

# Business in 2009

Orell Füssli reported lower sales and profits in the year under review. This was mainly attributable to the difficult market conditions in the industrial business and postponements of production in security printing. Despite rigorously implemented cost-cutting action, Orell Füssli reported net profits well below expectations. The company expects the trend of business in all divisions to improve in 2010.

Orell Füssli reported sales of CHF 306 million in the 2009 financial year. This corresponds to a decline of 17% compared to the previous year. After adjustment for exchange rate movements, sales by the ongoing businesses were 13% lower. Operating earnings of the Orell Füssli Group declined to CHF 23.1 million (CHF 59.8 million in 2008). Net income amounted to CHF 14.7 million.

Sales and earnings of all business units in the Orell Füssli portfolio were lower than in the previous year. Orell Füssli also had to reduce its workforce in order to adjust its structures and cost base to the lower volumes of business. At the end of 2009 the number of personnel employed was 7% lower than a year earlier. Orell Füssli also reduced the size of the Executive Board and delegated responsibility for IT and HR management to the divisions. This simplifies Orell Füssli's management structure and increases the autonomy of the divisions.

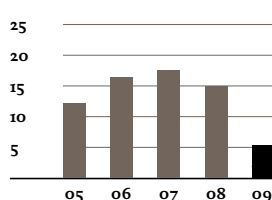
Despite the difficult and turbulent year experienced in 2009, Orell Füssli's balance sheet is still in robust shape. Free cash flow amounts to CHF 3.7 million. The net cash position declined from CHF 26.4 million in the previous year to CHF 13.0 million. The equity ratio increased from 59.3% to 61.6% (including minority interests), which is a very healthy figure.

## SEGMENTAL RESULTS

CHF '000	2009	2008	2007	2006
<b>Division Atlantic Zeiser</b>				
Sales	72,536	104,984	111,507	112,334
Earnings before interest and taxes (EBIT)	-4,427	7,275	13,568	16,476
<b>Division Security Printing</b>				
Sales	85,323	102,980	97,503	81,580
Earnings before interest and taxes (EBIT)	16,704	23,983	18,206	13,652
<b>Division Book Retailing</b>				
Sales	123,629	122,747	121,509	115,715
Earnings before interest and taxes (EBIT)	6,308	3,423	4,779	3,689

## RETURN ON NET ASSETS (RONA) AT THE ORELL FÜSSLI GROUP

in percent



Orell Füssli regards the return on net assets<sup>1</sup> (RONA) as its target measure for portfolio management. The Orell Füssli Group aims to achieve sustainable growth of 10% in sales and a RONA of 15%.

<sup>1</sup> EBIT before recognition of disposal of subsidiaries.

### Atlantic Zeiser Division

The slump in global demand for capital goods had a severe impact on the Atlantic Zeiser Group. Compared with the previous year, sales revenues were 30.9% lower at CHF 72.5 million. After posting a substantial loss in the first half, extensive action to adjust capacity helped the division return to profit in the second six months. Nevertheless, Atlantic Zeiser suffered a loss of CHF 4.4 million for the year as a whole.

The usually reliable sector of banknote and identity document systems was faced with special challenges. After a steep plunge at the beginning of the year, demand revived considerably towards year-end, with some orders also being delivered in the year under review. The business has started the current year with an encouraging stock of orders in hand.

The card systems business was hit hard by the decline in card production worldwide. Customers' liquidity problems resulted in order cancellations. The successful development of a new and growing financial card segment helped to cushion the setback. Atlantic Zeiser is facing particular challenges in the card systems sector, since the card market will take some time to recover.

The business with digital printing systems for industrial applications has held its own well in the crisis. Growing business with innovative printing modules which can be integrated in customers' existing systems at reasonable cost proved to be a sales driver. This almost compensated for the cyclically induced reluctance to invest in large systems. Overall sales of consumables also remained stable. This sector has positioned itself well for further growth with innovative products. Atlantic Zeiser expanded its software expertise and created a basis for digital printing solutions featuring very high processing speeds through the acquisition of SOFHA GmbH with effect from 1 January 2010.

#### Events:

Atlantic Zeiser was the first company to succeed in establishing inkjet-based personalisation solutions for financial cards on the market. Inkjet-based card modules from Atlantic Zeiser were certified for the first time by leading financial card issuers Visa, Mastercard and American Express.

Atlantic Zeiser opened a new chapter in industrial digital printing at the PRINT trade fair in Chicago with the world premiere of the revolutionary AZ Delta family of printing modules. This technology can be employed flexibly to print packaging and labels "just-in-time" within ongoing manufacturing processes. This enables substantial cost economies to be achieved in manufacturing and logistics.

New, all-inclusive solutions for industrial digital printing on challenging substrates were also presented at European trade fairs: PackageLine for printing folding cartons and WebLine for reliable label printing, for which Atlantic Zeiser concluded a multi-year contract with a large customer to supply systems for producing pharmaceutical labels.

Atlantic Zeiser presented another major innovation at LABEL EXPO in Brussels: digital printing of high-quality metallic effects, such as gold.

**Orell Füssli Security Printing Division**

Orell Füssli Security Printing was unable to commence production of the 9<sup>th</sup> issue of Swiss banknotes on schedule due to delays caused by technology suppliers. Orell Füssli processed other orders continuously in three-shift operation at the planned high levels of capacity utilisation. The division's sales revenues were 17% lower at CHF 85.3 million due to the absence of a large proportion of the scheduled order volume for the Swiss National Bank (SNB). Operating earnings of CHF 16.7 million were 30.4% lower. Orell Füssli Security Printing achieved its stated objective of delivering maximum quality with high productivity.

Orell Füssli secured orders in 2009 which will ensure capacity utilisation until well into 2010. Competition has continued to intensify in the banknote segment. The division has increased its productivity further in order to counteract the pressure on margins.

Polymer-based notes played a dominant role in the product mix in 2009. However, this was less pronounced than in previous years. Orell Füssli is expecting a growing proportion of paper-based notes in 2010. It is foreseeable that in addition to polymer and paper there will also be a demand for novel substrates – combinations of paper and polymer – in subsequent years.

The national market traditionally dominates the identity document segment. In 2009 Orell Füssli received an order from abroad for an e-passport project for the first time.

**Events:**

A technology developed by Orell Füssli Security Printing was ready to be brought to market in the year under review and was launched as a new product under the "RELIEF" brand name. "RELIEF" enables intaglio printing elements to be given an additional dimension. This opens up new possibilities with regard to security and aesthetics in the design and production of printed security products. "RELIEF" is attracting considerable interest. Orell Füssli Security Printing believes that products will soon be manufactured using this new technology, and will also offer it for utilisation by other security printers.

**Orell Füssli Book Retailing Division**

The ongoing severe competitive pressure from new bookstores, aggressive pricing in the Internet environment and weak consumer sentiment for long periods in 2009 resulted in a slight decline in sales after adjustment for changes in selling space at Orell Füssli bookstores. The Internet business remained at much the same level as in the previous year. One encouraging feature was a strong increase in business with large customers, where Orell Füssli gained a number of new contracts. The division posted an overall increase in sales of 0.7% to CHF 123.6 million. The cost-cutting action initiated in 2008 had the expected impact in the year under review. The division was therefore able to maintain profit margins in its traditional business, despite slightly lower sales. The trend in business at the new bookselling premises opened in 2008 did not come up to expectations, which had a very negative impact on the division's operating earnings. Orell Füssli Book Retailing posted overall annual earnings of CHF 6.3 million due to a book profit from the sale of a property which was surplus to requirements.

**Events:**

The re-opening of the large-format bookstore in St. Gall in February 2009 resulted in a pleasing, double-digit increase in sales at this outlet. This trend continued throughout the year and resulted in record sales in Christmas trading. In the autumn, Orell Füssli opened a new Restseller outlet in Kreuzlingen, which developed positively from the outset. This expanded the Restseller line to eight stores, and it will continue to be developed further. The new electronic gift card launched in time for Christmas trading, which replaced the existing paper gift vouchers, was very well received by customers and generated an increase in voucher sales compared with the previous year.

### Orell Füssli Publishing

In contrast to earlier crisis years, the effects of the current economic situation left clear traces in sales and operating profit, especially in the picture book, schoolbook and special publications programmes. The Huber publishing house in Frauenfeld also failed to achieve its targets. Sales at Photoglob declined steeply in the first five months, and it was not until June that monthly sales figures regained the previous year's levels.

Overall sales were 6.2% lower at CHF 21.1 million, resulting in a loss of CHF 0.2 million.

#### Events:

The outstanding feature of 2009 was René Zeyer's book entitled "Bank-Banker-Bankrupt", with sales of 40 000 copies, which earned him a place in the "Spiegel" bestseller list. This title appeared in January 2009, at the height of the financial crisis. This secured the author appearances on Swiss TV and on numerous German TV and radio stations. The subject matter of Amir Weitmann's biography entitled "Madoff. Swindler of the Century" was similar. The book came out at the beginning of December 2009 and can probably still look forward to wider sales. Christoph von Marschall followed up his book on Barack Obama in 2007 with a volume on Michelle Obama, which has already sold very successfully in two editions. Other major sources of revenue were well-known long sellers in the schoolbook, picture book and legal sectors.

The second large Photochrom picture book entitled "Switzerland: 1886 to 1911" appeared promptly for Christmas and also met with a considerable media response.

### Outlook for the divisions and the Group

Orell Füssli expects the international capital goods market to pick up in 2010. The priority at Atlantic Zeiser in 2010 will be the commercialisation of new products. Security Printing foresees growth in conjunction with intensifying competition. Capacity utilisation at the printing works is assured until well into 2010. The trend in the book retailing business must be expected to remain flat. The Orell Füssli Group expects the trend of business to recover significantly in 2010 and is focusing on returning to accustomed levels of profitability.

#### GROUP MANAGEMENT

Sönke Bandixen	CEO <sup>1</sup>
Johannes Caprez	CFO
Dr. Anton Gasteiger	Security Printing Division <sup>2</sup>
Oliver C. Mehler	Atlantic Zeiser Division
Fabio Amato	Book Retailing Division
Alex Aepli	Publishing Companies
Hans Rudolf Andrist	Security and Infrastructure
Serge Mouttet	CIO <sup>1</sup>
Martin Tobler	Human Resources <sup>1</sup>

<sup>1</sup> will leave the Group in 2010    <sup>2</sup> since 1.3.2009