

Zurich, 21 December 2017
Thomas Jordan

Remarks by Thomas Jordan on the acquisition of a majority stake in Landqart AG

We would like to inform you that, yesterday, the Swiss National Bank acquired 90% of the shares in Landqart AG. The remaining 10% of the share capital will be taken over by Orell Füssli Holding. The vendor is a subsidiary of the Canadian-based company Fortress Paper Ltd. As a manufacturer of security paper, Landqart, located in Landqart, Graubünden, produces the Durasafe® substrate used for the new Swiss banknote series. In addition to the acquisition of Landqart AG, Landqart Management and Services was also purchased, and also in the same ratio. Landqart Management and Services holds the patents for the Durasafe® technology.

Today, we will be explaining the background to this transaction and the rationale behind it. After that, we will be happy to answer your questions.

The SNB's new ninth-series banknotes are based on a substrate which is developed and produced by Landqart – the Durasafe® substrate. This substrate subsequently goes to Orell Füssli for printing and to have the various security features added. Landqart is the only company to provide the Durasafe® technology and associated production capabilities.

In October, Landqart informed us that a major customer of conventional banknote paper – i.e. not of the Durasafe® substrate – had unexpectedly cancelled its order at short notice. Losing this order meant that projected fourth-quarter turnover dropped by 16%. For 2018, this will even mean as much as 30%. Landqart was thus facing a liquidity crisis which it was not able to manage alone.

In an initial move, on 2 November, Landqart applied for short-time working for a period of three to four months starting in December, and it informed its staff and the local media accordingly. At the same time, it also began to look for a long-term solution. Meanwhile, the

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problem facing the SNB was that the manufacture of the substrate for the ninth banknote series would not have been guaranteed across the entire production stream.

After considering various options, the SNB came to the conclusion that, under the circumstances, the best solution would be to join forces with Orell Füssli and take over Landqart together. We subsequently entered into negotiations with Fortress, which culminated yesterday in the signing of contracts and the acquisition of both companies. The purchase price for Landqart AG and Landqart Management and Services amounts to CHF 21.5 million. Of this, the SNB's portion amounts to CHF 19.35 million. Owing to the liquidity situation at Landqart, restructuring measures and an injection of liquidity will have to be initiated.

This acquisition enables the SNB to fulfil its statutory mandate of ensuring the continued supply of cash. Had the production of Durasafe® not been safeguarded, issuance of the new banknote series would have been jeopardised. The SNB did not want to take this risk. The takeover of Landqart not only means acquiring the patents and production units, it also means securing the expertise and commitment of Landqart's employees. This in turn ensures that the production process can be continued without interruption.

In view of the current orders situation, short-time working will have to be continued. An in-depth analysis of the future business model will show which further restructuring measures are necessary. Rest assured that Landqart's management and the new owners will do everything possible to secure new orders. However, the market for banknote paper is very competitive.

There are two reasons for cooperating with Orell Füssli in the takeover of Landqart:

- First, Orell Füssli is Landqart's direct contracting partner for the supply of the Durasafe® substrate.
- Second, Orell Füssli has the requisite industrial know-how and is the SNB's general contractor for the new banknote project.

As the new owners, the SNB and Orell Füssli will appoint the new boards of directors, while the existing executive board will look after the operational management.

In the first phase, Landqart's liquidity will have to be secured, the company put on a sound footing, and the production of Durasafe® guaranteed. This is being provided for by the takeover of Landqart and the planned rapid injection of liquidity by the new owners.

In the second phase, a comprehensive situation review and a strategy review will need to be conducted. We are therefore currently not in a position to discuss options resulting from this phase.

We will now be happy to answer your questions.