

# Editorial

## Dear Shareholder

The year 2020 was marked by the COVID-19 pandemic. The virus fundamentally changed social life last year and posed major challenges to everyone, society and the economy. Governments were forced to impose far-reaching measures to contain the pandemic, also in Switzerland. The restrictions put society and the economy to a test and we must probably expect long-term effects of the pandemic.

### NET REVENUE

in CHF million

# 218.6

Orell Füssli demonstrated crisis resilience in this difficult year. Thanks to our robust business model, a solid balance sheet, comprehensive crisis management as well as flexible and committed employees, we were able to limit the negative impact of the pandemic to a considerable extent. Orell Füssli held its own in a difficult market environment in 2020. Although sales and profitability were lower than in the previous year and cash flow was negative due to high capital expenditure, our solid balance sheet allows us to pay a dividend for the 2020 to our shareholders.

The solid result is based on our two pillars security and education: a Swiss focus in book retailing and an international business setup with long-term government contracts in security printing. This helped us during the Corona crisis. At the same time, we ensured an optimal preparation for the economic recovery and the future. Last year, we continued to work on the development of our Group, investing in the renewal of our equipment and technologies and pushing ahead with digitalisation. The COVID-19 pandemic accelerated digitalisation significantly and underlines Orell Füssli's commitment to e-commerce, digital ID solutions and e-learning.

In 2020, the market for banknotes and value documents remained intact and demand for banknotes was solid during the COVID-19 pandemic. The fundamentals of the market for banknotes and value documents are robust and the market is growing by 4% and 6% annually, respectively. Especially in times of crisis, cash gains more importance as value storage. The business environment has become however noticeably more challenging in recent years. Overcapacities in the security printing market led to price pressure and increased competitive intensity. The bookstores in Switzerland also look back on a challenging year, mainly because of the lockdown in spring and the very different cantonal Corona regulations for the retailers.

Operationally, the Orell Füssli Group performed in the 2020 financial year in line with expectations. Both orders on hand and order intake were at a solid level. Net sales at the Orell Füssli Group declined by 8% year-on-year to CHF 218.6 million (previous year: CHF 237.4 million), which can be explained by the difficult market environment, the postponement of orders in security printing and the sale of an activity by Zeiser in the previous year. The operating result (EBIT) decreased to CHF 14.4 million (previous year: CHF 18.2 million). The annual result increased to CHF 15.0 million (previous year CHF 10.9 million) due to tax and financial effects. The equity ratio of 68.4% is slightly higher than in the previous year (previous year 66.8%).

In the Security Printing Division we combine technologically highly complex security features with unique competencies in printing technology. As a long-standing partner of governmental organisations and a leading specialist in security technologies and individualisation, we offer secure and innovative solutions for banknotes, value documents and identity documents. The business also stood out for its stability during the pandemic, even though the market environment is currently difficult. In 2020, the design and production of new banknotes for Costa Rica and the Bahamas was successfully launched and work on the next generation of Swiss passports continued. Despite pandemic-related travel restrictions that led to postponements in order acquisition for new projects, new orders were acquired in the export business which increased to 63% of the total volume. However, the decline in print volume, caused by the completion of the first issue of 9<sup>th</sup> Swiss banknote series in September 2019, could not be fully compensated by the acquisition of new orders. Consequently, 2020 sales remained slightly below the previous year's level, as expected.

The Zeiser Division looks back on a good business year and was able to benefit from the successful realignment and focus on the area of serialisation of value documents such as banknotes and passports. For the future, we will also explore strategic opportunities to further develop banknote serialisation and the individualisation of security documents. In the past financial year, Zeiser was again able to increase profitability compared to the previous year and order backlog was at a high level at the end of the year. Zeiser could therefore start into 2021 with confidence.

Despite the COVID-19 pandemic, the book trade held up surprisingly well and was able to close the business year only slightly below the previous year. This result represents an exceptional performance by the division in view of the corona-related restrictions and temporary closure of our bookstores and the renovation of our largest bookstore at the Kramhof in Zurich. Orell Füssli Thalia's very strong position in online retailing, which has been built up over several years, was the key to limiting the decline in sales last year. 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. We will continue to drive forward the omnichannel strategy, the implementation of the product range strategy, the expansion of the bookstore network and the expansion of the business customer segment.

Orell Füssli Publishing successfully completed its transformation in the past year and will in the future focus on educational and legal media and the well-known Globi and Carigiet children's book brands for primary school-age children. The publishing house has a strong and established programme in this area and we see attractive potential for the further development of the business area and the expansion of the market position. The COVID-19 pandemic has also given an additional boost to digital learning.

With the sale of Atlantis Verlag, the Group's strategy review process initiated two years ago was completed at the end of 2020. This has helped to strengthen the market position of the divisions, which are now all operating profitably. Orell Füssli is now more clearly structured, operates more efficiently and focuses on selected growth businesses in the area of security and education. We aim to develop our business further on this sound basis and take an active approach to shaping Orell Füssli's future. The structures and finances are in place. We see attractive opportunities in both the security and education segments. In the area of security, for example, the protection of physical valuables against misuse and counterfeiting and the management and use of identities are gaining in importance with digitalisation. Further opportunities will come up due to the growing demand for online services, which more and more authorities, cantons and municipalities are offering. The digital ID is a central key to this. A new and attractive ecosystem of services will emerge in this area in the next few years. We see opportunities for Orell Füssli to become more and more involved here. A first step was the strategic partnership with the Zurich-based company Procivis AG. Education is also becoming an increasingly important key to prosperity. We are currently evaluating various strategic options to further strengthen our education business, both analogue and digital.

**EBITDA***in CHF million***24.1****EBIT***in CHF million***14.4**

**NET INCOME  
FOR THE PERIOD**

*in CHF million*

15.0

Several changes were also made at Orell Füssli's group level in the past financial year. Orell Füssli Holding Ltd. and its wholly-owned subsidiaries in Switzerland were merged into the new Orell Füssli Ltd. in order to simplify the group structure and optimise administrative operations. Operational processes and IT were optimised and the group's corporate design was revised.

Orell Füssli has selectively strengthened expertise and diversity at all management levels. Mirjana Blume, Dr Martin Folini and Dr Luka Müller were newly elected to the Board of Directors. They bring valuable legal, digital and operational know-how to the Board of Directors. At Executive Board level, Désirée Heutschi was appointed as the new Head of Corporate Development. Ms Heutschi has extensive experience from the software industry and in innovation management. Among other things, she will also be responsible for developing digital business for the Orell Füssli Group. Two further women have been appointed to central management positions, namely Ms. Martina Barth as Head of Orell Füssli Publishing and Ms. Sonja Lütolf-Strupler as Head of Human Resources. Beat Müller, our long-serving CFO, will retire at the end of July 2021. Reto Janser is designated to become our new CFO. He has broad international experience as CFO in industrial and service companies.

Due to the still very present COVID-19 pandemic, forecasts for 2021 are exceptionally difficult. Based on last year's experience, we expect business at Zeiser and in book retailing to be at a similar level to 2020. In security printing we anticipate a slightly lower volume of sales due to the current product mix in the order book. For the Orell Füssli Group as a whole we therefore expect net sales to be somewhat lower in the current year, but we continue to expect an EBIT margin in the mid-single-digit range.

The Board of Directors proposes to the Annual General Meeting on 11 May 2021 to approve a dividend of CHF 3.00 per share. It is important to us that our shareholders participate regularly in the success of the company, even in a difficult environment.

We would like to express our sincere thanks to our employees in all companies for their performance and commitment in a difficult year, to our customers and partners for their continued loyalty and to you, our shareholders, for your great confidence in us and the Orell Füssli Group.

Zurich, March 2021



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