

Media release:

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Orell Füssli: Reorientation shows first positive effects in 2014

Higher sales and earnings at Security Printing – Synergies implemented as planned at Orell Füssli Thalia – Atlantic Zeiser positioned as solutions provider

Zurich, March 23, 2015 – Industrial and trading group Orell Füssli reported higher net revenues and positive operating earnings again in the 2014 financial year after the heavy loss in the previous year. The implementation of the reorientation initiated by the company and the focus on improving business processes thus showed initial positive effects. The improvement in stability and productivity at Security Printing made a significant contribution to this outcome. In book retailing the Orell Füssli Thalia joint venture achieved its synergy targets and defended its market position in its first year. Despite slightly lower sales and a difficult market environment for its traditional products, Atlantic Zeiser has established itself as a full-service supplier in the field of Track & Trace for the pharmaceutical industry.

Orell Füssli reported net revenues of CHF 288.1 million in the 2014 financial year, equivalent to an increase of about 6% compared to the previous year (CHF 272.2 million). Operating earnings (EBIT) amounted to CHF 4.0 million (CHF –20.7 million in 2013), including CHF 1.0 million of special items (CHF –14.9 million in 2013). Net income of the Orell Füssli Group amounted to CHF 1.7 million (CHF –17.0 million in 2013). Shareholders' equity including minority interests rose from CHF 144.3 million in 2013 to CHF 145.8 million. The equity ratio was 57% (55% in 2013).

Atlantic Zeiser, with its business segments of banknote serialisation, card systems and packaging, reported net revenues of € 60.9 million in 2014 (€ 63.8 million in 2013), equivalent to a decline of 5%. Operating earnings before special items amounted to € 1.8 million (€ 3.4 million in 2013), and operating earnings (EBIT) to € 2.1 million (€ 3.4 million in 2013). The reasons for this development were on the one hand lower sales in the project business with card systems, while at the same time the development of the market for systems solutions in the field of Track & Trace for the pharmaceutical industry – a core element of Atlantic Zeiser's strategy – was less dynamic than had been forecasted. In Europe this was due to uncertainties over the timing of the effective date of a relevant EU Directive regarding anti-counterfeiting security and serialisation of drugs.

Cost levels were optimised again in the context of the current efficiency enhancement programme. In conjunction with the rising order intake in the closing months of the year under review, the foundation has therefore been laid for a positive development of sales and profits in 2015. The product portfolio for Track & Trace and serialisation solutions for the pharmaceutical industry was further expanded as planned. Atlantic Zeiser now offers a complete package of product tracking software and marking systems from a single source and thus covers all applicable legal requirements worldwide in this field for the entire production and logistics chain of the pharmaceutical industry.

The **Security Printing** Division posted net revenues of CHF 92.7 million, an increase of more than 23% compared to the previous year (CHF 75.1 million). This was achieved primarily as a result of generally more stable production and high output in the final quarter. Production capacity is fully utilised for 2015. Operating earnings before special items amounted to CHF –1.0 million in 2014 (CHF –12.9 million in 2013), and operating earnings (EBIT) to CHF 0.6 million (CHF -25.0 million in 2013). Compared to 2013, the more favourable product mix and the introduction and implementation of various measures in the year under review enabled productivity to be raised. Production of initial print runs of new series of banknotes for two key customers commenced in 2014. Additions to the machinery portfolio enabled major bottlenecks from the past to be eliminated. Additional specialists were recruited with the focus on process engineering in order to improve the level of industrialisation. The enlistment of further specialists should also enable the new banknotes to be produced in future with high productivity and efficiency, and the division's position of leadership in this segment to be consolidated.

In **book retailing** net revenues of CHF 110.4 million were reported after pro rata consolidation of the Orell Füssli Thalia joint venture in its first full financial year. Operating earnings before special items amounted to CHF 2.4 million, operating earnings (EBIT) to CHF 3.1 million. Orell Füssli Thalia's business in 2014 was affected by the continuing decline in the Swiss book market. The overall reduction in book sales at Orell Füssli Thalia was slightly less than the decline of some 5% in the book trade in German-speaking Switzerland as a whole. The contraction in book retailing through bricks-and-mortar outlets was partly offset by growth in e-books and e-readers as well as the offering of complementary product lines. Besides dealing with a challenging market situation, the emphasis was on the implementation of numerous projects arising from the amalgamation of the business activities of Orell Füssli and Thalia, in particular the rapid exploitation of synergies in purchasing and in procurement logistics. The brand landscape in the online segment has changed significantly. Orell Füssli Thalia now concentrates on the three strong brands of www.books.ch, www.buch.ch and www.thalia.ch.

In the bricks-and-mortar segment, Orell Füssli Thalia is focusing on providing high-quality offerings in terms of advice and the composition of its product range. Its strong presence in the new sales channels and its digital focus will also be maintained. Membership of the Tolino Alliance also assures the company of a good position on the market for digital reading with competitive e-readers.

In the **publishing business** net revenues reported in 2014 were 4% lower than a year earlier, due to the termination of a marketing agreement with a German schoolbook publisher. The legal media, non-fiction and children's book programme segments developed positively. However, action still needs to be taken in respect of earnings. Exceptionally good sales volumes in the fourth quarter and the strong media response to new titles endorse the expansion of the publishing programme in recent years.

Changes in the Executive Board

Martin Buyle succeeded Michel Kunz as CEO of the Orell Füssli Group on October 1, 2014. In the process of focusing the holding company and the divisions on their core activities the Executive Board of Orell Füssli Holding Ltd is being reduced in size. With effect from April 1, 2015, it will consist of Martin Buyle (CEO), Beat Müller (CFO), Dr. Martin Söderberg (Head of Corporate Development) and Peter Crottogini (Head of Personnel, Group). The divisions are headed by Manfred Minich (Atlantic Zeiser), Dr. Dieter Sauter and Philipp Seewer (Security Printing) and Dr. Matti Schüsseler (Publishing).

Dividend proposal to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting on May 7, 2015, that no dividend should be paid.

Outlook

In view of the operating improvements and the consolidation of the divisions' market positions, the Orell Füssli Group expects a further improvement in the profit situation in the current year. The high level of orders in hand at Security Printing ensures good capacity utilisation. Further steps to enhance efficiency are also taking effect in this division. Atlantic Zeiser has a product programme with a promising future and a strongly improved cost structure, while book retailing is well positioned in a difficult market environment.

Key figures for Orell Füssli in CHF millions

	2014	2013
Net revenues from sales to customers	288.1	272.2
Total operating income	289.1	282.1
EBITDA before special items	18.2	8.7
Operating earnings before special items	3.0	-5.8
Special items	1.0	-14.9
Operating earnings (EBIT)	4.0	-20.7
Net income	1.7	-17.0
Shareholders' equity	145.8	144.3
Number of employees (FTE)	982	1041
Net income excluding minority interests	-0.5	-18.2
Shareholders' equity before minority interests	131.7	131.7
Dividend (in CHF per share)	0 ¹⁾	0

¹⁾ Proposed by the Board of Directors to the Annual General Meeting on May 7, 2015.

Calendar

Publication of 2014 Annual Report	April 14, 2015
Annual General Meeting of Orell Füssli Holding Ltd	May 7, 2015
Media release: half-year report for 2015	August 2015

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Orell Füssli is a diversified industrial and trading group focusing on the core businesses of banknote & security printing, industrial systems used in the individualisation of security documents and branded products, and book retailing. The book publishing business has formed the traditional basis for the company since 1519. Orell Füssli generates sales of some CHF 300 million with almost 1 000 employees at locations in 10 countries and is listed on the Swiss Stock Exchange.