

Media release

Orell Füssli Ltd Robust business model confirmed in a difficult environment

- **Increase in annual result despite reduction in net revenue and EBIT**
- **Security printing: difficult market conditions due to pandemic**
- **Zeiser: Good business year after successful transformation**
- **Book trade: Strong online business limits Corona-related decline in sales**
- **Publishing houses: Transformation successfully completed**
- **Investments in technologies and digitalisation**
- **Dividend of CHF 3.00 per share proposed**

Zurich, March 17, 2021 - Orell Füssli reported net sales of CHF 218.6 million in the 2020 financial year, 8% lower than in the previous year. Most of the reduction is attributable to the difficult market environment caused by Corona, the postponement of orders in security printing and the sale of an activity at Zeiser in the previous year. Operating earnings (EBIT) amounted to CHF 14.4 million in 2020, equivalent to a margin of 6.6%. The Orell Füssli Group's net profit for the 2020 financial year was CHF 15.0 million.

Orell Füssli reported a financial year in 2020 in line with expectations and held its own in a difficult market environment. Thanks to a robust business model, a healthy balance sheet, comprehensive crisis management and flexible and committed employees, Orell Füssli demonstrated resilience in the past year and managed to limit the negative impact of the pandemic to a considerable extent. Both order backlog and new order entries were at a solid level. Net sales at the Orell Füssli Group for 2020 amounted to CHF 218.6 million (previous year: CHF 237.4 million), a reduction of 8% compared with the previous year. Operating income (EBIT) declined to CHF 14.4 million (previous year: CHF 18.2 million). Due to tax and financial effects, the annual result increased to CHF 15.0 million (previous year: CHF 10.9 million). Equity including minority interests is slightly lower than at the end of 2019 at CHF 144.5 million (previous year CHF 147.8 million). The equity ratio at the end of 2020 was 68.4% (previous year 66.8%).

The result achieved is based on the two pillars of security and education: a Swiss focus in book retailing and an international business with long-term government contracts in security printing. The market for banknotes and value documents was intact in 2020 and the demand for banknotes during the Corona pandemic was present. The fundamentals of the banknote and value document market are robust and the market is growing at 4% and 6% per annum respectively. However, the business environment has become noticeably more challenging in recent years. Overcapacities in the market for banknotes are leading to increased competition and price pressure. The book trade in Switzerland also looks back on a challenging year, mainly due to the lockdown in spring and the Corona measures imposed to retailers during the 2nd half of the year.

In 2020 Orell Füssli successfully completed the group strategy review process initiated two years ago. This has led to strengthened market positions of the divisions, which are now all operating profitably. Today, the Orell Füssli Group is more clearly structured, operate with more efficiency and focuses on selected areas of two global growth trends: security and education. The business will be further developed on this basis and active efforts are undertaken to shape the future.

In the field of security Orell Füssli sees attractive business potential in the protection of physical assets against misuse and forgery and in the management of identities. Opportunities are also offered by the growing demand for online services, which more and more authorities, cantons and municipalities are planning to implement. Digital identity is a central key to this. A new and attractive ecosystem of services will emerge in this area in the next few years, and Orell Füssli sees opportunities to become involved here. Its investment last year as a strategic partner of the Zurich based Procvivis AG was a first step in this

direction. Education is becoming an increasingly important key to prosperity. Orell Füssli is currently evaluating various strategic options to further strengthen the group's position in the education business, both analogue and digital.

In the past financial year several changes were implemented at the company group level. Orell Füssli Holding Ltd. and its wholly-owned subsidiaries in Switzerland were merged to form the new Orell Füssli Ltd. in order to simplify the legal structure and to optimise internal processes. Particularly Finance and IT operations were aligned and the group's corporate design was revised. Orell Füssli has also selectively strengthened expertise and diversity on the Board of Directors and at senior management levels.

Security Printing Division

The Security Printing Division achieved net sales of CHF 87.3 million in 2020 (previous year CHF 101.2 million). This corresponds to a reduction of 14% compared to the previous year. The decline in net revenue is due in particular to a changing product mix with a high share of the export business with less complex banknotes (63% of total sales volume). Despite a significant reduction in fixed costs compared to the previous year, the decline in gross profit could, as expected, not be fully offset. The operating result (EBIT) for 2020 amounts to CHF 5.5 million (previous year CHF 9.2 million), which corresponds to a margin of 6.3%.

In the past year, the Security Printing Division was able to acquire new customer projects in the international market despite the difficult market conditions caused by the Corona pandemic. The successful positioning as a provider of high-quality and economically attractive banknotes was maintained in a highly competitive market environment. In the year under review, major investments (CHF 13.7 million) were made in the modernisation of the production equipment. The current year will be marked by further investments in infrastructure and innovation, the acquisition of new orders from the international market and the preparations for digital products in the identity business. The order backlog at the end of 2020 ensures a solid capacity utilisation for 2021. However, due to the changing product mix, high price pressure in the market and ongoing Corona influences in sales, Security Printing expects lower earnings for 2021.

Zeiser Division

Despite challenging market conditions, Zeiser was able to meet expectations for net sales and even exceed them for the operating result in the past financial year. Net sales in 2020 amounted to CHF 24.8 million (previous year CHF 29.2 million) after the sale of an activity and the operating result (EBIT) before special effects was CHF 5.1 million, 6% above the previous year's result (previous year CHF 4.8 million). This corresponds to an EBIT margin of 20.6%. Business was stabilised at a high level in the areas of banknote numbering and passport individualisation.

The focus on the serialisation business was consistently pursued and the leading market position was further expanded. As a result, Zeiser 2020 was able to acquire an above-average order volume for retrofitting numbering machines for banknotes and for new investments in passport production lines.

For the 2021 business year, stable sales is expected in the banknote numbering segment. A significant increase in the area of ink-jet serialisation is expected however. The new ink-jet printer from Zeiser introduced last year will strengthen the business of individualisation of security documents. For the future, strategic opportunities are being explored to further develop banknote serialisation and security document individualisation.

Book Retailing Division

In 2020, the Book Retailing Division's proportionately consolidated net sales amounted to CHF 96.2 million, a slight decline of 1.2 % compared to the previous year (CHF 97.4 million). The operating result (EBIT) was CHF 5.5 million (previous year CHF 6.5 million).

The extremely challenging market conditions due to Corona led to a slight decline in sales last year. In connection with the national lockdown in March/April 2020, all stores had to be closed for 8 weeks. In December 2020, renewed restrictions for retailers, such as the ban on Sunday sales, lockdowns in the cantons of Aargau and Solothurn, as well as capacity restrictions in the shops, led to significant impairments in the Christmas business. Switzerland-wide home office recommendations during practically the entire year led to low commuter frequencies, which had a negative impact on the sales performance of our bookstores in the important railway station branches as well as in city centres. Overall, the bricks-and-mortar business recorded a 22% decline in sales in the past 2020 business year. Thanks to the established omnichannel strategy and a leading position in e-commerce, the digital and online mail order business was able to record revenue growth of 46%, thus compensating for a significant part of the revenue losses from the stationary business. The division was able to consolidate its position as Swiss market leader in book retailing and gain market share even in the difficult year 2020. The stationary store portfolio was strengthened by new openings in the popular Volkiland shopping centre in Volketswil and the Regensdorf centre. The largest Orell Füssli bookstore on Bahnhofstrasse in Zurich was completely refurbished and renovated last year. A new store was opened in Berne at a central and attractive location at the end of November 2020 to replace the location in the LOEB department stores', which was closed at the end of the year. In 2021, the Book Retailing Division will again face major challenges. For example, all branches had to close again from 18 January 2021 to end of February due to Corona restrictions.

Publishing

Thanks to the good sales trend and the measures implemented, the publishing businesses reported positive EBIT for the first time again last year. Net sales at Orell Füssli Publishing last year were CHF 0.5 million or 4% higher than in the previous year. While sales of legal media, educational media and children's books were in line with the previous year, an increase was recorded with non-fiction books thanks to bestsellers in the spring programme. As part of the development of the publishing houses, a comprehensive transformation programme was implemented during the past year and completed on schedule by the end of the year. The main elements were the optimisation of the publishing organisation, the discontinuation of the non-fiction programme and the OF Kinderbuch brand and the sale of Atlantis Verlag to Kampa Verlag AG. In future Orell Füssli will concentrate on educational and legal media and on the well-known Globi and Carigiet children's book brands for children of primary school age. The publishing house has a strong and established programme in this field and sees attractive potential for further development of the business unit and expansion of its market position.

Dividend

The Swiss book retailer Orell Füssli Thalia Ltd, in which Orell Füssli holds a 50% stake, introduced temporary short-time working in 2020 and applied for a Covid-19 loan and could therefore not pay a dividend last year. As a consequence and due to the lower operating result and cash flow compared to the previous year, Orell Füssli is adjusting its dividend for the 2020 financial year. The Board of Directors will propose a dividend of CHF 3.00 per Orell Füssli share to the Annual General Meeting on May 11, 2021. Orell Füssli is adhering to its communicated dividend policy and intends to continue to distribute a substantial part of the annual result to shareholders in the future. The dividend will be paid after approval by shareholders at the annual general meeting.

Changes in the Board of Directors

Dr Anton Bleikolm has decided not to stand for re-election to the Board of Directors and as Chairman of the Board of Directors of Orell Füssli Ltd at the forthcoming Annual General Meeting. The Board of Directors would like to thank the retiring Chairman for his great commitment and valuable cooperation over many years. It proposes to the Annual General Meeting the election of Dr Martin Folini as the new Chairman of the Board of Directors and the election of Mr. Johannes Schaede as new Board Member. Mr. Schaede holds a Master Degree from ETH Zürich and has more than 25 years of experience in the security printing industry. If elected, Mr Schaede would take office as a Board member in January 2022 at the latest.

Outlook for 2021

It is very difficult to make forecasts for 2021 due to the continuing presence of the pandemic. Orell Füssli expects lower sales in security printing, book retailing and publishing due to the current product mix in the order book, the renewed lockdown in winter 2021 and the sale of Atlantis Verlag. Based on last years' experience, Orell Füssli expects Zeiser's sales to be at a similar level to 2020. For the entire Orell Füssli Group, the company therefore expects for 2021 slightly reduced net sales and an EBIT margin remaining in the mid-single-digit range.

Key figures Orell Füssli in CHF million

<i>In CHF million</i>	2020	2019
Net revenues from deliveries and services	218.6	237.4
Operating performance EBITDA	24.1	29.2
EBIT before special effects	14.2	19.7
Special effects	0.2	-1.5
Operating result (EBIT)	14.4	18.1
Annual result	15.0	10.9
Equity	144.5	147.8
Net result after minorities	12.9	8.5
Equity before minorities	135.5	138.2
Dividend (in CHF per share) ¹⁾	3.00	6.00
Number of employees (FTE) as at 31.12.	581	627

¹⁾ Proposal of the Board of Directors to the Annual General Meeting of 11 May 2021

Annual Report 2020

The Annual Report 2020 is available on the internet <https://reports.orellfuessli.com/en/2020> or available on request in printed version via e-mail investors@orellfuessli.com.

Agenda

Annual General Meeting	11 May 2021
Publication Half-Year Results 2021	06 August 2021

Contact

Orell Füssli Ltd
Tel. +41 44 466 72 73, media@orellfuessli.com

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.