

Media release

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Orell Füssli: Strong increase in operating earnings

Significant improvement in net revenue and earnings at Security Printing – Orell Füssli Thalia holds its own in a difficult market environment – Atlantic Zeiser reports higher revenue in the pharmaceutical packaging segment

Zurich, March 22, 2016 – Industrial and trading group Orell Füssli reported a substantial increase in operating earnings in the 2015 financial year, thus successfully continuing to follow the course set out for its reorientation. The main reason for the positive earnings trend was the ongoing improvement in productivity at Security Printing. Book retailing group Orell Füssli Thalia responded to the adverse consequences of the appreciation of the Swiss franc resulting from the abandonment of the Swiss franc/Euro exchange rate floor with a transformation programme aimed at ensuring lasting market success and profitability. Atlantic Zeiser reported higher operating earnings before special items and boosted its presence in the market for serialising pharmaceutical packaging. In light of the positive overall trend the Board of Directors will propose to the Annual General Meeting that a dividend of CHF 4.00 per share be paid.

The Orell Füssli Group reported net revenue of CHF 279.4 million in the 2015 financial year. This figure was slightly lower (-3%) than the previous year's outcome (CHF 288.1 million). Excluding special items and currency effects, net revenue would have been 4% higher than in the previous year. Operating earnings (EBIT) showed a strong improvement compared to the previous year, amounting to CHF 17.6 million (CHF 4.0 million in 2014). Net income of the Orell Füssli Group totalled CHF 12.8 million (CHF 1.7 million in 2014). Shareholders' equity including minority interests increased from CHF 145.8 million to CHF 159.1 million. The equity ratio was 66% (57% in 2014).

Atlantic Zeiser, which focuses on banknote serialisation, card personalisation systems and packaging, reported net revenue of EUR 49.3 million in 2015, equivalent to a decline of some 19% compared to the previous year (EUR 60.9 million). The main reasons for this outcome were the loss of revenue from SOFHA GmbH, the group's holding in which was sold in the

first half of 2015 (EUR -4.2 million), and the adjustment to sales recognition (no longer by percentage of completion) at Atlantic Zeiser (EUR -6.9 million). Excluding these effects, Atlantic Zeiser's net revenue was at the previous year's level. Operating earnings before special items amounted to EUR 3.9 million (EUR 1.8 million in 2014), and operating earnings (EBIT) to EUR 1.1 million (EUR 2.1 million in 2014). The special item of EUR -2.8 million is attributable to the adjustment to sales recognition. In the banknote serialisation segment Atlantic Zeiser maintained sales levels and recorded higher order intake in 2015. The card personalisation systems segment was faced with a market-related decline in investment in machinery and spare parts, especially in North and South America. On the other hand a new system (PERSONMASTER) was developed to serve the mid-market segment in the field of financial card personalisation and already sold in substantial numbers to an international key customer. In 2015 the packaging segment recorded growth in order intake and sales compared to the previous year. A number of new customers in the pharmaceutical industry were acquired internationally in the market for serialisation and track & trace. Initial sales of new digital printing systems were booked in the «Late-Stage Customisation» product segment.

The **Security Printing** Division posted net revenue of CHF 117.4 million, an increase of more than 25% compared to the previous year (CHF 92.7 million), thus setting a new record. This outcome was achieved by a further improvement in productivity accompanied by high capacity utilisation. Operating earnings before special items amounted to CHF 18.4 million (CHF -1.0 million in 2014), and operating earnings (EBIT) rose steeply to CHF 17.5 million (CHF -0.6 million in 2014). Large volumes of banknotes of the latest generation were produced for the first time in 2015 and capacity was fully utilised. Further denominations of the new series are being processed for two key customers. A further bottleneck in the machinery portfolio was eliminated with the acquisition of an additional screen printing press. Process technologies were further developed for the integration of advanced security features in order to continue the improvement in productivity and this segment was reinforced with relevant specialist personnel. Training and further education of personnel is given high priority in order to ensure workforce stability and the acquisition of know-how critical for success.

In 2015 the **Orell Füssli Thalia** joint venture posted net revenue on a pro rata consolidated basis of CHF 98.8 million, some 11% lower than the previous year's figure (CHF 110.4 million). Operating earnings (EBIT) amounted to CHF 1.8 million (CHF 3.1 million in 2014). In market terms the year was dominated by the appreciation of the Swiss franc resulting from the abandonment of the Swiss franc/Euro exchange rate floor in January 2015. Subsequently, a reduction in book selling prices in Switzerland resulted in lower net revenue. The book market in German-speaking Switzerland contracted overall compared to the previous year,

with book retailing through bricks-and-mortar outlets under greater pressure. Orell Füssli Thalia was able partially to offset the decline in business at its branches through growth in the digital segment. Net revenue from complementary product lines in the non-book segment also increased slightly in the year under review. Orell Füssli Thalia already responded in spring 2015 to the changes in external conditions and initiated a number of steps to secure earnings. More vigorous sales and advisory activity in the branch outlets increased the customer conversion rate compared to the previous year. More merchandise was sourced from abroad and purchasing terms and conditions were renegotiated. A complementary transformation programme was also developed with the goal of securing the market success and profitability of Orell Füssli Thalia over the long term amid the changes in market conditions.

Net revenue at **Orell Füssli Publishing** in 2015 was some 5% lower than a year earlier. Higher revenue in the children's books and legal media segments contrasted with declines in educational media and non-fiction. The appreciation of the Swiss franc due to the abandonment of the Swiss franc/Euro exchange rate cap was also decisive for the publishing business, since it resulted in increased purchasing from German sources by Swiss book retailers.

Changes in the Board of Directors and the Executive Board

Gonpo Tsering, Director since 2011 and currently chairman of the Compensation Committee, will not be standing for re-election at the Annual General Meeting to be held on April 28, 2016. After almost four years as Head of Corporate Development at Orell Füssli Holding Ltd and a member of the Executive Board, Dr. Martin Söderberg decided to leave the company at the end of December 2015. Dr. Michele Bomio also resigned as CEO of Orell Füssli Thalia AG at the end of 2015.

The Board of Directors wishes to express its sincere thanks to Gonpo Tsering, Dr. Martin Söderberg und Dr. Michele Bomio for their commitment and efforts on behalf of the company.

Dividend proposal to the Annual General Meeting

The Board of Directors intends to propose the distribution of 50% of net income after minority interests – subject to capital expenditure in growth segments – in the coming years. For the 2015 financial year this corresponds to a dividend of CHF 2.80 per share. In addition, the Board of Directors will also propose to the Annual General Meeting to be held on April 28, 2016, that a special dividend of a further CHF 1.20 per share be paid.

Outlook

The Orell Füssli Group foresees a consolidation of the profit situation in 2016. Security Printing still has a high level of orders in hand. Orell Füssli Thalia will concentrate on implementing its transformation programme. The focus at Atlantic Zeiser is on the further expansion of its market position in the growing segment of serialising pharmaceutical packaging.

Key figures for Orell Füssli in CHF millions

	2015	2014
Net revenue from sales to customers	279.4	288.1
Total operating income	289.2	289.1
EBITDA before special items	39.9	18.2
Operating earnings before special items	21.5	3.0
Special items	-3.9	1.0
Operating earnings (EBIT)	17.6	4.0
Net income	12.8	1.7
Shareholders' equity	159.1	145.8
Net income excluding minority interests	11.0	-0.5
Shareholders' equity before minority interests	143.9	131.7
Dividend (in CHF per share) ¹⁾	4	0
Full-time equivalents	893	982

¹⁾ Proposed by the Board of Directors to the Annual General Meeting held on April 28, 2016.

Calendar

Annual General Meeting of Orell Füssli Holding Ltd
Media release: 2016 half-year report

April 28, 2016
August 2016

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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, book retailing and publishing. Orell Füssli generates sales of some CHF 300 million with about 900 employees at locations in eight countries and is listed on the Swiss Stock Exchange.