

# Editorial

## Dear shareholder,

Orell Füssli can look back on an eventful year in which structural adjustments were made and work was continued on the longer-term challenges facing the company. Despite an overall decline in net revenue, operating earnings of CHF 20.1 million before special items were 12% higher compared with the previous year (CHF 17.9 million). In the Zeiser Division the decision to focus on the core business of serialising banknotes and security documents was put into effect with the sale of operating units to Coesia S.p.A., thus laying the foundation for the profitable future of the business. In Security Printing the shift in the product mix made itself felt for the first time in 2018 and was countered by the acquisition of new customers and cost optimisation. Book Retailing posted its best result since the launch of the joint venture in 2013 and continued the resolute implementation of the transformation programme.

### NET REVENUE

*in CHF million*

# 264.9

The Orell Füssli Group posted net revenue of CHF 264.9 million in the 2018 financial year. Operating earnings (EBIT) amounted to CHF 12.0 million, including accumulated special items totalling CHF -8.1 million. Net income at Orell Füssli was depressed mainly by non-recurring, non-cash expenditure in the amount of CHF 54.0 million in connection with the sale of parts of Atlantic Zeiser's business and amounted to CHF -47.2 million. The equity ratio was a solid 66%.

The Zeiser Division underwent a strategic reorientation and change in structure in the past year. With the sale of the card personalisation systems and packaging business segments to an industrial investor with potential for synergy on September 30, 2018, these operations were assured of a sound future. At the same time this provided Zeiser with the required focus on its strategic core, which in addition to its outstanding position on the market is also healthily profitable and has decades of know-how at its disposal in its personnel. As already announced in the course of the year and expected, substantial non-recurring expenditure was incurred in connection with this transaction and the reorientation of the business, the majority of which had no adverse impact on the company's liquidity. We are very confident in our outlook that the foundation for a successful future for Zeiser has been laid.

### EBIT BEFORE SPECIAL ITEMS

*in CHF million*

# 20.1

At the Security Printing Division, the change in customer structure and in particular the decline in printing volumes for both anchor customers was clearly apparent in 2018. Production volumes were slightly lower than in the previous year, and at the same time important operating parameters were further optimised. The continuous improvement in productivity and reduction of waste reflect the experience acquired over years from the production of new series of banknotes for our two anchor customers. The Swiss National Bank issued a further denomination in the shape of the 200-Swiss franc note in 2018, so that only the 1000- and 100-Swiss franc notes remain to complete the 9<sup>th</sup> series of banknotes in 2019. The acquisition of orders from third-party customers is proving challenging in the face of a more competitive market environment, but further new customers were impressed by the Orell Füssli Group's offering in 2018. Security Printing will continue to position itself as a supplier of banknotes of the highest quality featuring the finest design technology and seek to establish long-term partnerships going forward. In 2019 the emphasis will be on the wider penetration of the third-party customer market in addition to the adaptation of the structural and process organisation to the changes in market conditions.

Book Retailing made encouraging progress in 2018. Although the market environment continued to be very challenging, Book Retailing reported a slight increase in net income and an improvement in operating earnings to their highest level since the launch of the joint venture in 2013. Concentration on the measures defined in the transformation programme, which was in its third year of implementation in 2018, paid off, especially since work on cost items continued unabated. The [www.orellfussli.ch](http://www.orellfussli.ch) platform proved its value as the basis of an integrated omni-channel strategy, as did the adjustments to the branch portfolio. Alongside the realisation of the two new inner-city branches in St. Gall and Basle, Book Retailing was also able to secure promising new space in Zurich and Pfäffikon. Book Retailing is well positioned to hold its own in a difficult market environment in 2019.

In conclusion, the Board of Directors together with the Executive Board will push on the corporate strategy for the Orell Füssli Group as a whole in 2019. The objective is to lay the foundation for long-term development on the basis of the company's existing strengths which will sustainably position Orell Füssli in times of rapid transformation and major changes and thus live up to the standards of a 500-year-old company.

For the 2019 financial year we foresee a somewhat weaker earnings trend. Due to the structural adjustments made to the business model we expect an improvement in the earnings situation at the Zeiser Division. At Security Printing we continue to expect a potential decline in earnings due to the change in the product mix to lower-margin orders while further improvements are made in operating performance. At Book Retailing we foresee prospects similar to 2018, with the course of Christmas business in 2019 by tradition being the decisive factor for the earnings situation.

The Board of Directors will propose to the Annual General Meeting to be held on May 15, 2019, that a regular dividend of CHF 4.00 per share be paid. In addition, the Board of Directors will propose to the Annual General Meeting on May 15, 2019, that a special jubilee dividend of CHF 2.00 per share be paid on the occasion of Orell Füssli's 500<sup>th</sup> anniversary.

Dear shareholder, we can look back on a challenging year, during which major changes were completed at Zeiser and Security Printing had to cope with the expected challenges presented by the market. The Board of Directors and the Executive Board will continue to work together to achieve further progress in the strategic development of the company in its jubilee year.

We wish to take this opportunity to express our thanks especially to our customers and our shareholders for their loyalty and the confidence they place in us and the Orell Füssli Group. Thanks also to our employees in all companies for their committed efforts and their determination to move forward together with the company.

Zurich, March 2019



DR. ANTON BLEIKOLM  
*Chairman of the Board of Directors*



MARTIN BUYLE  
*CEO*

**EBIT**  
*in CHF million*

**12.0**