]	Créteil Cedex, F	EUR	38		100
Atlantic Zeiser SA [4]	Madrid, E	EUR	60		100
Atlantic Zeiser SRL [4]	Milano, I	EUR	100		100
SOFHA GmbH [4]	Berlin, D	EUR	281		75
Tritron GmbH [4]	Battenberg, D	EUR	200		51
Joint ventures companies for which pro rata consolidation treatment applies					
Orell Füssli Thalia Ltd [3]	Zurich, CH	CHF	14,000		50
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	
Other interests					
Schweizer Buchzentrum [3]	Hägendorf, CH	CHF	13,230		17

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

9 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

To the general meeting of Orell Füssli Holding Ltd, Zurich
As statutory auditor, we have audited the financial statements of Orell Füssli Holding Ltd, which comprise the income statement, balance sheet and notes (pages 36 to 42), for the year ended 31 December 2013.

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 2013 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, 18 March 2014