

Orell Füssli Half-year Financial Report 2014

Editorial

Dear shareholder,

Orell Füssli reported slightly higher net revenues in the first six months of 2014 than in the same period of the previous year. Net income at mid-year was CHF 1.9 million lower than a year earlier, but was a considerable improvement over the second half of 2013.

Atlantic Zeiser acquired an initial major reference customer with its new products in the packaging segment, and succeeded in positioning itself as a solutions provider in the pharmaceuticals industry. However, order intake in the cards business has been rather sluggish to date. Pending projects nevertheless give cause for confidence that the previous year's outcome will at least be equaled.

The vigorous efforts to get Security Printing back on track have continued undiminished. New management was installed at the division in April. The difficult situation in the machinery portfolio has improved considerably, and the investments in new equipment and inspection and maintenance will eliminate the bottlenecks for printing the new, more complex notes as from the fourth quarter. However, this progress cannot obscure the fact that a number of challenges still have to be faced. The production of initial print runs of new series of banknotes for two key customers will start this year. These will place considerable demands on everyone involved, including sub-contractors. The new offset printing press will come into operation as from the fourth quarter. Personnel must be trained and processes adapted accordingly. Implementation of the Lean Management programme for production and logistics operations is also in full swing.

Orell Füssli Thalia Ltd performed well in operational terms in the initial nine months of its first financial year (Oct. 1, 2013 – June 30, 2014). It is evident that the potential synergies being targeted can be exploited, albeit with slight delays in some cases. However, market trends in recent months are giving some cause for concern. The market volume for books in Switzerland declined again by some 6% after remaining stable in the previous year. At the same time book retailing is continuing to migrate to the internet, where e-books are increasingly supplanting physical books. This trend also resulted in a 5% reduction in sales at Orell Füssli Thalia Ltd. Good advice, a welcoming atmosphere and a carefully structured product range are important to customers in bookshops. In contrast, on the internet a sophisticated search engine and logistics which deliver what is required quickly and as inexpensively as possible are important. There has been a pleasing increase in sales of e-readers and e-books at Orell Füssli Thalia Ltd.

Martin Buyle, the new CEO of Orell Füssli Holding Ltd, will join the company at the beginning of September 2014 and assume overall responsibility on October 1, 2014. Michel Kunz will continue to be available until the end of the year to provide support in the handover of projects.

The 2014 financial year will continue to be dominated by the need to boost productivity. We are working vigorously on improving the profit situation in order to return to the black as from 2015.

Zurich, August 2014



Heinrich Fischer
Chairman of the Board of Directors



Michel Kunz
Chief Executive Officer

Business in the first half of 2014

Orell Füssli reported net revenues of CHF 131.2 million in the first half of 2014, an increase of 2.1% compared to the previous year (CHF 128.5 million). The mid-year outcome at EBIT level was CHF -4.0 million, a significant improvement compared to the second half of 2013, but still CHF 1.8 million lower than a year earlier (CHF -2.2 million).

Net revenues of CHF 37.8 million at **Atlantic Zeiser** in the first half of 2014 were 1.2% lower than a year earlier (CHF 38.3 million). Growth rates in systems solutions for packaging printing and service revenues were counterbalanced by lower than expected demand for numbering systems and card systems. The product range for the packaging segment and card systems has been expanded further as planned in recent months. Due to higher costs in the start-up phase of new systems and equipment, operating earnings (EBIT) of CHF 1.5 million in the first six months remained at the previous year's level (CHF 1.6 million). The first CARDLINE Versa Color unit, a new card personalisation system which enables the entire surface of the card to be printed in color, was sold to a customer in the USA. Atlantic Zeiser will launch more new products in the second half of the year. This market offensive will start in September with an invitation to international customers in the pharmaceutical industry and their packaging suppliers to visit our manufacturing site in Emmingen.

Net revenues at the **Security Printing Division** increased slightly in the first six months to CHF 40.6 million (2013: CHF 39.5 million). EBIT amounted to CHF -3.3 million (2013: CHF -2.0 million). Machine availability was significantly improved in the first half of 2014 compared to the previous year. However, the usable production capacity was limited due to the complete overhaul of the intaglio printing press. The new offset printing press will be installed as planned in the third quarter of 2014. Production of the first run of a new series of banknotes for a major foreign customer has commenced. This is extremely challenging and the additional effort this entails will affect productivity in the second quarter and part of the third quarter. In the second half of the year and especially in the final quarter it will be a matter of realising the gains in productivity arising from the elimination of the bottlenecks in offset and intaglio printing operations, and boosting volumes and quality accordingly. The improvements that have been achieved mean that no unpleasant surprises are to be expected with repeat orders. However, there are some potential risks with the new runs, since unforeseen events can always occur in initial volume production.

The first financial year of the **Orell Füssli Thalia Ltd** joint venture started on October 1, 2013. The mid-year figures for 2013 (Orell Füssli Book Retailing Ltd only) and 2014 (Orell Füssli Thalia Ltd joint venture) are not directly comparable. The Book Retailing Division reported net revenues of CHF 48.3 million and EBIT of CHF -1.6 million in the first half of 2014. The income statement and balance sheet figures of Orell Füssli Thalia Ltd have been consolidated on a pro rata basis. The 6% decline in the market volume for books in Switzerland also resulted in a 5% reduction in sales by Orell Füssli Thalia Ltd. The trend in sales of Tolino e-readers and e-books is encouraging. The integration projects in the context of the joint venture are proceeding on schedule. The implementation of the collective bargaining agreement is in progress: new, uniform terms and conditions of employment will apply to all employees as from January 1, 2015. Migration of the business processes to the planned ERP platform will be completed in September. Bringing the online shops together on to a common technical platform and reducing the six original online shops to www.buch.ch, www.books.ch and www.thalia.ch will shortly be completed. The bundling of purchasing operations and the utilisation of joint logistics structures are also largely complete. As no tenant has yet been found to take over the lease of the branch earmarked for closure in Winterthur, alternative solutions are being examined.

Sales by Orell Füssli's **publishing business** in the first six months were 7% higher than in the previous year. Trends in sales to the public varied: non-fiction recorded strong gains compared with a year earlier, but sales in the children's book programme were unsatisfactory. A newly developed programme segment could not be marketed as planned. The programme of educational aids posted stable figures; however, the crucial seasonal business does not start until July. The pressure on selling prices for books and thus on margins has continued to intensify. Since little potential for optimisation remains on the costs side, book titles with higher volumes must be the response.

Outlook 2014

The results expected for Atlantic Zeiser, Orell Füssli Thalia Ltd. and the publishing business are on the same order as in the previous year. The full-year outcome for Security Printing is more difficult to estimate at present. Results depend directly on how closely the challenging production schedule for the second half of the year can be adhered to.

KEY FIGURES FOR THE ORELL FÜSSLI GROUP

in CHF million

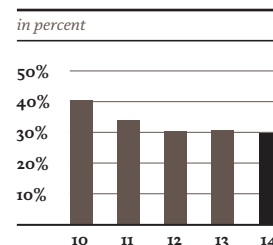
	First half of 2014	First half of 2013	Annual year 2013
Net revenues from sales to customers	131.2	128.5	272.2
Total operating income	137.6	132.0	282.1
Earnings before interest and taxes (EBIT)	-4.0	-2.2	-20.7
in % of total operating income	-2.9%	-1.7%	-7.4%
Group net income	-4.0	-2.1	-17.0
in % of total operating income	-2.9%	-1.6%	-6.0%
Total assets	256.2	267.4	262.1
Total equity	139.6	159.8	144.3
in % of total assets	54.5%	59.8%	55.1%
Number of employees on record date, full-time equivalents	995	959	1,041

1.2 CONSOLIDATED BALANCE SHEET

<i>in CHF thousand</i>	30.06.2014	31.12.2013
Assets		
Cash and cash equivalents	23,976	27,202
Marketable securities	366	676
Trade accounts receivable	26,882	32,469
Other receivables	50,075	41,156
Inventories	47,047	50,943
Current income tax receivables	1,680	1,360
Accrued income and deferred expenses	6,270	4,484
Total current assets	156,296	158,290
Tangible assets	76,719	81,025
Intangible assets	3,664	4,058
Investments	3,476	3,482
Deferred tax assets	10,341	9,675
Other non-current financial assets	5,654	5,545
Total non-current assets	99,854	103,785
Total assets	256,150	262,075
Liabilities		
Trade payables	11,157	21,322
Other current liabilities	62,619	52,099
Current income tax liabilities	1,109	1,192
Accrued expenses and deferred income	12,936	12,090
Current financial liabilities	11,237	11,749
Current provisions	11,708	12,871
Total current liabilities	110,766	111,323
Non-current financial liabilities	2,593	2,550
Pension fund liabilities	385	369
Non-current provisions	1,826	1,819
Deferred tax liabilities	994	1,694
Total non-current liabilities	5,798	6,432
Share capital	1,960	1,960
Capital reserves	4,160	4,160
Retained earnings	135,984	139,717
Translations differences	-14,246	-14,166
Total equity before minority interests	127,858	131,671
Minority interests	11,728	12,649
Total equity	139,586	144,320
Total liabilities	256,150	262,075

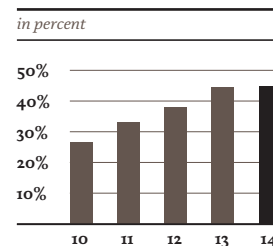
The disclosures from page 9 and 10 form an integrated part of the financial report.

TANGIBLE ASSETS



Proportion of the tangible assets in relation to total assets at 31 December for the financial years from 2010 to 2013, and 30 June in 2014.

LIABILITIES



Third liabilities proportion in relation to total liabilities at 31 December for the financial years from 2010 to 2013, and 30 June in 2014.

FINANCIAL REPORT

1.3 CONSOLIDATED CASH FLOW STATEMENT

<i>in CHF thousand; January-June</i>	2014	2013
Net income for the period	-3,968	-2,082
Depreciation	7,466	7,618
Impairment and amortisation	189	2
Other non-fund related income and expenses	61	78
Change in net working capital	-573	-1,072
Change in provisions	-1,133	-926
Change in deferred income tax	-1,384	-498
Cash flow from operating activities	658	3,120
Purchase of tangible assets	-2,594	-2,214
Proceeds from disposals of tangible assets	-	4
Purchase of intangible assets	-426	-972
Purchase of Verlag Fuchs Ltd	-	-1,670
Purchase of other investments	-	-50
Purchase of other financial assets	-129	-47
Proceeds from other financial assets	318	-
Purchase of securities	-	-5
Cash flow from investing activities	-2,831	-4,954
Increase of financial liabilities	2,608	5,297
Repayment of financial liabilities	-2,990	-138
Dividends paid to minorities	-670	-4,993
Dividends paid	-	-
Cash flow from financing activities	-1,052	166
Translation effects	-1	78
Increase (decrease) in cash and cash equivalents	-3,226	-1,590
Cash and cash equivalents at 1 January	27,202	17,060
Cash and cash equivalents at 30 June	23,976	15,470

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 2013	1,960	4,160	159,352	-14,270	151,202	16,443	167,645
Dividends paid	-	-	-	-	-	-4,993	-4,993
Offsetting goodwill against equity	-	-	-1,409	-	-1,409	-	-1,409
Currency translation effects	-	-	-	613	613	24	637
Net income for the period	-	-	-1,977	-	-1,977	-105	-2,082
Total equity at 30 June 2013	1,960	4,160	155,966	-13,657	148,429	11,369	159,798
Net income for the second half-year 2013	-	-	-16,249	-509	-16,758	1,280	-15,478
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

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

The accompanying consolidated financial statements comprise the unaudited interim financial statement for the six months ended 30 June 2014. The consolidated financial statements are prepared in accordance with Swiss GAAP FER. The interim consolidated financial statements have been prepared in accordance with Swiss GAAP FER standard 12 "Interim reporting" and in accordance with Swiss law and the standards of the SIX Swiss Exchange. The consolidated half-year financial statements do not include all the information and disclosures presented in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.

The interim consolidated financial statements include all companies which belonged to the Group during the reporting period and over which Orell Füssli Holding Ltd. had the power to govern their financial and operating policies so as to obtain benefits from their activities. In the Orell Füssli Group, this is the case when more than 50% of a Group company's share capital or voting rights is unconditionally owned directly by Orell Füssli Holding Ltd., domiciled in Zurich (Switzerland). Joint ventures under joint management, but not controlled by one of the parties, are consolidated pro rata.

Orell Füssli Thalia Ltd was created by the merger of the book retailing activities of Thalia Bücher Ltd and Orell Füssli Buchhandlungs Ltd. Each parent company holds a 50% interest and the Board of Directors consists of two representatives of each parent company. This joint venture is consolidated pro rata. 50% of all income statement and balance sheet items is included in the consolidated financial statements of the Orell Füssli Group. Orell Füssli Holding Ltd and the Hugendubel family continue to hold 51% and 49% respectively of the capital of Orell Füssli Buchhandlungs Ltd.

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. If in future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Operations of the Orell Füssli Group are subject to significant seasonal or cyclical variations; the second half of the year tends to be stronger than the first.

Income tax expense is calculated based on the best estimate of the average annual income tax rate expected for the full financial year.

2.2 BALANCE SHEET

Total assets were CHF 5.9 million (2.3%) lower compared to the end of 2013. Current assets were only slightly changed overall, although the "Other receivables" item, which includes Percent-of-Completion payments, is again at a very high level. Fixed assets declined by CHF 3.9 million net. Capital expenditure in the 1st half amounted to CHF 3.1 million. The high level of percentage-of-completion receivables is counterbalanced by customers' advance payments totalling CHF 56.8 million.

Shareholders' equity declined by CHF 4.7 million. This change is due to the half-year loss of CHF -4.0 million, the dividends of CHF -0.6 million paid to minority shareholders and currency translation losses of CHF -0.1 million.

2.3 INCOME STATEMENT

Sales revenues were maintained at Industrial Systems and increased slightly at Security Printing. Book Retailing also posted a rise, but this was attributable to the joint venture with Thalia Bücher Ltd. Store-based trading is still in decline, but sales growth was recorded in the Internet business and with large customers.

The cost of materials and external production costs rose disproportionately by 1.6% points to 46.8%. This increase was due to the Industrial Systems and Security Printing segments, while the Book Retailing segment posted an improvement in the gross profit margin.

Personnel expenses were slightly lower (CHF -0.5 million), but other operating expenses increased by CHF 3.0 million. CHF 0.8 million was attributable to Security Printing for additional rental payments and security costs. Higher costs of CHF 1.7 million incurred at Book Retailing were attributable to the joint venture with Thalia Bücher Ltd. Other operating expenses were maintained at the same level at the Atlantic Zeiser Group.

Lower interest expenses were reflected in the financial result. Income of more than CHF 1.4 million realised from exchange rate gains in the previous year did not accrue in the 1st half of 2014, so that a negative overall financial result was posted.

2.4 CHANGE IN SCOPE OF CONSOLIDATION

No change in scope of consolidation in the first half year of 2014.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

2.5 CURRENCY EXCHANGE RATES

	Closing rate		Average rate January-June	
	30.06.2014	31.12.2013	2014	2013
EUR at a rate of CHF	1.2163	1.2259	1.2215	1.2298
USD at a rate of CHF	0.8916	0.8905	0.8911	0.9367
GBP at a rate of CHF	1.5183	1.4684	1.4871	1.4465

2.6 SEGMENT RESULTS JANUARY-JUNE 2013

<i>in CHF thousand</i>	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	37,730	40,586	48,253	4,590	131,159	–	131,159
Inter-segment sales	65	–	–	19	84	–84	–
Net revenues 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

SEGMENT RESULTS JANUARY-JUNE 2012

<i>in CHF thousand</i>	Industrial Systems	Security Printing	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	37,812	39,540	46,848	4,289	128,489	–	128,489
Inter-segment sales	451	–	–	3	454	–454	–
Net revenues from sales to customers	38,263	39,540	46,848	4,292	128,943	–454	128,489
Earnings before interest and taxes (EBIT)	1,630	–1,952	–1,087	–409	–1,818	–422	–2,240

2.7 RELATED PARTY TRANSACTIONS

The Orell Füssli Group sold goods and services to related parties in the first half year of 2014 in the amount of CHF 22,105,000 (January–June 2013: CHF 33,958,000).

2.8 THEORETICAL IMPACT OF GOODWILL CAPITALISED

The goodwill arising from acquisitions is offset against consolidated shareholders' equity on the date of acquisition. With a theoretical amortisation period of five years this would have the following impact on the income statement and the balance sheet:

<i>in CHF thousand</i>	2014	2013
Impact on income statement (previous year at 30 June 2013)	–664	–665
Impact on the balance sheet (previous year at 31 December 2013)	1,551	2,217

2.9 FINANCIAL INSTRUMENTS

No foreign currency hedges existed on balance sheet date and at 31 December 2013.

2.10 EVENTS AFTER BALANCE SHEET DATE

No material events are known which would result in adjustments to the book values of Group assets and liabilities.

AGENDA, IMPRINT, CONTACT

AGENDA

Press release: annual financial statements for 2014
Annual General Meeting of Orell Füssli Holding Ltd

March 2015
May 7, 2015 (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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