

Media release

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Orell Füssli Holding Ltd – half-year results 2017: Consolidation in net revenue, decline in earnings

Higher net revenue at Security Printing – significantly lower earnings at Atlantic Zeiser – ongoing implementation of the transformation project in Book Retailing

Zurich, August 14, 2017 – Net revenue of CHF 131.9 million reported by Orell Füssli in the first half of 2017 was 5% below the previous year's level (CHF 139.5 million). Operating earnings (EBIT) of CHF 3.2 million were significantly lower than a year earlier (CHF 7.9 million). Earnings excluding minority interests at the half-year stage amounted to CHF 3.1 million (CHF 4.8 million in 2016).

Net revenue at the **Atlantic Zeiser** Division in the first half of 2017 was CHF 23.6 million (CHF 38.2 million in 2016), equivalent to a decline of 38%. Operating earnings (EBIT) fell to CHF -1.6 million due to the low net revenue (CHF 1.8 million in 2016). The decline in net revenue is attributable to two factors. On the one hand the small order backlog at the beginning of 2017 prevented net revenue from being earned at the previous year's level, especially in the early months of the year. On the other hand, more substantial orders were acquired mainly in the second quarter of 2017, thus shifting the focus of sales recognition into the second six months. Following an especially successful 2016, order intake in the Banknote Serialisation business unit remained high, but net revenue in the first half of 2017 was significantly below the previous year's level. Compared to the first half of 2016, the Card Personalisation business unit reported a strong rise in both order intake and order backlog with the new products launched in 2015. However, net sales at this business unit were especially low due to the small order backlog at the start of the year. The Packaging business unit also remained below expectations in the first half of 2017. In the second half of the year the focus will be on achieving a significant increase in order intake and net revenue at this unit.

Net revenue at **Security Printing** in the first half of 2017 increased to CHF 64.0 million (CHF 55.0 million in 2016). Operating earnings (EBIT) amounted to CHF 7.8 million (CHF 8.5 million in 2016). The main reason for the increase in net revenue was a change in the product mix compared to the previous year. The same effect, together with higher expenditure on additional sales personnel and improved machine availability, is responsible for the decline in operating earnings (EBIT). Production of further denominations for two key customers in the context of issuing new series of banknotes is in full swing. The Swiss National Bank issued the 20-Swiss franc note as the second denomination of the new series of banknotes in May 2017. Furthermore, the new 50-Swiss franc note won the world's two most prestigious industry awards for its design and functional features. On the basis of this, efforts to acquire new key customers were intensified, and sales successes were booked accordingly in the first half of 2017. A large number of projects were implemented and completed in the context of the existing Lean initiative. Investment in a new system for the packaging and quality control of finished banknotes was approved in order to boost production volumes and efficiency in final processing.

Net revenue at the **Book Retailing** Division in the first half of 2017 amounted to CHF 39.2 million, 6% lower than the previous year's figure (CHF 41.7 million in 2016). Operating earnings (EBIT) in the first six months of the year amounted to CHF -1.8 million (CHF -0.7 million in 2016). The decline in operating earnings compared to the previous year was due mainly to the absence of non-recurring income arising from the restructuring of the branch portfolio. Market dynamics in the Swiss book market remained negative in the first six months, and the market as a whole contracted by more than 4% cumulatively across all sales channels compared to the same period of the previous year. However, the Book Retailing Division succeeded in outperforming the market as a whole in the first half of 2017. The reduction in net revenue was 3% on the basis of comparable space. The transformation programme launched at the end of 2015 is still on schedule after 18 months of implementation. Completion of the consolidation of all online brands at www.orellfussli.ch was approved in the first half of 2017 and this will be implemented in the second half of the year. The branch portfolio was optimised further in the first half of 2017 with regard to structure and costs.

Net revenue at **Orell Füssli Publishing** in the first half of 2017 was some 12% higher than a year earlier. This increase was due mainly to the non-fiction sector, where the new autumn and spring releases sold well and several substantial commissioned works were completed. Revenues in the educational media, legal media and children's books programme sectors were at the previous year's level.

Personnel

Manfred Minich, Head of the Atlantic Zeiser Division, will leave the company in August 2017 in order to take up a new professional challenge. The Board of Directors and Management of Orell Füssli Holding wishes to thank Manfred Minich for his untiring efforts on behalf of the company in recent years. Martin Buyle, CEO Orell Füssli Holding, will assume responsibility for the division on an interim basis until a successor is appointed.

Dr Daniel Broger, currently Head Strategic Projects, is appointed a member of the Executive Board of Orell Füssli Holding with immediate effect. Dr Broger joined the company in November 2015 and will be responsible for Corporate Development within the Executive Board .

Outlook for 2017

We expect a result for the Orell Füssli Group in the order of the previous year's outcome. Atlantic Zeiser's target in the second half of the year is to achieve a significant increase in net revenue at all business units and clearly positive earnings. Security Printing will continue to work on improving productivity and reducing reject costs. Assuming a satisfactory Christmas season business, we expect the earnings situation at Book Retailing to be comparable to that of the previous year, adjusted for special items.

Key figures for Orell Füssli in CHF million

| | 1st half of 2017 | 1st half of 2016 | Annual year 2016 |
|---|------------------|------------------|------------------|
| Net revenues from sales to customers | 131.9 | 139.5 | 298.9 |
| Total operating income | 138.3 | 143.8 | 299.4 |
| Operating earnings (EBIT) | 3.2 | 7.9 | 18.5 |
| Net income for the period | 2.9 | 5.0 | 12.3 |
| Total equity | 150.4 | 153.1 | 160.4 |
| Net income for the period before minority interests | 3.1 | 4.8 | 10.8 |
| Equity before minority interests | 141.8 | 140.6 | 146.6 |
| Full-time equivalents (FTE) | 864 | 873 | 881 |

Calendar

Media release: Annual Report 2017
Annual General Meeting of Orell Füssli Holding Ltd

March 20, 2018
May 8, 2018 (Zurich)

Contact

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Orell Füssli is a diversified industrial and trading group focusing on the core businesses of banknote and security printing, industrial systems used in the individualisation of security documents and branded products, and book retailing. 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.