

Editorial

Dear shareholder,

As expected, the crisis continued to intensify in many economic regions in 2009. However, the trend was at least stabilised by the deployment of massive funds at the expense of government budgets, and central banks have revitalised the financial markets with generous injections of liquidity. Signs of a gradual recovery emerged in various sectors in the second half of the year, while certain capital goods became – or are only now being – caught up in the crisis. In Switzerland, stable consumer spending helped to limit the economic downswing.

Despite its diversified portfolio, the Orell Füssli Group was unable to escape the impact of the economic turmoil. Atlantic Zeiser suffered massively from the slump in orders at the end of 2008, which persisted until mid-2009. Firmer demand – especially also for high-margin products – did not become apparent until the second half of the year. Rigorous cost-cutting programmes made a major contribution towards helping Atlantic Zeiser to report positive operating earnings again in the second six months, despite substantially lower sales revenues. However, operating earnings for the year as a whole were clearly negative. Book retailing also looks back on a mixed year. Encouraging earnings progress as a result of intensive cost management was neutralised by weak demand and unexpectedly heavy start-up losses at new branches. Profits in the book retailing business were maintained above the previous year's level due to a book profit from a property sale. Orell Füssli Security Printing was unable to commence production of the new Swiss banknotes as planned: technical problems experienced by suppliers responsible for the development of new security features resulted in delays. The outcome of this were shortfalls in sales and earnings which Orell Füssli Security Printing was unable to redress despite high capacity utilisation with third-party orders. We assume that these shortfalls will be compensated for later. Publishing also suffered from the low level of economic activity. It was also depressed by adjustments in delivery logistics. EBIT and profits at the Orell Füssli Group are not comparable with the previous year's figures, since these were exceptionally high in 2008 due to a profit from the sale of an investment holding. However, even excluding this effect, results for 2009 were below our expectations.

We foresee an improvement in the overall business environment in 2010. The capital goods business, and especially also demand for Atlantic Zeiser's products, improved appreciably in the second half of 2009. However, order levels seen prior to the crisis are unlikely to be reached again as early as 2010. Market growth can be expected in security printing, but at the same time competition is intensifying due to new competitors, who in some cases are buying entry into the market via low prices. Orell Füssli is expecting an improvement in the order mix, which will more than offset this trend. In book retailing we foresee a more or less unchanged level of demand. Growth opportunities as well as sales risks are arising from the rapid changes in the market for information and entertainment, which

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also includes books. Digitisation in conjunction with the technology-driven transition from paper-based to electronic platforms is introducing new applications and new competitors. This poses new and interesting challenges for print-oriented booksellers and publishers.

The turmoil experienced in 2009 is also forcing Orell Füssli to reconsider its growth targets. It would be unrealistic simply to write off the slump in sales and earnings experienced in 2009 as a one-off event and continue planning on the basis of sales targets extrapolated from previous years. We are rather inclined to believe that the global economy needs time to approach the high performance figures of 2006 and 2007 again. Our budgets for 2010 are actually based on the assumption of relatively strong growth compared with the previous year, but in absolute terms this does not signify a return to business as usual. We aim to keep costs low despite higher volumes, and to enhance efficiency by adjusting processes and with new products and greater customer benefits. In all three of the group's divisions, innovative products and services are ready for market to offer value to existing customers and gain new customers. In view of the difficulties of assessing the business environment, it is a matter of keeping costs low and at the same time maintaining customer service levels for the event of a rapid revival in demand. However, our efforts in recent years have helped to promote individual and organisational flexibility so that we are capable of responding to developments of this nature.

The group's financial targets remain unchanged: profitable sales growth averaging 10% p.a. and RONA of 15%. At the same time the basis for this growth has to be redefined. This objective includes acquisitions at group or divisional level. In view of the still very sound balance sheet structure and available funds, we are continually examining acquisition opportunities. Target candidates should logically complement our portfolio at an acceptable purchase price and with predictable risk. In line with our dividend policy, a dividend of CHF 2.50 will be proposed to the annual general meeting for the 2009 financial year.

CEO Sönke Bandixen left the company in February 2010. His departure by mutual agreement was due to material differences of opinion on issues of management and strategy. The Board of Directors wishes to thank Sönke Bandixen for his efforts and his contribution to the development of the Orell Füssli Group in recent years. The evaluation of a new Group CEO has commenced, and in the meantime the Chairman of the Board is acting as interim CEO. Balthasar Meier is to retire from the Board due to term limit. During this period Balthasar Meier has made a valuable contribution to the work of the Board, in particular with his wide experience of financial issues and retailing. Our thanks go to Balthasar Meier for his consistently constructive work on the Board.

We also take this opportunity of thanking our employees for all their efforts. The challenging business environment has called for exceptional exertions, even if this is not evident in the results. Thanks also to our customers and shareholders for the confidence they continue to show in our company, its directors and officers.

Zurich, 8 April 2010



Dr. Klaus Oesch
Chairman of the Board of Directors