

## 2019 financial year: Good operating result, transformation bears fruit

- **EBIT and net income significantly higher than the previous year's figures**
- **Net revenue lower than in 2018 due to the sale of parts of Zeiser's business**
- **Security Printing: acquisition of new customers**
- **Zeiser: successful focus on profitable serialisation**
- **Book Retailing: further increase in profits and expansion of market share**
- **Entry into the market for digital ID solutions through investment in Procivis AG**
- **Dividend of CHF 6.00 per share proposed**

*Zurich, March 16, 2020 – 2019 was a good financial year for Orell Füssli. The transformation programme launched in 2018 is starting to take effect and is contributing to a reinforcement of the company's market position and profitability. Security Printing successfully completed the 9<sup>th</sup> banknote series for the Swiss National Bank and efforts directed towards optimising the product mix are making perceptible progress. At the Zeiser Division the focus on the core business of serialisation is proving its worth. Book Retailing can look back on a successful financial year in which it was able to expand its market position further.*

Orell Füssli reported net revenue of CHF 237.4 million in the 2019 financial year (CHF 264.9 million in 2018). The decline compared to the previous year was attributable mainly to the sale of parts of the Zeiser Division's business as well as lower volumes at Security Printing. Earnings from operations (EBIT before special items) were maintained at virtually the previous year's level despite lower revenues and amounted to CHF 19.7 million (CHF 20.1 million in 2018). Operating earnings (EBIT) increased to CHF 18.2 million in the 2019 financial year (CHF 12.0 million in 2018). This figure includes special items amounting to CHF -1.5 Mio. (CHF -8.1 million in 2018), which originate mainly from diverse expenditure and income in the Security Printing, Zeiser and Publishing divisions. After adjustments for special items both EBIT and net income were well above the previous year's figures. Net income at Orell Füssli amounted to CHF 10.9 million (CHF -47.2 million in 2018). In 2018 this figure was depressed by non-recurring, non-cash expenditure in the amount of CHF 54.0 million relating to the sale of parts of Atlantic Zeiser's business. Shareholders' equity including minority interests remained practically stable at CHF 147.8 million (CHF 148.5 million in 2018). The equity ratio rose slightly to 66.8%.

### **Security Printing Division**

The Security Printing Division posted net revenue of CHF 101.2 million in 2019 (CHF 112.3 million in 2018), equivalent to a reduction of 10% compared to the previous year. The decline in net revenue was attributable to changes in the product mix with an increase in export business and the completion of substantial orders from anchor customers. Earnings from operations (EBIT) before special items for action taken to make banknote production more flexible and the value adjustment of a minority interest totalling CHF -2.1 million amounted to CHF 11.3 million (CHF 18.8 million in 2018). As expected, a significant reduction in fixed costs compared to the previous year was insufficient to offset the decline in gross profit. Operating earnings (EBIT) were CHF 9.2 million (CHF 18.0 million in 2018).

In 2019 the Security Printing Division reported a slight increase in sales volumes (+5%) compared to the previous year. Sales efforts bore fruit and production volumes for the export market were higher (58% of total sales volume) than for long-standing anchor customers for the first time since 2013. The final denomination of the Swiss National Bank's 9<sup>th</sup> banknote series was issued in September 2019 in the shape of the 100-Swiss franc note. The division's successful positioning as a supplier of high-quality and at the same time economically attractive banknotes was maintained in an intensely competitive market environment in 2019, but remains a challenging task in the medium term. For the Security Printing Division 2020 will feature increased investment activity, intensified innovation efforts, a further increase in orders from the international market as well as the optimal orientation of the division towards the expected shift in the product mix in the direction of less complex notes in the export business.

### **Zeiser Division**

In 2019 the Zeiser Division exceeded targets in respect of both net revenue and operating earnings. Net revenue amounted to EUR 26.2 million or CHF 29.2 million (EUR 43.9 million/CHF 50.7 million in 2018). Earnings from operations (EBIT) before special items amounted to EUR 4.2 million or CHF 4.8 million. Operating earnings (EBIT) after special items were EUR 5.8 million or CHF 6.4 million (EUR -7.4 million/CHF -8.5 million in 2018). When comparing the financial statistics with the previous year's figures it should be borne in mind that the Zeiser Division's business activities underwent fundamental changes in the previous year, and the production plant in Paderborn (DE) was also sold at the end of May 2019.

In the serialisation of banknotes, passports and security documents, such as revenue stamps or lottery tickets, Zeiser expanded its leading market position further and in particular was able to acquire an exceptionally large number of new orders for banknote serialisation. This resulted in a large order backlog in 2019, which ensures sustained and solid capacity utilisation for 2020. The focus in 2020 will be on the consolidation and expansion of the division's leading market position as well as the further activation of business opportunities generating synergies. The closure of the production site in Andover (UK) and the resulting centralisation of manufacturing at headquarters in Emmingen (DE) will lead to further optimisation in production processes. Preparations for merging the production facilities at the two sites in Emmingen are also being pursued.

### **Book Retailing Division**

Last year the Book Retailing Division again reported an increase in net revenue compared to 2018. In 2019 this amounted to CHF 97.4 million, an increase of some 6% compared to the previous year (CHF 92.2 million). Operating earnings (EBIT) increased in the year under review to CHF 6.5 million (CHF 5.0 million in 2018) as a result of the encouraging course of business. On the basis of comparable selling space sales volumes increased by 3.4 % and net revenue by as much as 3.8% (2.1% in 2018), while the market as a whole grew by 1.5% during the same period. Digital and online mail order business again grew in the double-digit percentage range in 2019. In the business customer segment the merger of the activities of Orell Füssli and Delivros also resulted in significant sales growth.

The pleasing trend in net revenue and operating earnings shows that the transformation programme launched in 2015 and resolutely implemented since then is taking effect and bearing lasting fruit. Steps such as ongoing work on the bricks-and-mortar product range and the expansion of customer loyalty programmes made an important contribution to the positive trend. With regard to expenditure the main focus of attention remained on increasing productivity per unit of space and optimising indirect costs. The bricks-and-mortar branch portfolio was further reinforced by new openings in the Seedamm Center in Pfäffikon and on Europaallee in Zurich. The emphasis for the Book Retailing Division in 2020 will be on the profitable expansion of market share across all sales channels.

## **Publishing**

Net revenue at Orell Füssli Publishing in 2019 was CHF 9.8 million, 3% lower than the previous year's figure (CHF 10.1 million). While sales of legal media, educational media and children's books were in line with the previous year's outcome, non-fiction posted a decline due to a reduced autumn publishing programme. An extensive transformation programme in the context of the development of publishing activities was launched and will be implemented in 2020. This resulted in special items in the 2019 financial statements.

## **Investment in Procivis AG: entry into digital ID solutions**

Digitisation is encouraging growing demand for efficient government and private online services. Digital identities open up attractive opportunities for serving government agencies, companies and the public efficiently with digital services and improving interaction. E-government, for example, offers the chance to process documents such as extracts from the companies' register, the land register, the debt collection register, the record of previous convictions, as well as birth certificates, tendering processes, change-of-address certificates, incorporation of companies and also verifications in the sharing economy rapidly and inexpensively in future via secure digital identities and by means of electronic signatures.

As a long-standing partner of government and leading specialist in security technologies and individualisation of security documents, Orell Füssli plans to augment its expertise through security solutions for digital identities. Orell Füssli is investing for this purpose in Procivis AG, a technology leader in e-id products. Procivis solutions have become established as one of the leading technologies in recent years and offer government agencies, organisations and the public secure digital access to diverse services. Synergies with the Security Printing Division also arise, and Procivis can benefit from Orell Füssli's experience in business with government agencies and its strong brand. The Procivis system is already successfully in use in Canton Schaffhausen and is being continuously expanded.

## **Elimination of the holding structure**

In order to simplify the group structure, to optimize administrative processes and to take advantage of the possibilities offered by the reform of corporate taxation, Orell Füssli Holding Ltd and its wholly owned subsidiaries in Switzerland will merge to form the new Orell Füssli Ltd. Subject to the approval of this year's Annual General Meeting to the amendment of the articles of association, this change will come into effect retrospectively on January 1, 2020. The management team of the Orell Füssli Group is expanded by the addition of the heads of the Security Printing and Zeiser divisions.

## **Dividend**

The Board of Directors will propose to the Annual General Meeting to be held on May 20, 2020, that a dividend of CHF 6.00 per Orell Füssli share be paid. The dividend will be payable after its approval by shareholders at the Annual General Meeting. Orell Füssli plans to distribute around 75% of the free cash flow to shareholders in future.

## **Changes in the Board of Directors**

Dr Caren Genthner-Kappesz, Dr Beat Lüthi, and Peter Stiefenhofer have decided not to stand for re-election to the Board of Directors of Orell Füssli Ltd at the Annual General Meeting on May 20. The Board of Directors wishes to express its thanks to the retiring directors for their great commitment and valuable contribution to its work. Mirjana Blume, Dr Martin Folini and Dr Luka Müller will be proposed to the Annual General Meeting for election to the Board of Directors, which is confident that their extensive experience and profound expertise will ideally complement this body.

## **Outlook for 2020**

Orell Füssli foresees a continued challenging market environment in the 2020 financial year. Due to the changes in the product mix towards lower-margin orders at Security Printing, this division foresees a solid first six months and significantly weaker earnings in the second half of the current financial year. Zeiser will be in a position to continue its positive development in 2020. Orell Füssli expects

a stable trend at Book Retailing, whereby the effects of the Covid-19 virus cannot be assessed at present. For 2020 overall, Orell Füssli foresees slightly lower net revenue than in 2019 and an EBIT margin in the mid-single-digit range.

The company will hold an event for investors in autumn 2020 with the objective of offering investors, financial analysts and the media more detailed insight into Orell Füssli's activities. Orell Füssli will also present its medium-term planning on this occasion.

## Key figures for Orell Füssli in CHF millions

CHF millions	2019	2018
Total net revenue	237.4	264.9
EBITDA	29.2	26.5
EBIT before special items	19.7	20.1
Special items	-1.5	-8.1
EBIT	18.2	12.0
Net income	10.9	-47.2
Shareholders' equity	147.8	148.5
Net income after minority interests	8.5	-50.1
Shareholders' equity before minority interests	138.2	141.6
Dividend (in CHF per share) <sup>1)</sup>	6.00	4.00 + 2.00
Employees (full-time equivalents) on December 31	627	691

<sup>1)</sup> Proposed by the Board of Directors to the Annual General Meeting held on May 20, 2020

The Annual Report can be accessed immediately on the Internet at [https://www.ofh.ch/fileadmin/editors/Downloads\\_EN/Financial/2019/Annual\\_Report\\_2019.pdf](https://www.ofh.ch/fileadmin/editors/Downloads_EN/Financial/2019/Annual_Report_2019.pdf) (eReport <https://reports.ofh.ch/en/2019>) or requested as hard copy via e-mail at [investors@ofh.ch](mailto:investors@ofh.ch).

## Calendar

Annual General Meeting 2020	May 20, 2020
Publication of 2020 half-year results	August 7, 2020

## Contact

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*Orell Füssli is a pioneer in the fields of security and education. With its expertise in security solutions for governments and citizens and as a leading Swiss book retailer, Orell Füssli supports its customers with a unique and customer-specific offering. As a leading systems supplier for security technologies and identification systems and a long-standing partner of government, Orell Füssli sets technological standards. In the fields of security printing and serialisation Orell Füssli provides innovative printing processes, systems and services for the production and successful protection of banknotes, securities and identity documents.*

*With its attractive large-format and specialist bookstores Orell Füssli offers a wide-ranging book-related shopping experience. In book retailing Orell Füssli has a 50% interest in Orell Füssli Thalia AG, which provides an extensive offering through 36 branches in German-speaking Switzerland and diverse e-commerce services. Orell Füssli provides logistical and service facilities for libraries and companies.*

*Orell Füssli was founded more than 500 years ago and generates revenues of some CHF 250 million with around 600 employees at locations in five countries. Orell Füssli shares are listed on the SIX Swiss Exchange.*