

Orell Füssli
Half-year
Financial Report
2010

Editorial

Dear shareholder,

This report provides information on the mid-year results of the Orell Füssli Group to June 30, 2010. It contains the press release and the detailed half-year report in conformity with IFRS. The report can also be accessed on the Internet at www.orellfuessli.com.

The signs of improvement at the operating level compared with a very difficult 2009 are already apparent in the mid-year results, even though the outcome for the group was negative. All divisions of the Orell Füssli Group contributed to this improved performance. We believe that there will be a further substantial improvement in operating results for the year as a whole, and we are confident of achieving clearly positive annual results for 2010. On the one hand, we again expect a considerably stronger second-half performance, as in previous years, and at the same time we are benefiting from operational improvements on the cost side. In addition, demand for industrial equipment is growing. In security printing we can, in contrast to last year, complete production orders for the Swiss National Bank. A comparison of consolidated net income after tax with the previous year's figure is not very informative, however, since extraordinary transactions had a very positive impact on the previous year's outcome. The annual figures for 2010 are therefore unlikely to equal last year's result, despite a significant improvement in operating income. Please refer to the following commentary on the half-year financial statements.

The change in CEO and the systematic implementation of cost-cutting measures in all divisions were major features of the first half of 2010. Following the departure of Sönke Bandixen in February 2010 the Chairman of the Board provisionally took charge of the group's operations. Fortunately, this period of transition was only brief. Michel Kunz assumed the post of CEO in May 2010 and has been fully responsible for the business since the beginning of July. The familiarisation period was utilised for a detailed review of the situation. Action was taken where necessary. This included speeding up the materialisation of strategic projects.

Growth momentum at Orell Füssli has been interrupted since 2008 by the economic crisis as well as other non-cyclical factors. The Board of Directors and the Executive Board are well aware of this and aim to return to the growth track. Acquisitions are also being examined with this in mind. However, we are seeking sustained growth and the projects in question have to be examined carefully. We are not engaging in short-lived activism for its own sake. We are confident of making significant progress in the foreseeable future.

Thank you for your interest and your loyalty towards our company; we will be pleased to answer any questions you may have.

Zurich, August 10, 2010



Klaus Oesch
Chairman



Michel Kunz
Chief Executive Officer

Business in the first half-year 2010

Negative half-year results, depressed by exchange rate movements – improved performance in all divisions – firming markets and higher output – much stronger second half and striking increase in EBITDA expected.

Orell Füssli, which operates in the fields of banknote and security printing, industrial systems used in the individualisation of security documents and branded products, and book retailing, posted sales of CHF 136.6 million in the first half of 2010 (CHF 137.9 million in the same period of the previous year). Adjusted for the deconsolidation of Photoglob Ltd., sales in the first six months were slightly higher than a year earlier. The half-year loss at the EBIT level amounted to CHF 2.7 million (loss of CHF 1.1 million in 2009, when the outcome had benefited from extraordinary income totalling CHF 4 million). The net half-year loss amounted to CHF 4.9 million (profit of CHF 0.8 million in 2009), due also to a negative financial result of CHF 3.5 million. The financial result was depressed by currency hedges which have been recognised in conformity with IAS 39, but will be neutralised after termination of the relevant contracts and will no longer affect annual financial results.

Following a review by the Board of Directors, projects to enhance efficiency and intensify marketing efforts have been initiated in all divisions under the direction of new CEO Michel Kunz. Orell Füssli is expecting a considerably stronger performance in the second half on the basis of generally firming markets and the completion of high-value-added orders, primarily in security printing. Substantially improved operating results and, thus, strikingly higher EBITDA and EBIT figures, excluding extraordinary income, are expected for the 2010 financial year.

The trough in the export-oriented industrial business of Atlantic Zeiser has bottomed out. Demand for numbering systems for banknote printing has risen strongly since the fourth quarter of 2009. Half-year sales of CHF 35.4 million were slightly higher than a year earlier. Economies were achieved in the first six months with short-time working, which will also continue in certain areas in the second half. Atlantic Zeiser is promisingly placed with innovative products for industrial digital printing. The focus on target markets and its market presence will be improved. The revival in demand, especially in government-related business, promises to generate annual sales substantially higher than the previous year's figure, though not at the level achieved in 2008.

The Orell Füssli Security Printing Division recorded an increase in first-half sales to CHF 39.3 million (CHF 38.9 million in 2009). Extensive projects to enhance efficiency and the organisational structure including the ERP system are currently in progress at Security Printing. Capacity utilisation is assured at a high level for the year as a whole. Significant output growth is expected in the second half of the year, also as a result of orders from the Swiss National Bank.

Orell Füssli is again facing a decline in demand at Book Retailing. Sales of CHF 53.3 million were slightly below the previous year's figure (CHF 54.9 million). However, lower sales were more than offset by improvements on the cost side. Books are encountering increasingly keen competition from other media. In distribution there are signs of a shift towards web-based sales and downloads of the steadily growing stock of digital books. Orell Füssli is responding to this megatrend with various e-book projects and by launching the new storyworld.ch Internet platform for sales of inexpensive books.

Other activities, especially publishing, were within the range of expectations. Photoglob Ltd. is no longer included in the scope of consolidation following the disposal of a majority shareholding in spring.

BUSINESS IN THE FIRST HALF-YEAR 2010

Outlook

Orell Füssli expects a substantial improvement in operating profits in the second half of the year with EBITDA and EBIT before extraordinary income well in excess of the previous year's figure. However, since extraordinary income of more than CHF 9 million was included in 2009, the expected improvement in operating results will not be reflected in higher annual profits for 2010.

KEY FIGURES FOR ORELL FÜSSLI

<i>in CHF million</i>	First half of 2010	First half of 2009	Change in %	Annual year 2009
Total sales	136.6	137.9	-0.9%	306.3
Ebit	-2.7	-1.1	-145.5%	23.1
in % of total sales	-2.0%	-0.8%		7.5%
Result after minority interests	-4.9	0.8	-712.5%	14.7
in % of total sales	-3.6%	0.6%		4.8%
Total assets	283.8	301.6	-5.9%	305.6
Total equity	176.8	171.5	3.1%	188.2
in % of total assets	62.3%	56.9%		61.6%
Number of employees	977	1,030	-5.1%	1,027

Agenda

Press release: provisional annual figures for 2010
Press release: annual financial statements for 2010
Annual General Meeting of Orell Füssli Holding AG

Early February 2011
1st half of April 2011
May 10, 2011

Information

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Half-year Financial Report 2010

1.1 CONSOLIDATED INCOME STATEMENT

<i>in CHF '000; January-June</i>	2010	2009
Sales to customers	135,378	136,824
Other operating income	1,178	1,125
Total income	136,556	137,949
Cost of materials	-53,147	-60,757
Direct production costs	-6,032	-6,940
Changes in inventories of finished products and work-in-progress	-5,619	2,193
Capitalised costs	3	199
Total direct costs	-64,795	-65,305
Personnel expenditure	-45,354	-47,361
Other operating expenses	-23,445	-22,844
Depreciation and impairment	-5,592	-7,591
Gain on sales of non-current assets	-87	55
Profit from disposal of subsidiaries	-	4,000
Total operating expenses	-74,478	-73,741
Earnings before interest and taxes (EBIT)	-2,717	-1,097
Financial income	1,254	1,886
Financial expenses	-4,756	-2,680
Share of profit from associates	-	-
Financial result	-3,502	-794
Earnings before income taxes	-6,219	-1,891
Income tax expenses	1,368	1,883
Net income for the period	-4,851	-8
Attributable to the shareholders of Orell Füssli Holding Ltd.	-4,889	803
Attributable to minority interests	38	-811

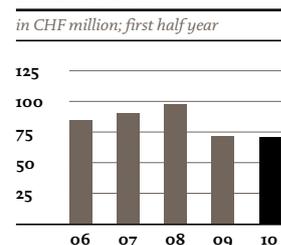
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>in CHF '000; January-June</i>	2010	2009
Net income for the period	-4,851	-8
Currency translation effects	-815	1,721
Total comprehensive income for the period	-5,666	1,713
Attributable to the shareholders of Orell Füssli Holding Ltd.	-5,421	2,476
Attributable to minority interests	-245	-763

EARNINGS PER SHARE

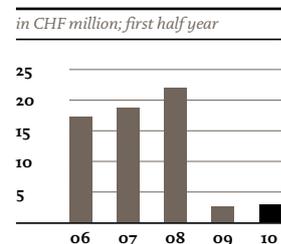
<i>in CHF; January-June</i>	2010	2009
Earnings per share (diluted and undiluted)	-2.49	0.41

TOTAL INCOME LESS DIRECT COSTS



Development of total income less direct costs in the first half of the 2006 to 2010 financial years. Total income less direct costs diminished by an annual portion of about CHF 20 million due to the disposal of two subsidiaries in 2008.

EBITDA

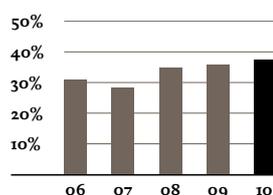


Development of ebitda in the first six months of 2006 to 2010 financial years.

FINANCIAL REPORT

TANGIBLE ASSETS

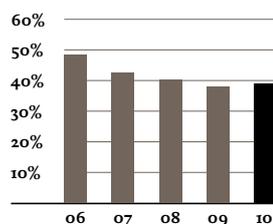
in percent



Proportion of the tangible assets in relation to total assets at 31 December for the financial years from 2006 to 2009, and 30 June in 2010.

LIABILITIES

in percent



From 2005 to 2009, third liabilities' proportion in relation to the total capital was reduced continuously. Prior periods refer to the balance sheet date at 31 December.

1.2 CONSOLIDATED BALANCE SHEET

in CHF '000	30.06.10	31.12.09
Assets		
Cash and cash equivalents	18,286	26,936
Marketable securities & derivative financial instruments	10	87
Receivables	40,875	42,801
Receivables from POC	27,465	40,210
Inventories	45,719	51,914
Current financial assets	4,667	4,537
Current income tax receivables	3,262	2,807
Total current assets	140,284	169,292
Tangible assets	107,154	110,835
Intangible assets	8,469	1,984
Leasehold property	71	80
Investments	4,706	2,479
Non-current financial assets	13,130	12,207
Pension fund assets	4,805	4,805
Deferred tax assets	4,257	2,902
Other non-current assets	961	979
Total non-current assets	143,553	136,271
Total assets	283,837	305,563
Liabilities		
Trade payables	13,505	30,711
Prepayments from customers	37,053	50,062
Current financial liabilities	26,811	10,868
Current income tax liabilities	873	1,529
Other current liabilities	19,987	15,490
Current provisions	631	454
Total current liabilities	98,860	109,114
Non-current financial liabilities	3,041	3,108
Pension fund liabilities	394	457
Non-current provisions	414	414
Deferred tax liabilities	4,892	4,226
Total non-current liabilities	8,741	8,205
Share capital	1,960	1,960
Capital reserves	4,160	4,160
Retained earnings	152,818	164,106
Total equity before minority interests	158,938	170,226
Minority interests	17,298	18,018
Total equity	176,236	188,244
Total liabilities	283,837	305,563

1.3 CONSOLIDATED CASH FLOW STATEMENT

<i>in CHF '000; January-June</i>	2010	2009
Net income for the period	-4,851	-8
Depreciation	5,247	7,627
Impairment and amortisation	-	-
Profit from disposal of subsidiaries	-	-4,000
Other non-fund related income and expenses	238	265
Change in net working capital	-6,147	-9,541
Income tax paid	-1,653	-
Interest paid	-479	-
Change in provisions and deferred income tax	-1,673	-4,839
Cash flow from operating activities	-9,318	-10,496
Purchase of tangible assets	-2,656	-9,299
Proceeds from disposals of tangible assets	50	-
Purchase of intangible assets	-288	-
Proceeds from disposals of intangible assets	-	-
Purchase of other non-current assets	-117	-
Proceeds from disposals of other non-current assets	319	-
Acquisitions of investments	-6,640	-
Proceeds from disposals of investments	278	1,232
Proceeds from disposals of marketable securities	-5	418
Cash flow from investing activities	-9,059	-7,649
Change in financial liabilities	16,833	10,708
Dividends paid to minorities	-1,960	-980
Dividends paid	-4,900	-15,680
Cash flow from financing activities	9,973	-5,952
Translation differences on cash	411	208
Increase (decrease) in cash and cash equivalents	-7,993	-23,889
Cash and cash equivalents at 1 January	26,936	34,867
Effects of exchange rate adjustments on the opening balance	-657	388
Cash and cash equivalents at 1 January after effects of currency exchange rate	26,279	35,255
Cash and cash equivalents at 30 June	18,286	11,366

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in CHF '000</i>	Share capital	Capital reserves	Retained earnings and net income	Equity before minority interests	Minority interests	Total equity
Total equity at 1 January 2010	1,960	4,160	164,106	170,226	18,018	188,244
Dividends paid	-	-	-4,900	-4,900	-1,960	-6,860
Decrease of minority interests by sale	-	-	-	-	-291	-291
Increase of minority interests by purchase	-	-	-	-	1,776	1,776
Liability for purchase of minority interests	-	-	-967	-967	-	-967
Total comprehensive income for the period	-	-	-5,421	-5,421	-245	-5,666
Total equity at 30 June 2010	1,960	4,160	152,818	158,938	17,298	176,236
Total equity at 1 January 2009	1,960	4,160	164,720	170,840	15,579	186,419
Dividends paid	-	-	-15,680	-15,680	-980	-16,660
Total comprehensive income for the period	-	-	2,476	2,476	-763	1,713
Total equity at 30 June 2009	1,960	4,160	151,516	157,636	13,836	171,472

2 NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

2.1 BASIS OF ACCOUNTING

The consolidated financial statements of the Orell Füssli Group at 30 June 2010 have been prepared in accordance with Swiss law and the accounting standards of the SIX Swiss Exchange. They comply further with the interim financial report in accordance with IAS 34. It does not show all detailed information as in the annual report and, therefore, should be read with reference to the annual report as per 31 December 2009.

The applied accounting policies used in the consolidated half-year report comply with the principles outlined in the annual report 2009. At 1 January 2010 some IFRS amendments were enforced with the following effects on the Group's reporting:

IFRS 3 (Revised) Business Combinations – Disclosures and IAS 27 Consolidated and Separated Financial Statements (Amendment) (effective from 1 July 2009). The more significant changes in accounting for business combinations address, among others, the measurement and accounting of non-controlling interests, step acquisitions and equity transactions. The Group has implemented the amendments with the effective date at 1 January 2010 not including any retrospective adjustments. For the Group's new investment in the beginning of the 2010 financial year it was decided to use the full-goodwill-method.

Annual improvements. Published in May 2010, the IASB issued a number of amendments in the course of the Annual Improvement Project. Most of them are effective from 1 January 2011; the two exceptions with an earlier effective date have no impact on the Group's consolidated financial statements. The Group will implement these adjustments on time, if necessary.

2.2 ACCRUALS AND ESTIMATES

Income and expenses, which do not occur on a linear base throughout the financial year, are accrued only if such accruals were justified also at the financial year end.

Expenses for income tax are based on best estimations on the weighted average tax rate for the full financial year.

2.3 CHANGE IN SCOPE OF CONSOLIDATION

Photoglob Ltd.: The Orell Füssli Group decided in March 2010 to sell its controlling interest in Photoglob Ltd. of 71.05%. The agreement foresees a step-by-step buyout. At the balance sheet date at 30 June 2010 the investment already was reduced to 34%. Therefore, Photoglob Ltd. was deconsolidated and is included in investments in associates. The sales price complies with the fair value of the investment.

Rösslitor Bücher Ltd.: The activities of St. Gall-based Rösslitor Bücher Ltd. were fully integrated in its parent company Orell Füssli Buchhandlungs Ltd., while the subsidiary was dissolved.

Atlantic Zeiser Malaysia: The German-based entity Atlantic Zeiser GmbH established a new subsidiary in Kuala Lumpur, Malaysia in the course of the strengthening of existing and the development of new sales markets in Asia. The new entity Atlantic Zeiser SDN BHD has started its operating activities at 1 January 2010 and, thus, is now included in the scope of consolidation of the Orell Füssli Group.

Sofha GmbH: Furthermore, the same German entity Atlantic Zeiser GmbH acquired 74.9% of the shares of Berlin-based Sofha GmbH. The entity is assigned to the business unit "Industrial systems" and included in scope of consolidation effective from 1 January 2010. For further disclosures on the acquisition, reference is made to note 2.7.

2.4 CURRENCY EXCHANGE RATES

	Closing rate		Average rate January–June	
	30.06.10	31.12.09	2010	2009
EUR at a rate of CHF	1.3247	1.4877	1.4337	1.5029
USD at a rate of CHF	1.0852	1.0380	1.0808	1.1176
GBP at a rate of CHF	1.6354	1.6533	1.6507	1.6688

NOTES TO THE HALF-YEAR FINANCIAL REPORT

2.5 SEGMENT RESULTS JANUARY–JUNE 2010

<i>in CHF '000</i>	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Total gross segment sales	35,290	39,331	53,334	7,423	135,378	–	135,378
Inter-segment sales	65	–	1	6	72	–72	–
Sales to customers	35,355	39,331	53,335	7,429	135,450	–72	135,378
Depreciation and impairment	–1,978	–1,887	–1,577	–110	–5,552	–40	–5,592
Earnings before interest and taxes (EBIT)	–4,170	3,487	–832	–447	–1,962	–755	–2,717
Financial result						–3,502	–3,502
Share of profit from associates						–	–
Income tax expenses						1,368	1,368
Net income for the period							–4,851
Tangible assets at 30 June 2010	14,579	80,962	11,376	96	107,013	141	107,154

SEGMENT RESULTS JANUARY–JUNE 2009

<i>in CHF '000</i>	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Total gross segment sales	33,454	38,924	54,900	9,546	136,824	–	136,824
Inter-segment sales	112	1	16	19	148	–148	–
Sales to customers	33,566	38,925	54,916	9,565	136,972	–148	136,824
Depreciation and impairment	–1,342	–4,223	–1,850	–145	–7,560	–31	–7,591
Earnings before interest and taxes (EBIT)	–5,811	4,548	–2,935	3,547	–651	–446	–1,097
Financial result						–794	–794
Share of profit from associates						–	–
Income tax expenses						1,883	1,883
Net income for the period							–8
Tangible assets at 30 June 2009	17,268	78,636	17,154	477	113,535	156	113,691
Total tangible assets at 31 December 2009	16,633	81,080	12,614	335	110,662	173	110,835

2.6 RELATED PARTY TRANSACTIONS

The Orell Füssli Group sold goods and services to related companies in the amount of CHF 2,722,000 (January–June 2009: CHF 11,524,000). Goods and services were sold to related companies under normal commercial terms and conditions that would also be provided to unrelated parties.

2.7 BUSINESS COMBINATIONS

The German subsidiary Atlantic Zeiser GmbH acquired 74.9 % of the shares of Berlin-based Sofha GmbH effective from 1 January 2010. Sofha GmbH is a software systems company in the field of industrial digital printing solutions and is a member of the exclusive circle of Adobe® Co.-Development Partners with extensive source code access. Through the acquisition of Sofha GmbH, Atlantic Zeiser aims to accelerate growth in high-resolution inkjet systems and to penetrate into new spheres of application.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

The provisional acquisition balance sheet in accordance with IFRS is stated below:

PROVISIONAL ACQUISITION BALANCE SHEET OF SOFHA GMBH, BERLIN AT 1 JANUARY 2010

<i>At 1 January 2010</i>	Fair value in EUR '000	Fair value in CHF '000
Cash and cash equivalents	725	1,077
Receivables	638	948
Inventories	106	157
Accrued income and deferred expenses	11	16
Tangible assets	47	70
Intangible assets	2,421	3,596
Current liabilities	-509	-756
Current provisions	-154	-229
Accrued expenses and deferred income	-118	-175
Deferred tax liabilities	-677	-1,006
Net assets	2,490	3,698
Goodwill	2,850	4,233
Anticipated purchase price for 100%	5,340	7,931
Minority interests of 25.1%	-1,340	-1,990
Effective purchase price of 74.9%	4,000	5,941

The valuations of intangible assets include customer relations with long-term contracts, continuous licences and in-house developments. The difference to the purchase price is justified with the expected development of the business unit and the benefit of synergies in the business unit "Industrial systems".

The remaining minority-shares of 25.1 % may be purchased not before 2014, at the earliest. However, based on this option the Orell Füssli Group decided to choose the option for the full goodwill recognition. Possible upcoming differences will be directly recognised in equity.

Direct costs in relation to the acquisition in an amount of EUR 30,000 (CHF 43,000) occurred and were recognised in the consolidated income statement in the financial year 2010 as expenses.

2.8 EVENTS AFTER THE BALANCE SHEET DATE

No other events occurred between the balance sheet date at 30 June 2010 and the date of publishing of the half-year financial statements that add more information to any item in the consolidated financial statements, that could put into question the going concern of the Group or that are of material nature.

No statements relating to the future imply any guarantee whatsoever with regard to future performance. They are subject to risks and uncertainties including but not confined to future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

The English translation is based on the original half-year financial report in German. The printed German text is binding.

WWW.ORELLFUESSLI.COM