

Orell Füssli Short Annual Report 2009

Editorial

Dear shareholder,

As expected, the crisis continued to intensify in many economic regions in 2009. 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. Mainly due to the difficult market conditions in the industrial business and the production postponements in security printing Orell Füssli reports lower sales and profits. 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 turmoil experienced in 2009 is also forcing Orell Füssli to reconsider its growth targets. We are 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. 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.

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. 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 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.

Zurich, 8 April 2010



Dr. Klaus Oesch
Chairman of the Board of Directors

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.

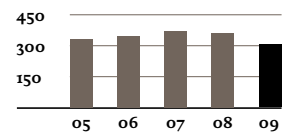
Orell Füssli reported sales of CHF 306.3 million in the 2009 financial year. This corresponds to a decline of 17% compared to the previous year. After adjustment for exchange rate movements, sales by the ongoing businesses were 13% lower. Operating earnings of the Orell Füssli Group declined to CHF 23.1 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.

Despite the difficult 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.

INCOME

Total income in CHF million



SEGMENTAL RESULTS

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

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.

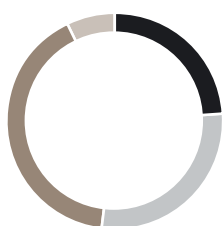
The usually reliable sector of banknote and identity document systems was faced with special challenges. After a steep plunge at the beginning of the year, demand revived considerably towards year-end. The business has started the current year with an encouraging stock of orders in hand.

The card systems business was hit hard by the decline in card production worldwide. The successful development of a new and growing financial card segment helped to cushion the setback. 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. 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.

SALES

in percent



- 24%** Division Atlantic Zeiser
- 28%** Division Security Printing
- 41%** Division Book Retailing
- 7%** Other

Total Income CHF 306.3 Mio.

Orell Füssli Security Printing Division

Orell Füssli Security Printing was unable to commence production of the 9th 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 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 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.

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. 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.

Orell Füssli Publishing Companies

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.

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.

Condensed financial statements 2009

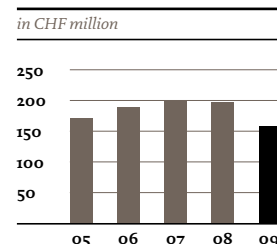
CONSOLIDATED INCOME STATEMENT

| <i>in CHF '000</i> | 2009 | 2008 |
|--|-----------------|-----------------|
| Sales to customers | 302,377 | 365,317 |
| Other operating income | 3,909 | 1,887 |
| Total income | 306,286 | 367,204 |
| Cost of materials | -134,455 | -156,481 |
| Direct production costs | -13,083 | -18,649 |
| Changes in inventories of finished products and work-in-progress | -749 | 6,005 |
| Capitalised costs | 224 | 1,225 |
| Total direct costs | -148,063 | -167,900 |
| Personnel expenditure | -88,669 | -98,816 |
| Other operating expenses | -44,686 | -46,312 |
| Depreciation and impairment | -10,297 | -15,496 |
| Gain on sales of non-current assets | 4,557 | -67 |
| Profit from disposal of subsidiaries | 4,000 | 21,196 |
| Total operating expenses | -135,095 | -139,495 |
| Earnings before interest and taxes (EBIT) | 23,128 | 59,809 |
| Financial income | 1,686 | 3,046 |
| Financial expenses | -3,689 | -5,197 |
| Share of profit from associates | - | -70 |
| Financial result | -2,003 | -2,221 |
| Earnings before income taxes | 21,125 | 57,588 |
| Income tax expenses | -2,993 | -7,860 |
| Net income for the period | 18,132 | 49,728 |
| Attributable to the shareholders of Orell Füssli Holding Ltd. | 14,699 | 47,962 |
| Attributable to minority interests | 3,433 | 1,766 |

CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

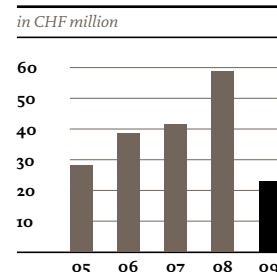
| <i>in CHF '000</i> | 2009 | 2008 |
|---|---------------|---------------|
| Net income for the period | 18,132 | 49,728 |
| Currency translation effects | 353 | -5,309 |
| Total comprehensive income for the period | 18,485 | 44,419 |
| Attributable to the shareholders of Orell Füssli Holding Ltd. | 15,066 | 42,838 |
| Attributable to minority interests | 3,419 | 1,581 |

TOTAL INCOME LESS DIRECT COSTS



Development of total income less direct costs in the 2005 to 2009 financial years. The total income less direct costs diminished by an annual portion of about CHF 20 million due to the disposal of two subsidiaries.

EBIT

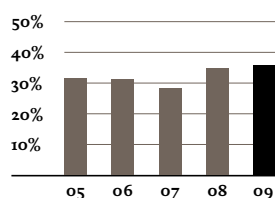


Development of earnings before interest and taxes (EBIT) in the 2005 to 2009 financial years.

CONDENSED FINANCIAL STATEMENTS

TANGIBLE ASSETS

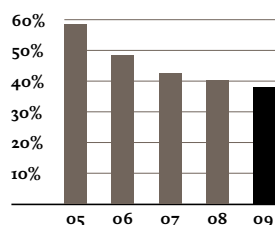
in percent



Proportion of the tangible assets in relation to total assets at the balance sheet date from 2005 to 2009.

LIABILITIES

in percent



From 2005 to 2009, third liabilities' proportion in relation to the total capital was reduced continuously to less than 40 %.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

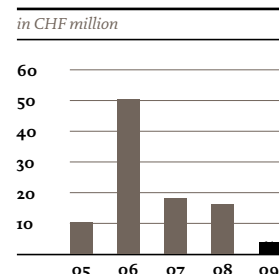
| in CHF '000 | 2009 | 2008 |
|--|----------------|----------------|
| Assets | | |
| Cash and cash equivalents | 26,936 | 34,867 |
| Marketable securities & derivative financial instruments | 87 | 1,001 |
| Receivables | 42,801 | 41,692 |
| Receivables from POC | 40,210 | 43,035 |
| Inventories | 51,914 | 52,596 |
| Current financial assets | 4,537 | 5,551 |
| Current income tax receivables | 2,807 | 1,115 |
| Total current assets | 169,292 | 179,857 |
| Tangible assets | 110,835 | 110,903 |
| Intangible assets | 1,984 | 2,268 |
| Leasehold property | 80 | 90 |
| Investments | 2,479 | 2,866 |
| Non-current financial assets | 12,207 | 13,059 |
| Pension fund assets | 4,805 | 3,309 |
| Deferred tax assets | 2,902 | 1,070 |
| Other non-current assets | 979 | 902 |
| Total non-current assets | 136,271 | 134,467 |
| Total assets | 305,563 | 314,324 |
| Liabilities | | |
| Trade payables | 30,711 | 31,606 |
| Prepayments from customers | 50,062 | 58,723 |
| Current financial liabilities | 10,868 | 5,868 |
| Current income tax liabilities | 1,529 | 5,704 |
| Other current liabilities | 15,490 | 18,487 |
| Current provisions | 454 | 582 |
| Total current liabilities | 109,114 | 120,970 |
| Non-current financial liabilities | 3,108 | 3,566 |
| Pension fund liabilities | 457 | 398 |
| Non-current provisions | 414 | 491 |
| Deferred tax liabilities | 4,226 | 2,480 |
| Total non-current liabilities | 8,205 | 6,935 |
| Share capital | 1,960 | 1,960 |
| Capital reserves | 4,160 | 4,160 |
| Retained earnings | 164,106 | 164,720 |
| Total equity before minority interests | 170,226 | 170,840 |
| Minority interests | 18,018 | 15,579 |
| Total equity | 188,244 | 186,419 |
| Total liabilities | 305,563 | 314,324 |

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

| <i>in CHF '000</i> | 2009 | 2008 |
|--|----------------|----------------|
| Net income for the period | 18,132 | 49,728 |
| Depreciation | 10,508 | 13,508 |
| Impairment and amortisation | 754 | 328 |
| Profit from disposal of subsidiaries | -4,000 | -21,196 |
| Other non-fund related income and expenses | -4,107 | -1,075 |
| Change in net working capital | -3,972 | 34,932 |
| Income tax paid | -9,228 | -11,397 |
| Interest paid | -798 | -1,172 |
| Change in provisions and deferred income tax | -1,765 | -2,457 |
| Cash flow from operating activities | 5,524 | 61,199 |
| Purchase of tangible assets | -13,185 | -48,363 |
| Proceeds from disposals of tangible assets | 7,349 | 148 |
| Purchase of intangible assets | -277 | -584 |
| Proceeds from disposals of intangible assets | - | 5 |
| Purchase of other non-current assets | -77 | -2,997 |
| Proceeds from disposals of other non-current assets | - | 288 |
| Acquisitions of investments | - | -46 |
| Proceeds from disposals of investments | 4,388 | 6,935 |
| Proceeds from disposals of marketable securities | 2 | - |
| Cash flow from investing activities | -1,800 | -44,614 |
| Change in financial liabilities | 4,944 | 593 |
| Dividends paid to minorities | -980 | -980 |
| Dividends paid | -15,680 | -9,800 |
| Cash flow from financing activities | -11,716 | -10,187 |
| Translation differences on cash | 33 | -518 |
| Increase (decrease) in cash and cash equivalents | -7,959 | 5,880 |
| Cash and cash equivalents at 1 January | 34,867 | 30,003 |
| Effects of exchange rate adjustments on the opening balance | 28 | -1,016 |
| Cash and cash equivalents at 1 January after effects of currency exchange rate | 34,895 | 28,987 |
| Cash and cash equivalents at 31 December | 26,936 | 34,867 |

FREE CASH FLOW



Development of the free cash flow from 2005 to 2009. In the 2008 and 2009 financial years, expenditure for conversions and investments in fixed assets had a strong impact on the free cash flow.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>in CHF '000</i> | Share capital | Capital reserves | Retained earnings and net income | Equity before minority interests | Minority interests | Total equity |
|---|---------------|------------------|----------------------------------|----------------------------------|--------------------|----------------|
| Total equity at 1 January 2009 | 1,960 | 4,160 | 164,720 | 170,840 | 15,579 | 186,419 |
| Dividends paid | - | - | -15,680 | -15,680 | -980 | -16,660 |
| Total comprehensive income for the period | - | - | 15,066 | 15,066 | 3,419 | 18,485 |
| Total equity at 31 December 2009 | 1,960 | 4,160 | 164,106 | 170,226 | 18,018 | 188,244 |
| Total equity at 1 January 2008 | 1,960 | 4,160 | 131,682 | 137,802 | 14,978 | 152,780 |
| Dividends paid | - | - | -9,800 | -9,800 | -980 | -10,780 |
| Total comprehensive income for the period | - | - | 42,838 | 42,838 | 1,581 | 44,419 |
| Total equity at 31 December 2008 | 1,960 | 4,160 | 164,720 | 170,840 | 15,579 | 186,419 |

A dividend of CHF 2.50 per share is proposed on the occasion of the AGM on 11 May 2010.

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