

Orell Füssli Half-year Financial Report 2013

Editorial

Dear shareholder,

In the first six months of this year Orell Füssli registered only a slight improvement in operating earnings (EBIT) and net income at mid-year on marginally higher sales compared to the previous year. The group half-year loss was reduced to CHF 2.1 million. While the Atlantic Zeiser Division posted a striking increase in profits, results at the Security Printing Division remain unsatisfactory.

Atlantic Zeiser continued its restructuring. Stringent cost management resulted in a CHF 3.2 million improvement in EBIT on sales that were slightly higher than in the previous year. The strategic focus on core business segments enabled our German subsidiary to book initial successes in positioning itself as a dynamic supplier of systems solutions to meet the growing demand from the pharmaceutical and cosmetics industries for product tracking and brand protection. We expect the positive trend to continue in the second half of the year.

In the Security Printing Division an excessively high reject rate in the case of orders concluded in the first quarter had an extremely negative impact on profits. The high reject rate was a result of operating deficiencies in the production process and underestimated complexity of the printing orders. The extensive organisational and personnel adjustments to enhance quality and efficiency were reflected in initial improvements in the second quarter. Further substantial improvements in efficiency and reject rates can be expected as a result of selective investments in the machine portfolio and newly instigated systematic maintenance procedures. The earnings situation at Security Printing remains unsatisfactory. Optimisation measures are being systematically pursued under the direct oversight of the CEO.

The book retailing business has been faced with shrinking volumes of store-based sales and the growing importance of Internet-based business for some years now. In light of this, the development of our book retailing operations this year is all the more pleasing. Sales revenues were maintained and profits improved. Orell Füssli is responding to changes in the book trade through the joint venture with Thalia Bücher AG. Orell Füssli Thalia AG has been given the go-ahead by the relevant competition authorities and was entered in the Commercial Register in June 2013. Preparatory work for the launch of the new company is making good progress. Orell Füssli Thalia AG can commence operations in October 2013 from a joint position of strength.

The Board of Directors and the Executive Board have two priorities in the coming months: we shall devote all our efforts to ensuring that the Security Printing Division achieves a sustained turnaround and again earns appropriate returns; and we aim to create the best possible conditions for the new Orell Füssli Thalia AG to hold its own in the challenging book retailing market.

We have initiated extensive action with a view to guiding the Orell Füssli Group into a successful future. However, hard work still remains to be done before we can meet your profit expectations in full again. We have every confidence that we shall achieve this goal together with our employees. Thank you for your confidence and your loyalty towards our company.

Zurich, August 15, 2013



Heinrich Fischer
Chairman of the Board of Directors



Michel Kunz
Chief Executive Officer

Business in the first half of 2013

Positive outcome at Atlantic Zeiser – pleasing trend in the book retailing business – unsatisfactory results at Security Printing.

Orell Füssli reported sales of CHF 128.5 million in the first half of 2013 (CHF 126.0 million in the same period of the previous year). This was an increase of 2.0% compared with a year earlier. Sales revenues increased at the Security Printing Division and were slightly higher than in the previous year at Atlantic Zeiser, while the decline in sales by ongoing activities at Book Retailing was halted. The half-year outcome at EBIT level was CHF –2.2 million (CHF –3.2 million in 2012). There was a striking improvement in operating earnings at Atlantic Zeiser. While book retailing performed better than a year earlier, results at Security Printing remained unsatisfactory. The group half-year loss amounted to CHF –2.1 million (loss of CHF 4.2 million in 2012). The improved outcome compared with a year earlier was attributable to positive currency effects in financial results in addition to the slight improvement in EBIT. As in previous years, seasonal effects typical of the business mean that the half-year financial statements are not indicative of results for the year as a whole.

Sales of CHF 38.3 million by German subsidiary Atlantic Zeiser in the first half of 2013 were slightly higher than in the previous year (CHF 36.7 million) due to currency effects. Lower volumes in demand for numbering systems and in service revenues were offset by growth in systems solutions for packaging printing and in card personalisation systems. The Cardline Versa model continues to be particularly successful here, with the hundredth machine of this series being delivered in May. Operating earnings (EBIT) of CHF 1.6 million at the Atlantic Zeiser Group were significantly better than a year earlier (CHF –1.6 million in 2012). The basis for this outcome was created by extensive cost-cutting measures in all areas of the company and the systematic implementation of the programme to enhance efficiency in manufacturing and material management. The product development offensive initiated at the end of last year was implemented as planned and the first new products will be launched on the market at major trade fairs in the second half of the year.

Sales at the **Security Printing** Division increased in the first six months to CHF 39.5 million (CHF 37.7 million in 2012). Production capacity was well utilised throughout the first six months, although the large number of trial runs for new orders had an adverse impact on optimal production flows. The action already announced with a view to improving the control of production and material flows, as well as monitoring process quality, is currently being implemented. Orders in hand and the production mix for the coming months provide a good basis for stabilising production. However, the action initiated has not yet had an impact on the half-year results, which deteriorated with EBIT of CHF –2.0 million (CHF +1.3 million in 2012) due to lower gross margins and higher personnel expenses in preparation for the new projects.

The **Book Retailing** Division posted pleasing results, with sales maintained at the previous year's level and a slight improvement in profits. Selling prices in the first half of 2013 were stable after several years of declining prices. The shift from store-based to remote sales continues to be apparent, but Orell Füssli was able to absorb this in its own sales channels. The trend in demand for e-books is dynamic and Orell Füssli has responded to this by providing special e-reading shops in its larger sales locations. Customers are assisted by trained personnel in all aspects of electronic reading. Orell Füssli is also the first book retailer to launch direct sales of e-books in its bookstores with payment at the normal check-out. Sales by the Book Retailing Division totalled CHF 46.8 million (CHF 47.4 million in the same period of the previous year, including CHF 1.7 million through the Storyworld online shop, which was closed at the end of 2012). EBIT improved to CHF –1.1 million (CHF –1.3 million in 2012).

Sales by the **publishing business** to the end of June were at the previous year's level. The acquisition of the Fuchs publishing house and several new editions of standard legal works had a positive impact. Sales of non-fiction and children's books were below expectations. These programme segments still have the stronger selling half of the year ahead of them.

Outlook

As in previous years, Orell Füssli foresees a considerable improvement in net income in the second half of the year. Orell Füssli Thalia AG will commence operations in October. The decline in store-based book retailing will continue, but will be largely offset in other sales channels. Capacity utilisation in security printing will continue to be high in the second six months. The stabilisation of production and the success of the action initiated to optimise operations and enhance efficiency will be crucial for the development of this division. Better overall results than in 2012 are expected for the group this year.

KEY FIGURES FOR THE ORELL FÜSSLIGROUP

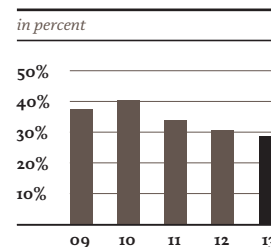
<i>in CHF million</i>	First half of 2013	First half of 2012	Change in %	Annual year 2012
Total operating income	132.0	128.5	2.7%	284.9
Earnings before interest and taxes (EBIT)	-2.2	-3.2	29.5%	3.6
in % of total operating income	-1.7%	-2.5%		1.3%
Group earnings	-2.1	-4.2	50.7%	0.8
in % of total operating income	-1.6%	-3.3%		0.3%
Total assets	267.4	243.4	9.9%	270.7
Total equity	159.8	163.6	-2.3%	167.6
in % of total assets	59.8%	67.2%		61.9%
Full time equivalents	959	950	0.9%	971

1.2 CONSOLIDATED BALANCE SHEET

<i>in CHF thousand</i>	30.06.2013	31.12.2012
Assets		
Cash and cash equivalents	15,470	17,060
Marketable securities & derivative financial instruments	746	1,047
Trade accounts receivable	34,194	31,645
Other receivables	61,681	66,056
Inventories	49,347	48,040
Current income tax receivables	3,619	1,709
Accrued income and deferred expenses	4,729	3,593
Total current assets	169,786	169,150
Tangible assets	78,238	81,941
Intangible assets	3,928	4,372
Investments	5,096	4,770
Deferred tax assets	4,749	4,621
Other non-current financial assets	5,639	5,813
Total non-current assets	97,650	101,517
Total assets	267,436	270,667
Liabilities		
Trade payables	13,687	23,292
Other current liabilities	43,188	35,120
Current income tax liabilities	2,560	660
Accrued expenses and deferred income	10,531	10,323
Current financial liabilities	32,043	26,550
Current provisions	2,165	3,098
Total current liabilities	104,174	99,043
Non-current financial liabilities	955	1,086
Pension fund liabilities	373	344
Non-current provisions	340	340
Deferred tax liabilities	1,796	2,209
Total non-current liabilities	3,464	3,979
Share capital	1,960	1,960
Capital reserves	4,160	4,160
Retained earnings	155,966	159,352
Translations differences	-13,657	-14,270
Total equity before minority interests	148,429	151,202
Minority interests	11,369	16,443
Total equity	159,798	167,645
Total liabilities	267,436	270,667

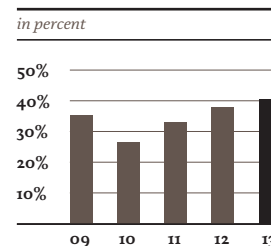
The disclosures from page 9 and 10 form an integrated part of the financial report.

TANGIBLE ASSETS



Proportion of the tangible assets in relation to total assets at 31 December for the financial years from 2009 to 2012, and 30 June in 2013.

LIABILITIES



Third liabilities proportion in relation to the total capital. Prior periods refer to the balance sheet date at 31 December.

FINANCIAL REPORT

1.3 CONSOLIDATED CASH FLOW STATEMENT

<i>in CHF thousand; January-June</i>	2013	2012
Net income for the period	-2,082	-4,223
Depreciation	7,618	7,092
Impairment and amortisation	2	100
Other non-fund related income and expenses	78	-65
Change in net working capital	-1,072	-5,052
Change in provisions and deferred income tax	-1,424	-1,121
Cash flow from operating activities	3,120	-3,269
Purchase of tangible assets	-2,214	-2,287
Proceeds from disposals of tangible assets	4	634
Purchase of intangible assets	-972	-1,519
Purchase of Verlag Fuchs Ltd	-1,670	-
Purchase of other investments	-50	-
Purchase of other non-current assets	-47	-41
Purchase of securities	-5	-
Cash flow from investing activities	-4,954	-3,213
Increase of financial liabilities	5,297	6,256
Repayment of financial liabilities	-138	-160
Dividends paid to minorities (Orell Füssli Buchhandlungs Ltd, Sofha GmbH)	-4,993	-114
Dividends paid	-	-3,920
Cash flow from financing activities	166	2,062
Translation effects	78	-309
Increase (decrease) in cash and cash equivalents	-1,590	-4,729
Cash and cash equivalents at 1 January	17,060	19,986
Cash and cash equivalents at 30 June	15,470	15,257

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 2012	1,960	4,160	164,286	-13,927	156,479	15,402	171,881
Dividends paid	-	-	-3,920	-	-3,920	-114	-4,034
Currency translation effects	-	-	-	-40	-40	-30	-70
Net income for the period	-	-	-4,021	-	-4,021	-202	-4,223
Total equity at 30 June 2012	1,960	4,160	156,345	-13,967	148,498	15,056	163,554
Net income for the second half-year 2012	-	-	3,007	-303	2,704	1,387	4,091
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

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 2013. 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 2012.

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).

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 3.2 million (1.2%) lower compared to the end of 2012. Current assets were only slightly changed overall, although the "Other receivables" item, which includes POC payments, is still at a very high level. Fixed assets declined by CHF 3.9 million net. Capital expenditure in the 1st half amounted to CHF 3.2 million. The high level of POC payments is also one of the reasons for the still high balance of CHF 32.0 million (CHF +5.5 million) in "Current financial liabilities". Shareholders' equity declined by CHF 7.8 million. The half-year loss of CHF 2.1 million, the goodwill charge of CHF 1.4 million and dividends of CHF 5.0 million paid to minority shareholders are offset by currency translation gains of CHF 0.7 million.

2.3 INCOME STATEMENT

Sales revenues were slightly higher in Industrial Systems and Security Printing. Book Retailing also posted a slight rise following the declines in previous years. The stated decline in revenues compared with a year earlier was attributable to the closure of the Storyworld online store, which recorded sales of CHF 1.7 million in the first half of 2012. Store-based sales were again slightly lower, but pleasing revenues were booked from business via the Internet and with large customers.

Personnel expenses and other operating expenses rose by CHF 1.8 million and CHF 0.6 million, respectively. The increase in costs is attributable to Security Printing, while costs were reduced at the Atlantic Zeiser Group due to the implementation of restructuring measures.

Financial results improved due to higher currency hedging gains than in the previous year.

2.4 CHANGE IN SCOPE OF CONSOLIDATION

Verlag Fuchs Ltd: Orell Füssli Holding Ltd acquired Verlag Fuchs Ltd in Rothenburg on February 20, 2013, thus reinforcing the textbook segment of the publishing business. Provisional goodwill of CHF 1.409 million was offset against group shareholders' equity.

2.5 CURRENCY EXCHANGE RATES

	Closing rate		Average rate January-June	
	30.06.2013	31.12.2012	2013	2012
EUR at a rate of CHF	1.2299	1.2077	1.2298	1.2054
USD at a rate of CHF	0.9456	0.9139	0.9367	0.9264
GBP at a rate of CHF	1.4384	1.4768	1.4465	1.4613

NOTES TO THE HALF-YEAR FINANCIAL REPORT

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	37,812	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

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	36,523	37,728	47,416	4,305	125,972	–	125,972
Inter-segment sales	138	–	2	4	144	–144	–
Net revenues from sales to customers	36,661	37,728	47,418	4,309	126,116	–144	125,972
Earnings before interest and taxes (EBIT)	–1,556	1,261	–1,309	–513	–2,117	–1,061	–3,178

2.7 RELATED PARTY TRANSACTIONS

The Orell Füssli Group sold goods and services to related parties in the first half year of 2013 in the amount of CHF 33,958,000 (January–June 2012: CHF 15,614,000).

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>	2013	2012
Impact on income statement (previous year at 30 June 2012)	–665	–524
Impact on the balance sheet (previous year at 31 December 2012)	2,882	2,138

2.9 FINANCIAL INSTRUMENTS

In addition to the derivative instruments included in the balance sheet, open currency futures contracts to hedge future cash flows also exist but are not yet stated in the balance sheet. These have a current value of CHF 5,000 which was not included in the balance sheet (at 31 December 2012: CHF 814,000). A total of CHF 13,125,000 in foreign currencies was hedged (at 31 December 2012: CHF 20,620,000).

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 2013
Annual General Meeting of Orell Füssli Holding Ltd

March 2014
May 7, 2014 (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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