

Orell Füssli Half-year Financial Report 2015

Editorial

Dear shareholder,

The Orell Füssli Group reported a pleasing overall performance in the first half of 2015. Net revenue of CHF 141.5 million was some eight percent higher than the previous year's figure, while EBIT in the first six months of 2015 was again clearly positive at CHF 7.5 million.

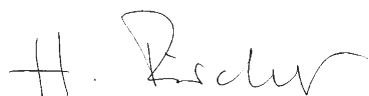
Atlantic Zeiser reported lower net revenue in the first half of 2015 compared with the previous year. This was due to a sharp decline in demand for card production machines in the USA, the world's largest single market. The international sales organisation was reinforced in the pharmaceuticals sector in particular and cooperation with machinery manufacturers of complete packaging lines was intensified in the first half of the year. A restructuring into business units, which was implemented in the summer, is intended to focus all activities even more closely on the different customer groups than has been the case to date. The majority holding in the SOFHA subsidiary was sold to an industrial investor in April 2015.

Security Printing made very good progress in the first half of 2015 and made a substantial contribution to the positive development at group level. Machine availability has been further improved, and the new presses for offset and screen printing were brought into operation without any delays. The newly developed series for two key customers are now in volume production, so that available capacity is fully utilised until the end of the year. Activities to achieve operating improvements are yielding the pleasing impact we expected and are pursued in full. Despite these very positive developments at Security Printing we are well aware that the production of technologically extremely demanding banknotes of the latest generation remains a major challenge for everyone concerned, and that much work is still ahead of us. Overall however, we can confirm that Orell Füssli is getting closer to regaining its position as a technological leader.

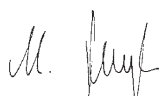
For Orell Füssli Thalia Ltd the first half of 2015 was characterised by an extremely challenging market development. Neither net revenue nor net income were able to match the figures for the same period of the previous year. The Swiss book market as a whole contracted in the first six months, and this trend was not compensated by the shift from bricks-and-mortar book retailing to the online business. The abandonment of the defence of the Swiss franc/euro exchange rate cap and the continued growth of purchases in neighbouring foreign countries have further accelerated this trend. However, Orell Füssli Thalia also benefited from currency-related gains through improved purchasing terms and conditions and more systematic procurement of the product range from abroad. Internal cost-cutting action was also initiated and selling space reduced in response to this situation.

The priorities for the work of the Board of Directors and Management in the second half of the year are: growth in the pharmaceutical sector at Atlantic Zeiser by converting all the preparatory work into measurable results; the stable further development of operating productivity at Security Printing; and the sustainable positioning of Book Retailing in a permanently difficult market environment. We shall make every effort to maintain the positive trend of the first six months in the second half of the year.

Zurich, August 2015



Heinrich Fischer
Chairman of the Board of Directors



Martin Buyle
Chief Executive Officer

Business in the first half of 2015

Orell Füssli reported net revenue of CHF 141.5 million in the first half of 2015, an increase of some 8% compared to the same period of the previous year (CHF 131.2 million). The mid-year outcome at operating earnings (EBIT) level was CHF 7.5 million, a significant improvement compared to the first half of 2014 (CHF -4.0 million).

Net revenue in local currency at the **Atlantic Zeiser** Division – excluding SOFHA GmbH, of which the majority shareholding was sold in 2015 – amounted to EUR 25.6 million in the first six months (2014: EUR 30.9 million). As a result of the substantial changes in currency translation rates, the corresponding outcome in Swiss francs was 28% lower at CHF 27.1 million (2014: CHF 37.8 million). Operating earnings (EBIT) were CHF 1.1 million (2014: CHF 1.5 million), including a capital gain of CHF 0.4 million from the sale of the holding in SOFHA GmbH. In market terms the decline in net revenue was attributable to weak order intake at the beginning of 2015. In particular, demand in the card production machine segment and especially in the USA, the most important geographical market, was lower than in 2014. A positive sign was the doubling of orders in hand at mid-year in the serialisation and marking solutions segment (Track & Trace) for pharmaceutical packaging compared with the figure for the previous year. Cooperation with manufacturers of complete packaging lines was intensified and follow-up orders for MEDTRACKER software were secured in this segment. The sales network was reinforced by setting up additional international distributors. An organisational structure based on business units was introduced at mid-year with the objective of better focusing on the different markets. In the second half of 2015 activities will focus on achieving a sustainable increase in sales in the growth segment of pharmaceuticals. The PERSOMASTER card personalisation system for financial cards will also be launched to serve the mid-market segment.

Net revenue at **Security Printing** increased to CHF 67.2 million in the first six months (2014: CHF 40.6 million). Operating earnings (EBIT) amounted to CHF 9.3 million (2014: CHF -3.3 million). Production volumes increased sharply compared to the same period of the previous year as operations continued uninterrupted for long periods. The measures initiated progressively since last year to optimise production processes are showing their impact. The new offset printing press has been in production since January 2015 and is meeting expectations in terms of quality and performance. The installation of a new screen printing press was completed successfully in June 2015. This reduces a major bottleneck in the production of the new series of banknotes and at the same time meets an important precondition for Orell Füssli's technological leadership. Development work on further new series of banknotes is proceeding on schedule. The focus is now on achieving a smooth transition from sophisticated solutions in terms of technology and design engineering to reproducible volume production. We are pressing on vigorously with the stabilisation and standardisation of all processes in the company. Additional funds and resources were made available in the first six months for the Lean programme which has already been in progress for some time. Additional specialist personnel were recruited during the first half of the year. Intensive training and further education of employees are showing initial successes. The second half of the year will be characterised by undiminished efforts to make operating improvements to processes in order to further enhance efficiency in the production of the new series of banknotes.

Net revenue at the **Book Retailing** Division declined in the first half of 2015 to CHF 43.0 million (2014: CHF 48.3 million). Operating earnings (EBIT) in the first six months of the year amounted to CHF -1.9 million (2014: CHF -1.6 million). The market environment continued to weaken in the first half of 2015. The Swiss book market as a whole contracted in the first six months of 2015 across all sales channels combined (bricks-and-mortar retailing, online distribution and e-books) by some 5% compared to the previous year.

The abandonment of the defence of the Swiss franc/euro exchange rate cap in January 2015 and the resulting change in Swiss customers' purchasing habits accelerated this trend considerably and caused a migration of purchases to the eurozone. The e-book market segment is continuing to grow, although growth momentum has eased compared to earlier years. Orell Füssli Thalia has responded comprehensively to this trend. A euro discount campaign was launched in the branch outlets in spring 2015 and the resulting purchasing cost benefits were passed on to customers. Merchandise was also obtained even more systematically from abroad and purchasing terms and conditions were renegotiated. The complementary product lines partially offset the downtrend in book retailing. A cost-cutting programme was initiated in spring 2015 as an immediate response in order to counteract the consequences of the declining market trend. The merger of the two branches on Marktgasse in Winterthur was completed in February 2015. The new combined site at Marktgasse 41 was renamed Orell Füssli Bookstore (formerly Thalia-Vogel) and is developing positively. Some of the space in the branches in Basel and Bern Loeb was returned to the landlord. In view of the market trend, Orell Füssli Thalia will focus on strengthening advisory expertise in the bricks-and-mortar business, expanding its internet presence further, and systematic cost management.

Net revenue at **Orell Füssli Publishing** in the first half of 2015 was some 10% lower than a year earlier. The shortfall was mainly due to the non-fiction programme, which also has a strong focus on other German-speaking countries. The main cause was the loss of planned commissioned works, while reimports, currency losses and weaker demand in the market as a whole also contributed to this sector's unsatisfactory interim results. The other three programme sectors (children's books, legal media and educational media) were all more or less at the previous year's level. The pressure on bookstore prices is limited to that part of the programmes which is also offered in the eurozone. The negative impact on results was partially offset by lower purchasing prices. The main challenge for the second six months is to increase sales in the public sector, which should be achieved by action already launched in marketing and sales.

Outlook for 2015

We expect a significantly better overall result for Orell Füssli than last year, characterised by the substantial operating improvements at Security Printing. The annual outcome at Atlantic Zeiser is difficult to estimate at present, as very much depends on further developments in the various markets. In Book Retailing, given the difficult market environment, we do not expect to be able to repeat last year's results. The development of the Christmas season business will be decisive for the size of the setback.

KEY FIGURES FOR THE ORELL FÜSSLI GROUP

<i>in CHF million</i>	First half of 2015	First half of 2014	Annual year 2014
Net revenue from sales to customers	141.5	131.2	288.1
Total operating income	146.2	137.6	289.1
Earnings before interest and taxes (EBIT)	7.5	-4.0	4.0
Net income for the period	4.0	-4.0	1.7
Total equity	148.2	139.6	145.8
Net income for the period before minority interests	4.5	-3.7	-0.5
Equity before minority interests	135.5	127.9	131.7
Full time equivalents	900	995	982

Half-year Financial Report 2015

1 HALF-YEAR FINANCIAL STATEMENTS

1.1 CONSOLIDATED INCOME STATEMENT

<i>in CHF thousand, January-June</i>	2015	2014
Net revenue from sales to customers	141,520	131,159
Other operating income	2,159	2,419
Changes in inventories of semi-finished and finished products, capitalised costs	2,569	3,989
Total operating income	146,248	137,567
Cost of materials	-49,876	-60,234
External production costs	-16,236	-4,196
Personnel expenditure	-40,684	-44,233
Other operating expenses	-21,970	-25,259
Depreciation and impairment on tangible assets	-8,804	-6,838
Depreciation and impairment on intangible assets	-1,177	-817
Earnings before interest and taxes (EBIT)	7,501	-4,010
Financial income	100	162
Financial expenses	-1,619	-857
Financial result	-1,519	-695
Earnings before income taxes (EBT)	5,982	-4,705
Income tax expenses	-1,974	737
Net income for the period	4,008	-3,968
Attributable to the shareholders of Orell Füssli Holding Ltd	4,498	-3,733
Attributable to minority interests	-490	-235
<i>in CHF, January-June</i>	2015	2014
Earnings per share	2.29	-1.90

The disclosures from page 9 and 10 form an integrated part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET

<i>in CHF thousand</i>	30.06.2015	31.12.2014
Assets		
Cash and cash equivalents	22,335	60,377
Marketable securities	315	365
Trade accounts receivable	30,808	30,766
Other receivables	25,223	21,024
Inventories	32,543	40,282
Current income tax receivables	1,383	1,185
Accrued income and deferred expenses	3,912	1,732
Total current assets	116,519	155,731
Tangible assets	78,691	81,629
Intangible assets	1,813	2,579
Participations	1,068	1,457
Deferred tax assets	6,862	9,211
Other non-current financial assets	5,530	5,624
Total non-current assets	93,964	100,500
Total assets	210,483	256,231
Liabilities and equity		
Trade payables	12,011	15,609
Other current liabilities	25,578	60,391
Current income tax liabilities	754	1,400
Accrued expenses and deferred income	15,046	13,239
Current financial liabilities	1,812	8,720
Current provisions	3,212	5,573
Total current liabilities	58,413	104,932
Non-current financial liabilities	1,587	2,561
Pension fund liabilities	355	425
Non-current provisions	716	959
Deferred tax liabilities	1,195	1,508
Total non-current liabilities	3,853	5,453
Share capital	1,960	1,960
Capital reserves	4,160	4,160
Retained earnings	148,798	139,190
Translation differences	-19,434	-13,587
Total equity before minority interests	135,484	131,723
Minority interests	12,733	14,123
Total equity	148,217	145,846
Total liabilities and equity	210,483	256,231

The disclosures from page 9 and 10 form an integrated part of the financial report.

FINANCIAL REPORT

1.3 CONSOLIDATED CASH FLOW STATEMENT

<i>in CHF thousand; January-June</i>	2015	2014
Net income for the period	4,008	-3,968
Depreciation	7,911	7,466
Impairment and amortisation	2,070	189
Other non-cash related income and expenses	1,256	61
Change in net working capital	-40,603	-573
Change in provisions	-2,488	-1,133
Change in deferred income tax	1,742	-1,384
Cash flow from operating activities	-26,104	658
Purchase of tangible assets	-7,741	-2,594
Proceeds from disposals of tangible assets	43	-
Purchase of intangible assets	-392	-426
Proceeds from disposal of SOFHA GmbH	3,493	-
Proceeds from disposals of associated participations	520	-
Proceeds from disposals of other participations	1	-
Purchase of other financial assets	-33	-129
Proceeds from other financial assets	7	318
Cash flow from investing activities	-4,102	-2,831
Increase of financial liabilities	21	2,608
Repayment of financial liabilities	-6,743	-2,990
Dividends paid to minorities	-	-670
Cash flow from financing activities	-6,722	-1,052
Translation effects	-1,114	-1
Decrease in cash and cash equivalents	-38,042	-3,226
Cash and cash equivalents at 1 January	60,377	27,202
Cash and cash equivalents at 30 June	22,335	23,976

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in CHF thousand</i>	Share capital	Capital reserves	Retained earnings and net income	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2014	1,960	4,160	139,717	-14,166	131,671	12,649	144,320
Dividends paid	-	-	-	-	-	-670	-670
Currency translation effects	-	-	-	-80	-80	-16	-96
Net income for the period	-	-	-3,733	-	-3,733	-235	-3,968
Total equity at 30 June 2014	1,960	4,160	135,984	-14,246	127,858	11,728	139,586
Net income for the second half-year 2014	-	-	3,206	659	3,865	2,395	6,260
Equity at 1 January 2015	1,960	4,160	139,190	-13,587	131,723	14,123	145,846
Disposal of SOFHA GmbH	-	-	-	11	11	-303	-292
Recognition of Goodwill in equity	-	-	5,110	-	5,110	-	5,110
Currency translation effects	-	-	-	-5,858	-5,858	-597	-6,455
Net income for the period	-	-	4,498	-	4,498	-490	4,008
Total equity at 30 June 2015	1,960	4,160	148,798	-19,434	135,484	12,733	148,217

The disclosures from page 9 and 10 form an integrated part of the financial report.

2 NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

2.1 BASIS OF ACCOUNTING

These semi-annual financial statements comprise the unaudited interim report for the reporting period ending on 30 June 2015. The consolidated financial statements have been prepared in conformity with the existing Swiss GAAP FER 31 “Additional recommendations for listed companies”, as well as the provisions of the Listing Rules of SIX Swiss Exchange and the Swiss law on companies limited by shares (“company law”). The consolidated interim financial statements do not include all the data contained in the consolidated annual financial statements and must therefore be read in conjunction with the consolidated annual financial statements prepared for the financial year ending 31 December 2014.

The consolidated financial statements include all domestic and foreign entities directly or indirectly controlled by Orell Füssli Holding Ltd, either by holding at least 50% of the voting rights or by otherwise exercising a significant influence on the business management and business policy. Joint ventures under joint management, but not controlled by one of the parties, are consolidated on a pro rata basis.

The preparation of the consolidated half-year financial statements requires management to estimate values and make assumptions affecting the disclosures of income, expenses, assets, liabilities and contingent liabilities as of the balance sheet date. If such estimates and assumptions, as made by management as of the balance sheet date to the best of its knowledge, differ from the actual conditions at a later date, the original estimates and assumptions are amended in the reporting period in which the conditions have changed.

The business in the Orell Füssli group is subject to significant seasonal and cyclical fluctuations.

The taxes on revenues are calculated on the basis of the best estimate of the average tax rate expected for the entire financial year.

2.2 BALANCE SHEET

The balance sheet total fell by CHF 45.7 million or around 18% compared to the end of 2014. The total working capital was substantially reduced (CHF -39.2 million). Cash and cash equivalents fell by CHF 38.0 million, mainly due to the processing of long-term contracts in the Security Printing Division (material and operating costs) combined with the lower level of new advance payments from clients as well as the higher level of debt repayment. The item “Other receivables”, which includes long-term contracts accounted for under the percentage-of-completion method of CHF 15.3 million (31.12.2014: CHF 12.2 million), has once again increased in value. Fixed assets decreased by CHF 6.5 million due to divestments in the book retailing in Winterthur and depreciation expense and impairment that exceeds new investments (CHF 8.2 million). The receivables from long-term contracts on the assets side are partly offset by advance payments from clients of CHF 22.8 million recorded under the item “Other short term liabilities” (31.12.2014: CHF 55.4 million). Equity increased by CHF 2.4 million. This change is based on the half-year profit of CHF 4.0 million, currency conversions of CHF -6.4 million and the sale of SOFHA GmbH with CHF -0.3 million and the recovery of goodwill of CHF 5.1 million.

2.3 INCOME STATEMENT

Net revenue from sales to customers increased by CHF 10.4 million compared to the first half of the previous year. The lower net revenue in the Industrial Systems Division are explained by the EUR/CHF conversion effect, the drop in revenue resulting from the sale of SOFHA GmbH and a weak market in the card business. Sales were higher due to increased production output in the Security Printing Division. Orell Füssli Thalia Ltd showed a decline in sales, which is attributed to the difficult environment in the book retailing market that was further exacerbated following the abolition of the EUR/CHF minimum exchange rate.

Expenditure on goods and materials fell by CHF 10.4 million and external services (mainly production of merchandise goods in the Security Printing Division) increased by CHF 12.0 million, so that margins increased overall by 1.6 percentage points to 54.8%. This increase affected all segments.

Payroll costs fell by CHF 3.5 million, while other operating costs dropped by CHF 3.3 million. All segments were affected by these cost savings. The Security Printing Division achieved minor savings of CHF 0.1 million and an increase in the level of production. In the Book Retailing Division costs fell by CHF 2.3 million due to optimisation efforts, and in the Atlantic Zeiser Group CHF 4.4 million was saved as a result of currency effects, the sale of participations and cost optimisation efforts necessary due to falling sales in the card business.

Due to the low interest rate, only a minor interest income was recorded in the financial result. As in the previous year, financial expenses mainly consisted of exchange rate differences. This resulted in a negative financial result of CHF -1.5 million.

2.4 CHANGE IN THE SCOPE OF CONSOLIDATION

In April 2015, the 75% majority stake held by Atlantic Zeiser GmbH in SOFHA GmbH was sold.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

2.5 currency exchange rates

	Market rate		Average rate January-June	
	30.06.2015	31.12.2014	2015	2014
EUR at a rate of CHF	1.0367	1.2029	1.0588	1.2215
USD at a rate of CHF	0.9344	0.9896	0.9479	0.8911
GBP at a rate of CHF	1.4688	1.5372	1.4440	1.4871

2.6 SEGMENT RESULTS JANUARY-JUNE 2015

<i>in CHF thousand</i>	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenue from segment sales	27,111	67,186	42,980	4,118	141,395	125	141,520
Inter-segment sales	23	–	5	7	35	–35	–
Net revenue from sales to customers	27,134	67,186	42,985	4,125	141,430	90	141,520
Earnings before interest and taxes (EBIT)	1,061	9,287	–1,903	–853	7,592	–91	7,501

SEGMENT RESULTS JANUARY-JUNE 2014

<i>in CHF thousand</i>	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenue from segment sales	37,730	40,586	48,253	4,590	131,159	–	131,159
Inter-segment sales	65	–	–	19	84	–84	–
Net revenue from sales to customers	37,795	40,586	48,253	4,609	131,243	–84	131,159
Earnings before interest and taxes (EBIT)	1,533	–3,258	–1,562	–641	–3,928	–82	–4,010

2.7 RELATED PARTY TRANSACTIONS

In the first half of 2015, the Orell Füssli group effected sales and accruals of goods and services to associated companies of CHF 41 360 000 (January–June 2014: CHF 22 105 000).

2.8 THEORETICAL IMPACT OF GOODWILL CAPITALISATIONS

The goodwill resulting from acquisitions is offset against consolidated equity at the time of acquisition. With a theoretical amortisation period of five years, this would have the following effects on the result and the balance:

<i>in CHF thousand</i>	2015	2014
Impact on income statement (previous year at 30 June 2014)	–154	–664
Impact on balance sheet (previous year at 31 December 2014)	732	886

2.9 FINANCIAL INSTRUMENTS

As at the balance sheet date, there are outstanding forward exchange contracts for the hedging of future cash flows that have not yet been entered in the balance sheet. Euro were hedged up to a total value of CHF 1,286 000, resulting in an unrecorded current value of CHF -8 000. As at 31.12.2014, there were no foreign currency hedges.

2.10 EVENTS AFTER BALANCE SHEET DATE

There were no significant events that would have resulted in an adjustment of the book values of the group's assets and liabilities.

AGENDA, IMPRINT, CONTACT

AGENDA

Press release: annual financial statements for 2015
Annual General Meeting of Orell Füssli Holding Ltd

March 2016
April 28, 2016 (Zurich)

NOTE REGARDING FORWARD-LOOKING STATEMENTS

No statements relating to the future imply any guarantee whatsoever with regard to future performance. They are subject to risks and uncertainties including but not confined to future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control, which can lead to actual developments and results differing significantly from the statements made in this document. Orell Füssli is under no obligation whatsoever to adjust or amend forward-looking statements on the basis of new information, future events or for other reasons.

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THE PRINTED GERMAN TEXT IS BINDING.

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