

Media release:

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Orell Füssli: Security Printing depresses 2013 results

Positive trend at Atlantic Zeiser – successful launch of Orell Füssli Thalia AG – heavy loss at Security Printing

Zurich, March 20, 2014 – Orell Füssli reported net revenues of CHF 272.2 million in the 2013 financial year, equivalent to a decline of 3.2% compared to the previous year. Earnings at the EBIT level amounted to CHF –20.7 million (CHF 3.6 million in 2012). This figure includes special charges of CHF –14.9 million (CHF –4.7 million in 2012). Net income of the Orell Füssli Group for the period amounted to CHF –17.0 million (CHF 0.8 million in 2012). Equity capital including minority interests declined from CHF 167.6 million to CHF 144.3 million. The equity ratio was 55.1% (61.9% in 2012); this does not include a valuation reserve on property which is substantially in excess of CHF 20 million.

Operational problems in production, machine downtime and value adjustments resulted in a massive loss at the Security Printing Division and negative results for the Orell Füssli Group in the 2013 financial year. The pleasing developments at the other divisions were far from sufficient to offset these shortfalls.

Atlantic Zeiser reported a slight increase of 1.8% in net revenues to € 63.8 million in 2013 and a substantial improvement in EBIT compared to the previous year to € 3.4 million (€ 1.2 million in 2012). The strategic focus and an efficiency enhancement programme in manufacturing operations are bearing fruit. Atlantic Zeiser concentrates on the three strategic business segments of banknote serialisation, card systems and packaging. New offerings to meet the growing demand for product tracking and brand protection solutions were well received by customers. Long-term projects and healthy order intake in the final months of 2013 enabled Atlantic Zeiser to start the new financial year with more orders in hand than a year earlier.

In 2013 the **Book Retailing Division** reported sales of CHF 109.5 million (CHF 109.5 million in 2012) and operating earnings (EBIT) of CHF 3.3 million (CHF 3.7 million in 2012) before special charges for adjustments arising from the merger with Thalia. Provisions totalling

CHF 2.8 million were made for the implementation of the joint venture between Orell Füssli Book Retailing Ltd and Thalia Bücher AG. Orell Füssli and Thalia each hold a 50% interest in the joint venture. Orell Füssli Holding Ltd consolidates the income statement and balance sheet items of Orell Füssli Thalia AG pro rata in its financial statements. Orell Füssli Thalia AG was launched at the beginning of October 2013. After the initial months the company's start can be pronounced a success. About a quarter of sales are booked by the online stores. Online sales have remained stable. Sales by the bricks-and-mortar outlets declined slightly after adjustment for changes in selling space. Demand for digital reading, i.e. reading e-books using e-readers, continues undiminished. Sales figures for e-books have doubled in comparison with a year earlier. Orell Füssli Thalia AG expects a further decline in sales at its bricks-and-mortar outlets in the 2013/2014 financial year, and growth in the digital business due to sustained demand for e-books.

The **Security Printing Division** posted net revenues of CHF 75.1 million in 2013, equivalent to a 12.6% decline compared to the previous year. Following the very unsatisfactory results already reported in 2012, Security Printing posted EBIT of CHF –25.0 million in 2013 (CHF 2.6 million in 2012). This figure includes charges arising from provisions of CHF 9.3 million made in connection with loss-free valuations using the PoC (percentage of completion) method. Operating profits before special factors were CHF –12.9 million (CHF 6.2 million in 2012). As already reported on a number of occasions, an accumulation of largely home-grown negative factors gave rise to the setback at the Security Printing Division. For example, downtime at two production bottlenecks resulted in heavy additional costs as well as making it impossible to fulfil production schedules. Extensive tests in connection with the production of new series of banknotes imposed an additional burden on production capacity. This resulted in the postponement of orders into 2014 and associated sales shortfalls in 2013. A comprehensive package of measures is being implemented to improve the situation. Optimal performance of the machinery portfolio and the operation of production and logistics according to lean management principles have top priority. Investments have been made in the machinery portfolio – a new offset printing press is due to be brought into operation in the 3rd quarter of 2014. Implementation of the improvement programme that has been initiated is being overseen very closely by the Board of Directors and the Executive Board. The CEO of Orell Füssli Holding Ltd assumed direct charge of Security Printing in mid-2013.

Orell Füssli Publishing Ltd posted a 6% increase in net revenues in 2013 compared to a year earlier. Returns of deliveries from 2012, more special publications and more marketing titles were the reason for the higher cost of sales and the fact that the targeted breakeven

result was not quite achieved. The acquisition of the Lucerne-based Fuchs publishing business specialising in educational aids was an important step for publishing operations. It reinforces the offering of Orell Füssli educational media in a priority segment.

Changes in the Board of Directors

Dr. Hans Kuhn and Andreas S. Wetter will not be standing for re-election as directors at the Annual General Meeting. The Board of Directors wishes to express its thanks to its colleagues on their retirement for their commitment and their tireless efforts during a difficult period for the company. The Board will propose to the Annual General Meeting that Dr. Thomas Moser and Peter Stiefenhofer be elected as new directors. Dr. Moser is an Alternate Member of the Governing Board of the Swiss National Bank and will replace Dr. Hans Kuhn, who will leave the Swiss National Bank in mid-2014. Peter Stiefenhofer has occupied management positions in the fields of operations and finance at various industrial companies.

Initiating a change in leadership at Orell Füssli

The Board of Directors and the CEO have agreed that a change in operating management should be made. This change will enable the Board of Directors on the one hand to recruit an experienced industrial manager as CEO, and Michel Kunz on the other to pursue new interests after some four years with the company.

Michel Kunz will resign his position in the course of the next few months. He will continue to exercise his responsibilities until a successor has been appointed and familiarised with the business, thus ensuring the best possible progress in the turnaround of Security Printing and the implementation of the joint venture with Thalia, and a smooth transition to his successor.

New leadership at Security Printing

At its meeting on March 18, 2014, the Board of Directors assigned management of the Security Printing Division to Philipp Seewer and Dr. Dieter Sauter with effect from April 1, 2014. They will report to the CEO of Orell Füssli. Philipp Seewer (Dipl. Masch.-Ing., ETH Zurich) has been employed at Orell Füssli Security Printing since August 2013 and assumed responsibility for Operations as from 2014. He was previously employed as production and plant manager in various sectors at Alcan Composites (now Schweiter 3A Composites). Dieter Sauter (Dr. Phys.) has been responsible for Product Development and Technology at Orell Füssli Security Printing since November 2011, and was previously employed for six years in the fields of technology and sales at Giesecke & Devrient.

Dividend proposal to the Annual General Meeting

In view of the heavy loss, the Board of Directors will propose to the Annual General Meeting on May 7, 2014, that no dividend should be paid.

Outlook

Based on the operating improvements and the healthy order book at Security Printing, together with the trend at Atlantic Zeiser and Book Retailing, the Orell Füssli Group expects to post positive results again in 2014.

Key figures for Orell Füssli in CHF millions

	2013	2012
Net revenues ¹⁾	272.2	281.1
Total operating income	282.1	284.9
Operating earnings before special charges	-5.8	8.3
Special charges	-14.9	-4.7
EBIT	-20.7	3.6
Net income	-17.0	0.8
Net income excluding minority interests	-18.2	-1.0
Number of employees (full-time units)	1041	971
Dividend (in CHF per share)	0 ²⁾	0

1) Net revenues from sales to customers

2) Proposed by the Board of Directors to the Annual General Meeting on May 7, 2014.

Calendar

Publication 2013 Annual Report	April 4, 2014
Annual General Meeting of Orell Füssli Holding Ltd	May 7, 2014
Media release: half-year results for 2014	August 2014

Orell Füssli is a diversified industrial and trading group focusing on the core businesses of banknote & security printing, industrial systems used in the individualisation of security documents and branded products, and book retailing. The book publishing business has formed the traditional basis for the company since 1519. Orell Füssli generates sales of some CHF 300 million with about 1 000 employees at locations in 10 countries and is listed on the Swiss Stock Exchange.

Contact

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