

orell füssli

Annual Report 2021





Content

Group section		Financial Report	
Orell Füssli at a glance	04	Financial statements of the Orell Füssli Group	52
Editorial	06	1.1 Consolidated income statement	52
Key figures	10	1.2 Consolidated balance sheet	53
The year in pictures	12	1.3 Consolidated cash flow statement	54
Vision and strategy	14	1.4 Consolidated statement of changes in equity	55
Focal issues	16	2 General information	56
Course of business	20	3 Performance	57
Sustainability	32	4 Operating assets and liabilities	63
Corporate governance	36	5 Capital and financial risk management	74
Compensation report	46	6 Other financial information	77
		7 Other disclosures	80
		Auditor's report on the consolidated financial statements	83
		Financial statements of Orell Füssli AG	86
		8.1 Income statement	86
		8.2 Balance sheet	87
		9 Notes to the financial statements	88
		Auditor's report on the financial statements	95
		Legal notice and contacts	98



500

years of history



210

million (CHF)
in revenue



15.4

million (CHF)
in EBIT



615

employees

Orell Füssli is a pioneer in the field of security and education. As an expert in security solutions for the state and citizens alike, and as a leading Swiss player in the book retailing sector, Orell Füssli supports its clients with a unique and customised offering.

As a leading system provider of security technology and identification systems and a long-standing partner to governments, Orell Füssli is a technological standard-setter. In the areas of security printing and serialisation, Orell Füssli offers innovative printing processes and services for the production and successful protection of banknotes, value documents and identity documents.

With its attractive large-format and specialist bookstores, Orell Füssli offers a true book shopping experience. In the Book Retailing segment, Orell Füssli holds a 50% stake in Orell Füssli Thalia AG, which offers a comprehensive range of products and services via 36 branches located in German-speaking Switzerland and various e-commerce services. Orell Füssli provides logistics and other services for libraries and the corporate sector. Orell Füssli's publishing houses focus on learning and educational media, and children's books that impart knowledge.

Orell Füssli was established more than 500 years ago and generates revenue of some CHF 210 million with about 600 employees working in five countries. Orell Füssli is listed on SIX Swiss Exchange.

Dear shareholder,

The economic situation in 2021 continued to be marked by the COVID-19 pandemic. The crisis resulted in challenging framework conditions and ongoing uncertainty about the economic effects of the pandemic. The measures to contain the virus also had a negative impact on new investments by clients. As a result, full normalisation is likely to take some time, although an upturn in the economy is expected.

Given the current developments, the core topics of security and education are becoming increasingly important at Orell Füssli. We are pursuing a clear strategy and, thanks to our robust business model and solid balance sheet, we are making targeted investments in the further development and future viability of the business segments. In particular, in 2021 further advances were made in digitalisation in all business segments, with important expenditure in machinery, technology and investments.

Thanks to our stable business base, Orell Füssli's revenue declined only slightly in 2021 and the result was in line with expectations. Book Retailing deserves a special mention, as it managed to adapt very well to the difficult conditions and profited from a book market that once again is growing. As expected, revenue in Security Printing and at Zeiser remained below the previous year's level as a result of restricted travel to clients, postponed projects and increased competition. Orell Füssli Verlag is once again in the black, confirming the decision to focus the publishing house on the education segment and concentrate on learning media and specialist legal media for the Swiss market.

“We managed to increase profitability thanks to a good product mix and efficiency improvements.”

Dr Martin Folini, Chairman of the Board of Directors

The future of Orell Füssli is based on its long-term expertise in business areas that build on the megatrends of security and education. The central elements are its expertise in security technology and important relationships with governmental institutions. The focus of the strategic development is on the increased connection between physical and digital value documents, IDs and certificates, and their protection against misuse and forgery. The acquisition of a majority stake in Procivis AG was a major step in the development of digital solutions in the area of e-government, identities and identification systems. Procivis's expertise and technology will ensure the consistent advancement of digitalisation and put us at the forefront of shaping the attractive digital identities business area. Following several political decisions in this area over the past year, we expect a large and interesting market to emerge in the next few years. Orell Füssli is also evaluating several strategic options in the area of book retailing and publishing in order to further strengthen the Group's position in the education segment, both analogue and digital. Due to the strong digital focus of the Group's future structure, the Board of Directors created a Digital Committee to support the Executive Board with acquisitions and new digital business models. The Digital Committee is led by Dr Luka Müller, Member of the Board of Directors.



Daniel Link
Dr Martin Folini

The Security Printing division gained several new clients in 2021, including a project order from Africa for visa documents. In addition, a new generation of modern printing machines was put into operation that will enable Security Printing to further solidify its position as a leading and innovative quality supplier.

Orell Füssli Thalia's book retailing business performed very well, with the company proving to be very crisis-resistant, despite having to close for several weeks as a result of the pandemic. Thanks to a broad-based omnichannel strategy, a market leading position in the online business and a dedicated and flexible workforce, Book Retailing developed very successfully. The expansion with new businesses in locations with high footfall continued unabated, with several new sites opening in 2021.

The publishing house was realigned, with a focus on learning and educational media and the well-known Globi and Carigiet children's book brands, thus paving the way for further development.

We also enhanced the layout and content of our Annual Report for the 2021 financial year, with the intention of providing you with a clearer and more transparent picture of our company and our strategy.

On the basis of the information contained in this report and subject to any further restrictions as a result of the pandemic, the Board of Directors and the Executive Board expect to

see a slight increase in revenue for 2022. However, due to higher depreciation of property, plant and equipment and a slightly higher cost base, the EBIT margin will be marginally below the previous year. The acquisition of new clients in Security Printing remains challenging due to the pandemic, full inventories at central banks and excess capacity in the market. However, as at the end of December 2021, the order situation is good until Q2 2022. Due to its expanded product portfolio, Zeiser was able to address a broader client base and grow further. Orell Füssli Thalia AG expects revenue in book retailing to expand further as well, thanks to the opening of new locations.

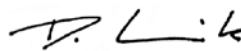
The Board of Directors proposes that the shareholders at the Annual General Meeting on 11 May 2022 approve a dividend of CHF 3.40 per share (previous year: CHF 3.00). Orell Füssli intends to distribute a substantial 60%–80% of net profit to shareholders. This principle will also apply in subsequent years.

We would like to thank our employees sincerely for their tireless commitment, dedication and flexibility. We thank our clients, business partners and you, our shareholders, for your loyalty and trust in our company.

Zurich, March 2022



DR MARTIN FOLINI
Chairman of the Board of Directors



DANIEL LINK
CEO

Key figures

INCOME STATEMENT

in CHF million	2021	2020	2019	2018	2017
Revenue	210.4	218.6	237.4	264.9	288.5
Thereof Security Printing	73.8	87.3	101.2	112.3	129.8
Thereof Industrial Systems	25.3	24.8	29.2	50.7	55.9
Thereof Book Retailing	103.3	96.2	97.4	92.2	91.7
Thereof other business areas	7.7	10.3	9.8	10.1	11.1
EBITDA (EBIT + Depreciation + Impairment)	25.4	24.1	29.2	26.5	28.5
in % revenue	12.1%	11.0%	12.3%	10.0%	9.9%
Depreciation and Impairment	-10.0	-9.7	-11.0	-14.5	-15.9
EBIT	15.4	14.4	18.2	12.0	12.6
Thereof Security Printing	6.1	5.5	9.2	18.0	20.1
Thereof Industrial Systems	5.5	5.3	6.4	-8.5	-6.7
Thereof Book Retailing	7.5	5.5	6.5	5.0	1.6
Thereof other business areas	-0.0	1.0	-1.2	-0.3	-0.1
in % revenue	7.3%	6.6%	7.7%	4.5%	4.4%
Net income for the period¹⁾	12.1	15.0	10.9	-47.2	6.4
Net income in % revenue	5.8%	6.9%	4.6%	-17.8%	2.2%
Minority interests of net income for the periode	2.7	2.1	2.4	2.9	1.6
Net income for the period after minority interests ¹⁾	9.4	12.9	8.5	-50.1	4.8

¹⁾ In 2018, CHF 54.0 million extraordinary result from the partial sale of Industrial Systems is included

BALANCE SHEET

in CHF million	2021	2020	2019	2018	2017
Tangible assets	70.2	62.3	50.8	58.6	75.2
Total assets	185.9	211.1	221.1	223.5	229.5
Total equity	138.8	144.5	147.8	148.5	156.2
thereof minority interests	12.8	9.0	9.6	6.9	10.8
Equity financing ratio	74.7%	68.4%	66.8%	66.5%	68.1%

OTHER KEY FIGURES

in CHF million	2021	2020	2019	2018	2017
Cash flow from operating activities	26.4	11.9	20.8	16.5	39.4
Investment	25.9	23.3	5.4	10.0	9.5
in tangible assets	14.6	18.6	4.6	9.0	8.2
in intangible assets	0.9	0.5	0.8	1.0	1.2
in financial assets	10.4	4.2	-	-	0.1
Free Cash flow	0.5	-11.5	15.4	6.5	29.9
ROCE (NOPAT/Capital Employed) ²⁾	9.5%	9.9%	10.4%	4.9%	3.5%
Full-time equivalents FTE (annual average)	585	572	639	807	867
Full-time equivalents FTE (at 31.12.)	615	581	627	691	884

²⁾ NOPAT: EBIT minus income tax expenses

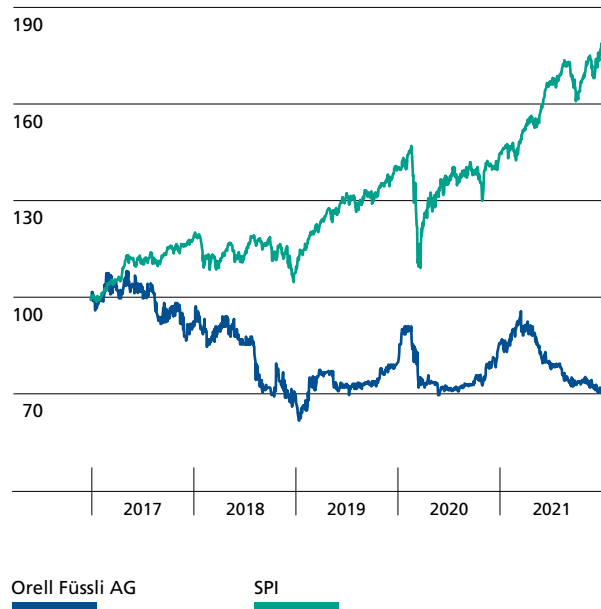
Capital Employed: Average equity plus average interest-bearing liabilities plus average pension fund liabilities

“The solid balance sheet and the high equity ratio provide a good foundation on which to shape the future of the Group.”

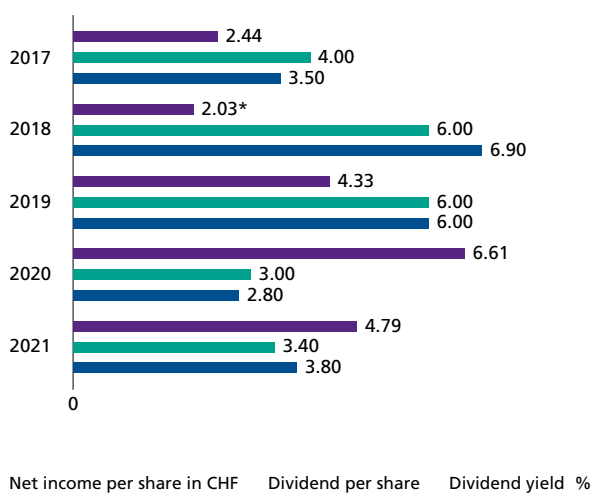
Reto Janser, CFO

SHARE PRICE PERFORMANCE

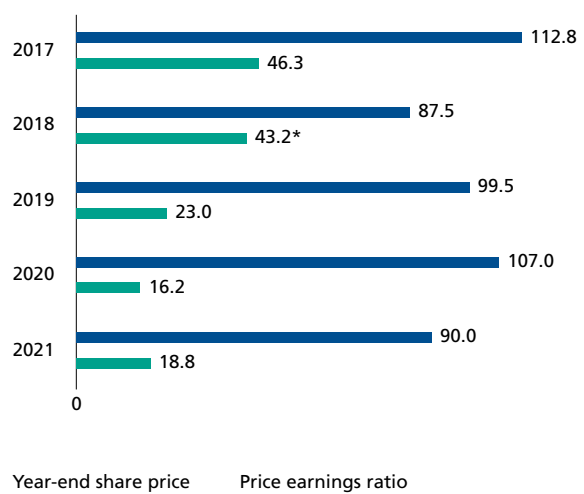
indexed, in %



DIVIDEND INFORMATION



SHARE INFORMATION



* excluding an extraordinary result of CHF -54.0 million resulting from the partial sale of Industrial Systems

The year in pictures



January

The workforce thanks the management for free food in the company canteen during the lockdown period.



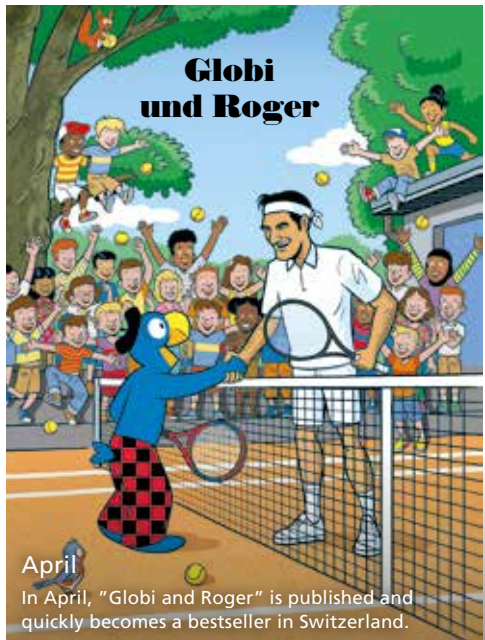
March

Intergraf's conference and exhibition takes place as a virtual event in 2021.



February

The commissioning of the Super Orlof Intaglio III means that Security Printing now has a latest-generation intaglio press.



April

In April, "Globi and Roger" is published and quickly becomes a bestseller in Switzerland.



May

Chairman Dr Anton Bleikolm retires following the successful transformation of the Orell Füssli Group and seven years of service on the Board of Directors.



June

Dr Martin Folini takes office as the new Chairman of the Board of Directors of the Orell Füssli Group, contributing valuable operational expertise.



July

Zeiser acquires innovative track & trace software with its takeover of Inspectron, and thus expands its position in the traceability of security documents.



August

The new layout of the Annual Report is defined.

pro-civis

AN ORELL FÜSSLI COMPANY

September

Orell Füssli acquires a majority stake in Procvivis, enabling it to help shape the attractive digital identity business field.



November

The Central Bank of Costa Rica receives the first notes of the denomination produced by Orell Füssli.



October

Orell Füssli Thalia AG opens its first branch in the canton of Zug in the Metalli shopping centre.



December

Zeiser moves into its new headquarters, built to meet the very latest environmental standards.

Vision and strategy

Orell Füssli is an established brand and stands for Swissness, reliability and credibility. The strategy of developing the company further in the areas of security and education is based on a solid and broad-based foundation.

Orell Füssli Security Printing is a worldwide specialist in high-quality security technologies, products and solutions, and a leading manufacturer of banknotes, identification documents and systems, and security documents. Thanks to its long-term client relationships, the company has a deep understanding of the needs and processes of central banks, passport offices and government agencies. Orell Füssli Security Printing also benefits from the excellent reputation of Swiss National Bank as an anchor shareholder and client.

Zeiser is a market leader in the area of serialisation and has a leading market position in the numbering of banknotes, passports and security documents. Zeiser's portfolio of serialisation technologies for the security printing industry was expanded in 2021 with the addition of innovative track & trace software to ensure the traceability of security documents.

Orell Füssli Thalia AG, in which the Orell Füssli Group holds a 50% stake, is the undisputed No. 1 in Swiss brick-and-mortar book retailing and is also the largest online provider in the Swiss market. For companies and educational institutions, Delivros Orell Füssli AG is a leading provider in the procurement, distribution and use of electronic content.

Orell Füssli Publishers is a specialist provider of learning media, legal media and children's books, and stands for reliable print and digital content.

Procivis AG, a leading Swiss technology company for the digitalisation of services in the public sector in which Orell Füssli AG acquired a majority stake in 2021, has enabled Orell Füssli to strengthen its position in the market for physical and digital identity and certificate solutions, and to tap new innovation and business potential.

Megatrends as driving factors

A robust business model and solid balance sheet provide the best conditions in order to benefit from the long-term trends in the areas of security and education.

In view of the complex and dynamic risks in an increasingly connected world, people's need for security is increasing. They require trustworthy and forgery-proof physical value and identity documents. This security is also required for digital identities and verifications. Privacy and data protection have never been as important as they are today.

Education is increasingly viewed in our knowledge society as the key to prosperity. The future of education is thus digital, interactive, individual and mobile, and is shaped by a number of user-friendly offerings. The acquisition of knowledge takes place increasingly within cooperative and decentralised structures between learners and on platforms.

Strategy, market prospects, vision

Based on the security and education megatrends, new prospects and attractive opportunities are opening up for Orell Füssli. In the strategic field of security, the company is focusing on Digital Trust Services. Physical certificates (verifications) are converted into digital verifications known as “digital twins”. They are combined with further functions (e.g. digital signature). As a result, citizens, companies and government agencies can provide binding digital verification and use it in a verifiable manner for digital business processes. Orell Füssli is in the unique position of being able to offer analogue and digital verification from a single trustworthy source, thus enabling efficient and simple interactions.

A key milestone in the implementation of the Digital Trust Services vision is the strategic partnership between Orell Füssli and Swisscom, which was announced in January 2022. The two companies want to jointly offer citizens, companies and government agencies the first intelligent digital verification system. In the first step, digital verification will be developed to make age verification easier when purchasing age-restricted products or for digital application dossiers.

In terms of education, Orell Füssli is currently evaluating several strategic options to further strengthen the Group’s position in the education segment, in both analogue and digital media. Orell Füssli’s extensive experience and good market position as a bookseller and publisher form an important basis for the further development of its current range in digital applications. Increasing sales in online book retailing and an established omnichannel offer provide further growth potential. The reason Orell Füssli Thalia AG joined the start-up Evrlearn as the lead investor (see Course of business, p. 27) is to launch new offers to meet the needs of online communities.

On the basis of clearly defined strategic initiatives, Orell Füssli drives the digital transformation forward, thus initiating the next chapter in the company’s more than 500-year history. It also aims for greater consistency in reducing its dependence on cycles, ensuring the solid and long-term profitability of core businesses and expanding its international and Swiss market position.



“The future of Orell Füssli is based on its long-term expertise in business areas that take advantage of the security and education trends.”

Daniel Link, CEO

Procivis – a pioneer for digital identity solutions

Interview with Daniel Gasteiger, CEO Procivis AG

Daniel Gasteiger, inspired by the digital society in Estonia, you founded Procivis AG in Switzerland in 2016. What have we learned from Estonia?

In Estonia, contracts are no longer signed by hand because digital signatures have become established in the Baltic country. This in turn is based on the national digital identity that every Estonian receives automatically at birth. But in order for the social use of digital services to function, there has to be a uniform infrastructure, a resolute government, collaboration between the state and private companies – a “public-private partnership” – and consistent promotion of the use of digital communication and work tools.

“A government-issued electronic ID makes numerous practical applications possible.”

You assume that public services will be accessed primarily via mobile phone in the future?

Correct. Mobile phones are becoming increasingly important in our lives. Most young people access the internet and communicate with one another almost exclusively via mobile, and even my mother now talks with family using the chat function on her phone. That is why the user-friendliness and accessibility of the app is a key concern for Procivis. The user interface is polished and ergonomically tested.

What about security?

We view data security and the ability of individuals to manage their own data as a decisive criterion for the broad acceptance of an eID solution by the population. With our app, personal data is as secure as the data on the identity card in your wallet. And you alone decide with whom and when you exchange which data. The data on your mobile cannot be hacked since it is accessed decentrally on your smartphone using a digital key. In other words, the data cannot be accessed centrally via a website using a login with a password. When the eID data is issued, its accuracy is confirmed by a trusted organisation; for example, by a resident registration office or the road traffic authority. When and where this data is subsequently presented remains confidential and cannot be traced.

Swiss voters rejected an e-ID law in 2021. Will an eID be introduced one day anyway?

Absolutely. The Swiss population wants an eID issued by the authorities. Our clients, such as the canton of Schaffhausen and the city of Zug, already provide their citizens with an e-ID. And in December 2021, the Federal Council published a policy decision on a potential national eID. We are also monitoring various international initiatives that aim to create the necessary eID infrastructure and standards on the basis of the “Self-Sovereign Identity (SSI)” approach. This concept meets the criteria defined by the Federal Council for the design of a future state eID and according to which our software architecture is structured. A state-issued electronic ID based on the SSI approach opens up a number of useful applications when dealing with both government agencies and businesses, such as age verification in supermarkets or casinos.



Daniel Gasteiger

In addition to the "eID+" solution, Procivis has also offered "mDL+", a mobile driving licence solution, since 2021. What makes this unique?

Our digital driving licence meets the standard developed by the International Organization

for Standardization (ISO/IEC 18013), which was issued for driving licences on smartphones or tablets for the first time in September 2021. Our "mDL+" app, and the associated software for managing digital driving licences, is a pioneering product worldwide. Furthermore, the technical interfaces of "mDL+" are open for future applications in the mobility sector – whether for car rental, car sharing or other mobility services.

Why did Procivis join forces with Orell Füssli?

The trust that Orell Füssli enjoys worldwide as a provider of high-quality security solutions for governments and private individuals was a crucial factor. Another key element is the common mindset we have as security companies. In order to develop a government eID structure, people must be provided with comprehensive information and made aware of security issues in a digital society. Orell Füssli can make a contribution to this. And it also benefits from the strengthening of its own position in its core business with government security documents, which we can digitalise together. Furthermore, new business potential for the Group is opened up, such as digital verification for the private sector.

Procivis AG

As part of the strategic development of new business areas and the expansion of its business portfolio, Orell Füssli took a stake in Procivis in spring 2020 and acquired a majority share in autumn 2021. The acquisition of Procivis enables Orell Füssli to strengthen its position in the area of ID solutions and tap into the growth market for digital IDs. The Swiss company Procivis is the creator of forward-looking solutions for digital identities and e-government. Procivis's smartphone-based identity solution has been introduced successfully in the canton of Schaffhausen and the city of Zug, enabling users to handle their data autonomously.

Globi – a national favourite

Interview with Gisela Klinkenberg, Head of Globi Verlag / Children's Book Brands, on the 90th anniversary of the Globi brand

Gisela Klinkenberg, how does Globi Verlag contribute to the success of the Orell Füssli Group?

Our team generates annual revenue of about CHF 2 million with Globi products, royalty income, events and more. Globi Verlag has sold a total of more than 9 million books and 3.3 million audio books since it was formed. The most successful book, "How Globi became a farmer", has sold about 285,000 copies. But it seems to me that the most important thing is the intangible value

and the appeal of Globi. He is a sympathetic character and he is recognised by 98% of the population of German-speaking Switzerland.

So Globi is well connected?

Very well connected. We work with institutions such as the federal parliament, the police, the fire brigade, ETH and the post office, with companies and experts from all areas, in sales, in licensing, in the development of book content, in the organisation of events and many other activities. The list of partners is long.

You achieved a real coup with "Globi and Roger". How did the partnership with Roger Federer come about?

The Roger Federer Foundation contacted me about four years ago. It wanted to get involved in the topic of family poverty. I recommended the family of Papa Moll because in my view it was a better fit with the topic than Globi. For various reasons, the project did not come about. I was told that Roger really wanted to work on a Globi book. Of course, I was happy to do so, and we developed the story with Roger in conversations and written exchanges.

What makes Globi books so special?

Their place in Swiss society. In addition to children, they are also read by collectors and fans. Globi books are bought mainly by parents, grandparents, relatives, friends and acquaintances. Globi books can be found in doctors' offices, at hairdressers, in libraries and schools, and in many other places, including home bookshelves, of course.

Globi's presence is felt in society like almost no other character.

Yes, that's true. Globi is often quoted. He receives birthday wishes from adults and children and a lot of drawings. The national bird was an important role model in the

Gisela Klinkenberg



childhood of leading figures such as Federal Councillor Kaspar Villiger and WEF founder Klaus Schwab. Globi appears in unexpected places in everyday life: on the cover of business magazines and on stamps, and boats are named after him as well. Globi has penetrated our culture and our language. Think about the Swiss-German expression “Bisch en Globi” (“You’re a Globi”).

“With more than 9 million books sold, Globi is celebrating 90 years of success in 2022.”

You have overseen the brand as Head of Globi Verlag since 2000 and you have worked at the publishing house since September 1995. What is the secret to the success of Globi?

The character is passed down from generation to generation. When our young readers find other interests at about the age of twelve, Globi remains a positive force in their hearts, one that is reawakened when they have children of their own.

I think it’s a combination of durability and adaptability thanks to continuous development that makes this character so strong. Globi was created as a promotional character for the Globus department store chain in 1932. In Switzerland, this type of customer loyalty was unprecedented at the time. The first book, “How Globi became a farmer”, appeared in 1935. A Globi magazine appeared 30 years later. There were Globi clubs for kids before there were books. The easygoing bird offered a glimmer of hope for many in economically and politically troubled times. And so this sympathetic character, whose adventures corresponded to the spirit of the time, continued to be passed on.

How did you come to join Orell Füssli?

In 2006, Migros acquired a majority stake in the Globus Group. It was expected that such a large company would have no room for a small business unit such as Globi Verlag. That was the moment we decided that the publishing house should be placed in other hands. Together with the then-CEO Thomas Kern, I led the sales negotiations. Ultimately, Orell Füssli’s bid won out over several competitors. With SNB as a shareholder and the 500-year history of the publishing house, Orell Füssli Verlag was a good, solid and very safe choice, and we were confident that the house would be able to handle the tradition well.

What are the future plans for Globi? Will we see him on our mobile phones sometime soon?

That’s entirely possible. Discussions with providers are always ongoing. To date, however, the costs have been too high. There are also ideas concerning digital possibilities that we are discussing with ETH, among others. Perhaps a project will be ready for implementation soon.

Activities during the 2022 anniversary year

In addition to a number of campaigns at points of sale, events with licensing and other partners, as well as bookshops, will take place. From April 2022, a Globi “experience tram” will run on various routes through Zurich and the surrounding area for three months. The event will be accompanied by a multimedia campaign and all our partners will be involved in one way or another. An exhibition about Globi’s history will be open at the Toy Worlds Museum in Basel for children and adults from May to October. Information about all activities can be found at www.globi.ch.

Course of business

The Orell Füssli Group achieved solid results in 2021. The expected slight dip in revenue is offset by increased profitability at EBIT level. The market developments and overall conditions that formed the basis for these results are explained in detail in the editorial and divisional reports below.

The Group closed 2021 with revenue of CHF 210.4 million (previous year: CHF 218.6 million). The operating result (EBIT) amounted to CHF 15.4 million (previous year: CHF 14.4 million). Net profit came to CHF 12.1 million (previous year: CHF 15.0 million), pushing the EBIT margin up to 7.3% (previous year: 6.6%). The financial result of CHF -1.5 million (previous year: CHF 0.6 million) is due primarily to the depreciation of the euro against the Swiss franc.

At CHF 138.8 million (previous year: CHF 144.5 million), including minority interests, the Group continues to report substantial equity

in its balance sheet. The equity ratio had risen to 74.7% as at 31 December 2021 (previous year: 68.4%). The continuing high investment volume and the acquisitions made were financed from the operating cash flow. The freely available liquidity after deduction of minority interests increased by CHF 1.3 million to CHF 37.3 million.

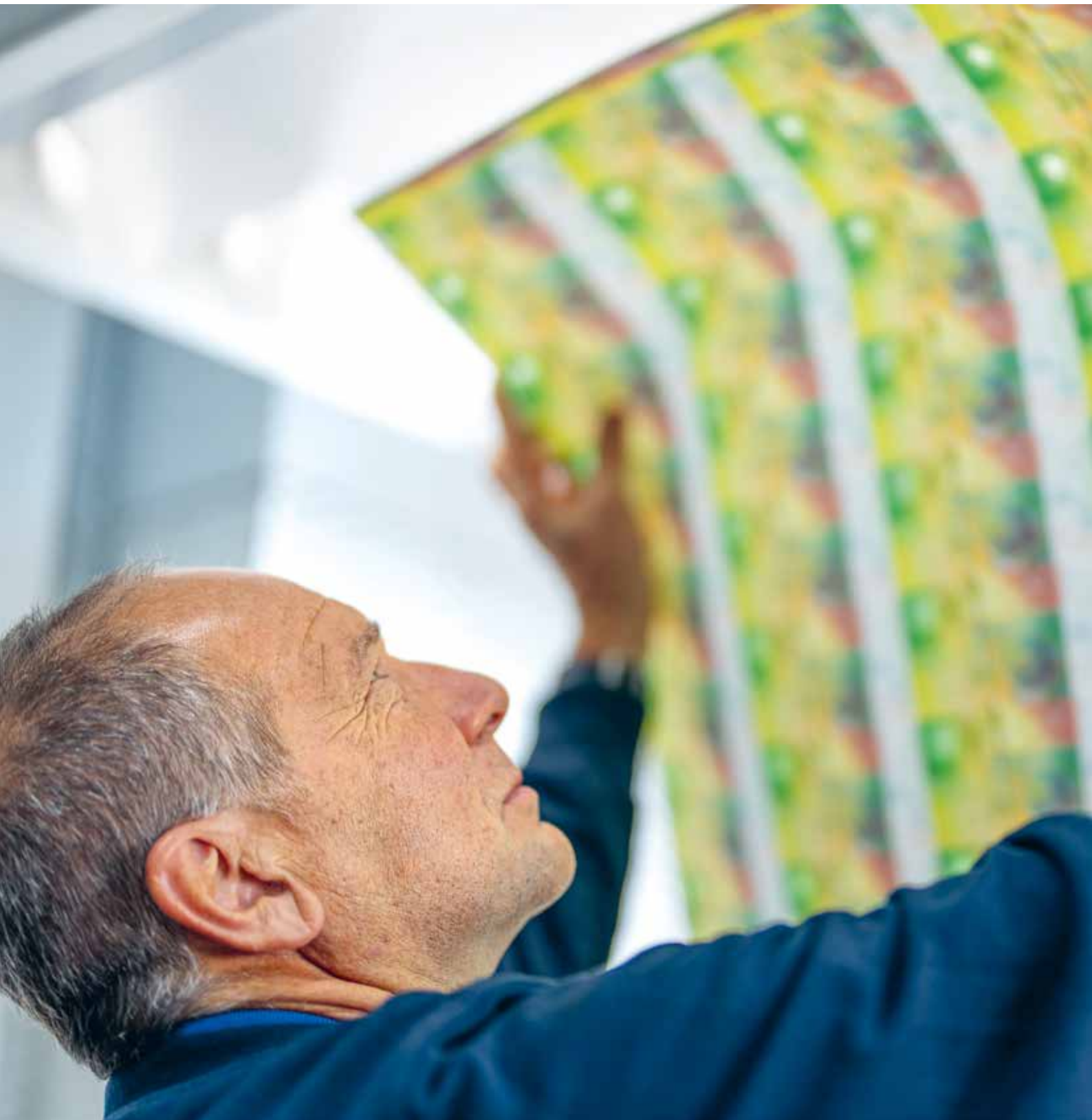
On 1 July 2021, the business unit acquired from Inspectron (in the Industrial Systems segment) was included in the scope of consolidation for the first time, with Procvivis AG included under "Other business areas" from September 2021.

SEGMENT FIGURES

in CHF thousand	2021	2020	2019	2018	2017
Security Printing					
Revenue from sales to customers	73,824	87,301	101,175	112,318	129,845
Operating earnings (EBIT)	6,119	5,511	9,209	18,020	20,145
EBIT margin	8.3%	6.3%	9.1%	16.0%	15.5%
Industrial Systems					
Revenue from sales to customers	25,317	24,790	29,186	50,708	55,850
Operating earnings (EBIT)	5,540	5,291	6,416	-8,524	-6,723
EBIT margin	21.9%	21.3%	22.0%	-16.8%	-12.0%
Book Retailing					
Revenue from sales to customers	103,300	96,213	97,353	92,171	91,673
Operating earnings (EBIT)	7,452	5,505	6,508	4,970	1,587
EBIT margin	7.2%	5.7%	6.7%	5.4%	1.7%
Other business areas					
Revenue from sales to customers	7,741	10,283	9,845	10,122	11,077
Operating earnings (EBIT)	-33	1,017	-1,219	-311	-126
EBIT margin	-0.4%	9.9%	-12.4%	-3.1%	-1.1%



Orell Füssli Security Printing relies on Zeiser's numbering boxes. The error-free execution of this late step in the production process is crucial in maintaining the quality requirements and deadlines of discerning clients.



In addition to quality control with state-of-the-art technical aids, the physical inspection by our experienced employees still plays a decisive role in the production of high-quality security documents.

Security Printing

Result

In 2021, the Security Printing division generated revenue of CHF 73.8 million (previous year: CHF 87.3 million), in line with expectations. This figure is down by CHF 13.5 million year-on-year. The result is characterised by a continued large proportion attributable to the banknote export business (76.6% of total sales volume) and a product mix that generates less value added. In contrast, operating profit (EBIT) increased slightly to CHF 6.1 million (previous year: CHF 5.5 million). The increase in profitability can be explained by a higher proportion of ID business and tight cost management, despite a renewed high level of investment in production facilities in the amount of CHF 5.1 million.

The COVID-19 pandemic continued to hinder the development and maintenance of the international banknote printing business in 2021. In order to arrive at an in-depth understanding of clients' quality requirements, on-site visits are essential. However, travel faced extensive restrictions in 2021.

The ID business went better than expected. Orell Füssli benefited from the delay in the introduction of new passport models and from extraordinary measures to reprint existing documents. In the system business of visa personalisation, Orell Füssli secured its first client on the African continent.

Connected Banknotes CBDC

Orell Füssli conducted initial experiments on the development of hybrid banknotes in 2021. These banknotes combine convention-

“The market for banknotes is intact and growing worldwide. However, it is faced with excess capacity and price pressure as a result of printing cycles.”

Dr Michael Kasch, Managing Director, Security Printing

Market

The market for banknotes and value documents remained intact in 2021 and demand for banknotes during the pandemic was solid. The fundamentals of the banknote and value document market are robust and the market is growing at a mid-single digit rate per year. Demand is driven in particular by the world's emerging markets. Eight out of ten consumers worldwide still use cash and a third of the world's population does not have a bank account. In addition, high-denomination banknotes have become an increasingly popular store of value since 2008 – and even more so during the months of the pandemic. At the same time, the banknote market is faced with excess capacity and price pressure as a result of printing cycles.

al security elements with barcode solutions in order that the value can be transferred to a digital wallet.

Related to this, a partnership was entered into with the Munich-based company Augentic in the financial year under review.

Outlook

Orell Füssli expects a slight increase in revenue and a further increase in operating profit in Security Printing in 2022.

Industrial Systems

Result

At CHF 25.3 million, revenue generated by the division in 2021 was up slightly in a year-on-year comparison (CHF 24.8 million). The operating result (EBIT) amounted to CHF 5.5 million (previous year: CHF 5.3 million).

A significant individual order for numbering systems placed by one of Asia's biggest banknote printers ensured considerable capacity utilisation in the year under review. Nevertheless, Zeiser sensed a certain reluctance in terms of new customer investments. In particular, the business with systems for digitally printed security documents suffered from the travel restrictions imposed by the pandemic. Sales of passport printing systems, on the other hand, showed satisfactory development thanks to a system upgrade and orders for spare parts.

Market

Zeiser successfully defended its position as the world's leading provider of serialisation solutions in the security printing industry in 2021. However, both government clients and private companies were hesitant to place new orders and held back on investments. In order to understand and serve very specific client needs, face-to-face meetings and direct communication are essential. As a result, the acquisition of new clients and projects once again suffered from the global travel restrictions. In the logistics chain, Zeiser was affected by bottlenecks at some of its suppliers in the second half of the year, particularly in the area of semiconductors.

Investments, R&D

The construction of and scheduled relocation at the end of 2021 to the new production facility in Emmingen, which was built in line with the latest new environmental standards (see page 32), marked a milestone for Zeiser. Central aspects of the machinery installed in the new factory building have been geared towards greater automation and digitalisation in the production process.

A major development focus at Zeiser in the year under review was the establishment of simulation environments and systems for verification and quality control in the numbering process. Zeiser also patented various in-house developments of precision engineering tools.

Strategy and growth potential

With effect from 1 July 2021, Zeiser acquired leading document inspection and track & trace technologies for security printers from Inspectron (UK) and Inspectron's US subsidiary, which specialises in the service business. Inspectron's systems are used to verify, track and report millions of documents, labels, identity cards and packaging in the production process. The core product acquired by Zeiser is a real-time tracking, reporting and auditing system that can be used on both individual machines and entire production lines. The acquisition allows Zeiser to further expand its position as a leading provider of serialisation solutions and services for the security printing industry. Inspectron's technology, combined with Zeiser's range of customisation and verification technologies, market access, sales resources and integration expertise, offers attractive synergies and significant growth potential. It will also allow Zeiser to increasingly offer software and services alongside micromechanical products in the future.

Outlook

Zeiser is confident as it looks ahead to 2022. The expansion of the portfolio through new technology and service agreements, coupled with the increasing number of enquiries, means that Zeiser expects its revenue to grow in the current year. However, this is subject to the proviso that more business travel and client visits are possible again.

“The acquisition of Inspectron represents an expansion of our portfolio and ideally complements Zeiser's existing business.”

Thorsten Tritschler, Managing Director of Zeiser GmbH



The fully electronic numbering boxes manufactured by Zeiser are high-precision components. Before they are delivered to the client, each individual numbering machine undergoes a standardised test programme.



Traditional book retailing remains a central pillar alongside the e-commerce segment. Thanks to a dedicated workforce, the bricks-and-mortar retail business has shown successful development despite the COVID-19 pandemic.

Book Retailing

Result

In 2021, revenue from the proportionately consolidated Book Retailing segment came to CHF 103.3 million, up by 7.4% year-on-year (CHF 96.2 million). The operating result (EBIT) was up by CHF 1.9 million to CHF 7.5 million. The fact that books are experiencing a renaissance despite, or indeed due to, the COVID-19 pandemic has made a significant contribution to this trend. Reading is back in fashion.

Market situation

As in 2020, Orell Füssli Thalia AG successfully mastered the challenges created by the COVID-19 crisis and can look back on positive business development despite closure of all its branches between 18 January and 28 February 2021. The recommendations made by the

another step in the expansion of the business customer segment. Lehmanns offers libraries, hospitals, law firms and other clients solutions for the purchase of specialist literature.

Location policy/development, strategy, growth prospects

Orell Füssli Thalia AG's location development activities focus increasingly on sites in places with high footfall, such as railway stations, shopping centres and city centres in German-speaking Switzerland. The opening of the branch in the Metalli shopping centre in Zug in October 2021 marked another key location. Orell Füssli Thalia AG won several SBB tenders for shopping areas. The branches at Zurich and Basel railway stations were fully refurbished and reopened in 2021, with Orell Füssli Thalia AG also securing a promising new location in St. Gallen.

“We are continuing to expand our stores in high footfall locations and plan to open new sites in 2022.”

Pascal Schneebeili, Managing Director of Orell Füssli Thalia AG

authorities on working from home led to significantly lower commuter flows for a period of several months, reducing footfall and unit sales in the branches at railway stations, the airport and in major city centres. In this challenging environment, Orell Füssli Thalia AG achieved revenue growth of about 8.0% with its bricks-and-mortar retail business. At the same time, and after the jump in revenue of 46.4% in 2020, the digital and online mail order business was also expanded by a further 4.7%.

The division's business customer segment reported the strongest growth of about 14.8% in the year under review. The consolidation of the activities of Orell Füssli Thalia AG and Delivros AG in 2019 to form Delivros Orell Füssli AG and the acquisition of LC Lehrmittel Center in 2020 are starting to bear fruit. LC supplies schools, companies, teaching staff and libraries with specialist literature. In October 2021, the takeover of Lehmanns Media AG in Högendorf marked

The broad-based omnichannel strategy in Book Retailing is proving effective. Clients value the various options open to them when buying a book; for example, the opportunity to gain inspiration and advice in store, home delivery, collect internet purchases in-store or gain instant access to books using the toline e-book reader. According to market research, Orell Füssli also boasts a loyal client base and has an above-average share of frequent readers.

At the end of 2021, Orell Füssli Thalia AG became the lead investor in the start-up Evrlearn. Evrlearn runs a digital community for lifelong learning and provides working people with further training opportunities to meet their needs. The investment is associated with a close collaboration that enables placement of further training opportunities on www.orellfuessli.ch.

Outlook

Orell Füssli Thalia AG plans to open further branches in central Switzerland in 2022; for example, in Pilatusmarkt shopping centre in Kriens/LU. A new branch will also open at Lucerne railway station. Subject to possible setbacks due to the ongoing pandemic, Orell Füssli expects its revenue and operating result in Book Retailing to show a moderate increase in 2022.

Other business areas**Publishing****Result**

The Orell Füssli Publishers division performed in line with expectations in 2021 and once again reported figures in the black. This result is particularly encouraging in view of the strategic focus as a specialist book publisher, the dissolution of sales operations in Germany and additional costs.

Value creation in the publishing business is based on a close network of partners in production, book retailing and the wholesale book trade. The publishing house also places particular emphasis on attracting and maintaining relationships with authors for commentary on various pieces of legislation. Identification of relevant topics and suitable authors is one of the central tasks of those responsible for the programme.

Market and new product launches

In the legal media business area, the commercial edition of the Swiss Civil Code/Code of Obligations (ZGB/OR) remained one of the bestsellers in 2021. The 18th edition of the publication was released last year and is geared towards use in training. Sales of revision books, workbooks and in particular the accompanying commentaries (about 30 titles available) also showed positive development.

“We are evaluating various strategic options in the publishing house to further strengthen our position, both analogue and digital, in the education business.”

Martina Barth, Managing Director of Publishers division

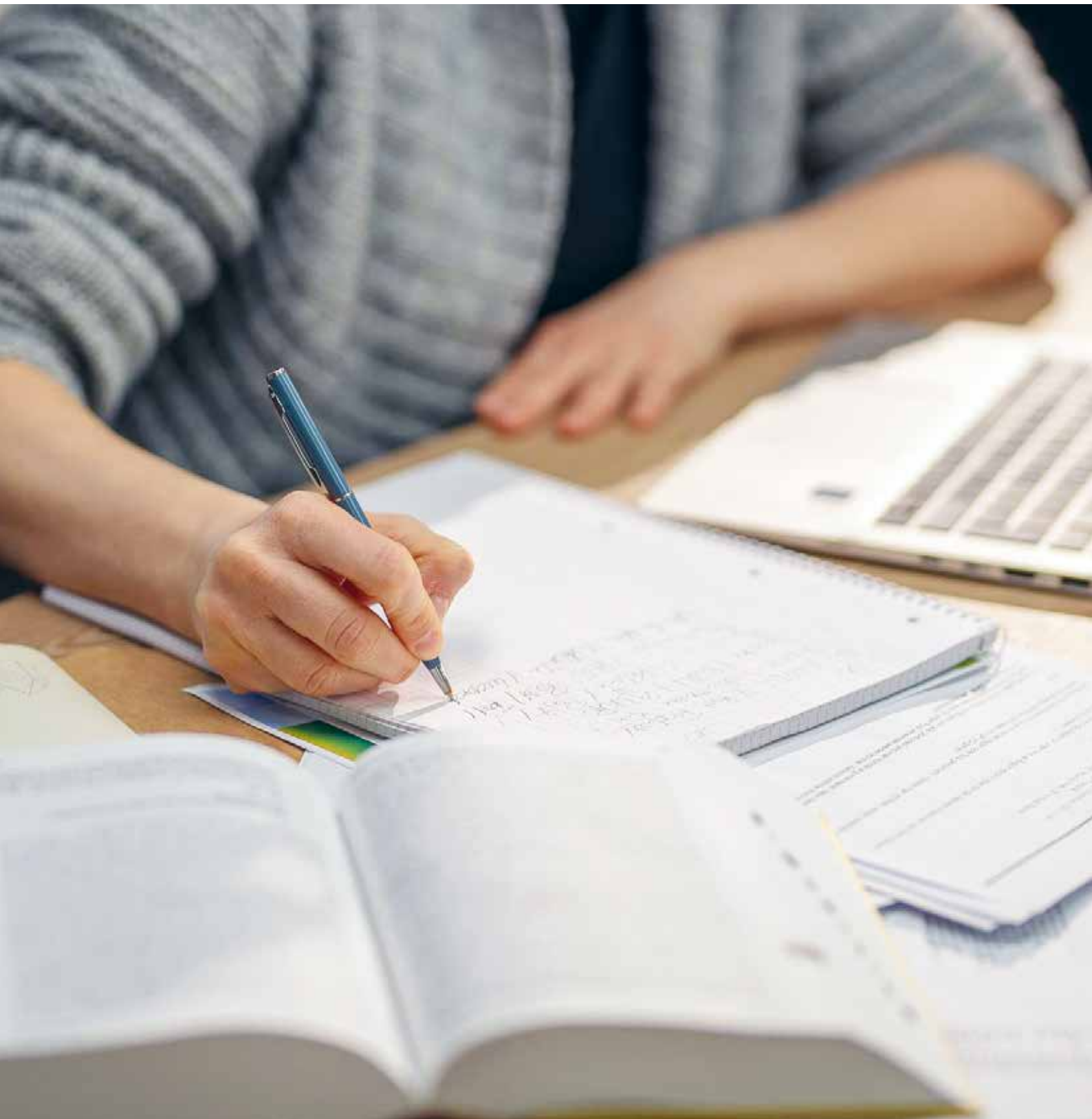
Transformation

In 2021, transformation efforts centred on the smallest of the divisions. The decision to focus on learning and educational media, and on the well-known children’s book brands Globi and Carigiet, paved the way for further development of the publishing house. The emphasis is on combining the current publishing house offering with innovative digital solutions.

Last year, marketing, sales and distribution, purchasing and production were consolidated. The finishing technical touches were made to the publishing system and the production line was modernised. In order to keep the costs of print runs and warehousing to a minimum, Orell Füssli Publishers relies increasingly on book-on-demand.

In the commentaries – the popular “mustard yellow series” – Orell Füssli Verlag released three volumes in 2021, including one on Competition Law II. In the same year, the work on standard cost accounting by a new team of authors was released. It conveys theoretical and practical knowledge on analysis of product profitability and is aimed at participants in management training.

In the market for children’s books, “Globi and Roger” was particularly popular in 2021. The book is available in German, English and French.



The Publishers division focuses on learning, educational, legal media and the well-known children's book brands Globi and Carigiet. In addition, the finishing technical touches were made to the publishing system in 2021 and the production line was modernised.

Strategy and growth potential

With its focus on learning and educational media, Orell Füssli Publishers is increasingly positioning itself in the specialist legal field as a service provider for law firms and corporate legal departments. The first step is development of a digital legal information service that will make decisions and commentaries digitally retrievable and provide context-based search results.

As it moves towards becoming a digital content creator, Orell Füssli Publishers is pursuing a strategy based on e-learning and hybrid offerings (traditional print textbooks combined with digital supplements), particularly in its learning media programme. This approach is also designed to respond to the changing demands of teaching and learning.

Outlook

A new editorial system for the publishing house programmes is set to be launched in 2022. It lays the foundation for the use of content irrespective of the edition format, thus enabling the integration of various digital data formats, including sound and video. In the children's book segment, the birthdays of Globi (90) and Papa Moll (70) will be duly celebrated with various campaigns throughout the year. Read more about Globi's success in the interview with Gisela Klinkenberg on page 18.

Procivis

Solid foundation

Procivis AG plays a pioneering role in the development of digital identity solutions with a consistent focus on privacy by design, data economy and decentralised data storage. The underlying Self-Sovereign Identities (SSI) concepts are aimed at a decentralised and data protection-friendly digital identity and were promoted in a number of initiatives in the EU during the reporting year. This approach was also supported by the Federal Council's policy decision on the direction of the future Swiss eID solution in December 2021, which it developed after losing the referendum on the draft eID bill in March 2021.

In addition to eID+, Procivis AG has offered the mobile driving licence solution mDL+ since 2021. The product, which is the first of its kind worldwide, forms the basis for an open ecosystem and facilitates new mobility services (see interview with Daniel Gasteiger, page 16).

Milestones in 2021 and outlook

Procivis AG can look back on an encouraging financial year. At the beginning of 2021, the company launched the eID+ solution in Zug; it has already been used successfully in canton of Schaffhausen since 2018.

At the same time, an extensive pilot project to create an intercantonal eID standard was launched in cooperation with the Swiss association for IT in cities and municipalities (Verein Schweizerische Städte- und Gemeinde-Informatik).

As part of the marketing campaign for SSI+, Daniel Gasteiger gave a keynote speech at the Swiss Smart Government Day in St. Gallen, and Procivis submitted a position paper on "Target eID" in Bern in the autumn as part of the public consultation of the Federal Department of Justice and Police.

The partnership between Orell Füssli and Swisscom announced in January 2022 builds on the solutions offered by Procivis AG and opens up additional business areas in the private sector, which are now being specifically addressed.



Responsibility for society and the environment

The United Nations' Agenda 2030 to secure sustainable development worldwide at economic, social and environmental level includes 17 Sustainable Development Goals (SDGs). Long before these goals were formulated, Orell Füssli actively contributed to the sustainable development of our economy and society with its corporate culture and business activities. These are values that still characterise the company today.



The UN views sustainable economic growth as achieved when societies create the conditions in which people can obtain high-quality employment that stimulates the economy, but which do not harm the environment. Orell Füssli endeavours to realise new and innovative ideas, to be a technological leader and thus to offer attractive employment opportunities. The Board of Directors and Executive Board of Orell Füssli are committed to embodying these company values on a consistent basis and thus helping to achieve these global goals.

Professional training at Orell Füssli



High-quality education improves quality of life and enables people to develop innovative solutions. Education is also one of the two strategic pillars of the Orell Füssli strategy. For this reason, the company has a strong commitment to internal training and development, and thus creates prerequisites and opportunities.

Switzerland's exemplary dual education system, and also that in Germany, provides young people with basic training at a company along with attendance at a vocational school. This system offers the highest quality training, provides direct access to the job market and opens the door to further education and university opportunities.

Apprenticeships not only have a long tradition at the Orell Füssli Group, they are also highly valued. They ensure the necessary future specialists and enliven the company's corporate culture. Apprenticeships in technical and commercial professions are offered in Zurich and at Zeiser's location in Emmingen.

2021 equal pay study

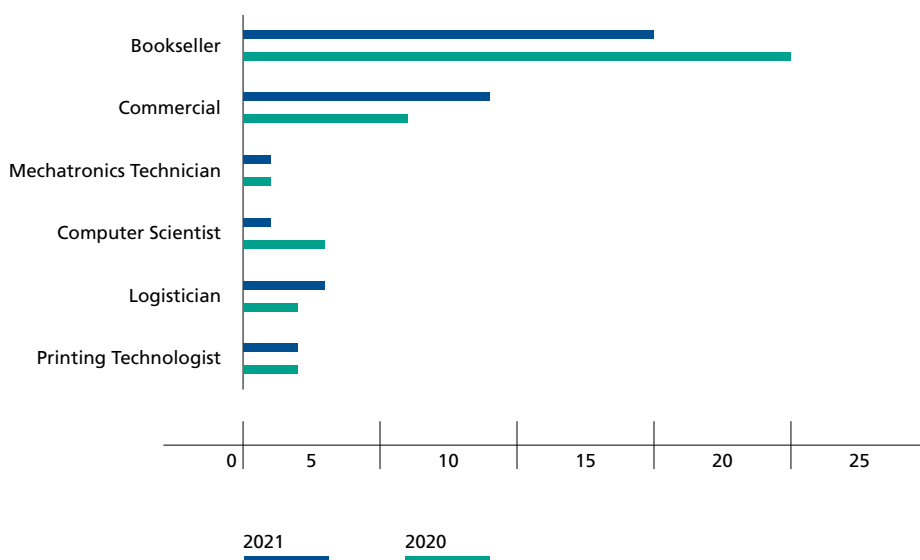


Gender equality is a necessary basis for a peaceful, prosperous and sustainable world, a view with which all UN member states agree. Switzerland has the Gender Equality Act (GEA) to promote equal professional opportunities and salaries for women and men. It was revised in 2020 and obliges companies with 100 or more employees to conduct an analysis of equal pay. For Orell Füssli, as an employer, the promotion of equality is also an opportunity to increase its attractiveness on the employment market, to use the potential of human capital and to take greater advantage of diversity at the company. Equality and protection against any form of discrimination are principles that are explicitly guaranteed to all employees in the Orell Füssli Group Code of Conduct (<https://www.orellfuessli.com/en/investors>).

The analysis conducted by Orell Füssli AG and Orell Füssli Thalia AG was reviewed by PwC in accordance with Art. 13d GEA. The audit company confirmed in its reports dated 30 November 2021 (for Orell Füssli AG) and 7 June 2021 (for Orell Füssli Thalia AG) that the formal reviews of the equal pay analysis did not uncover any facts that would lead it to conclude that the equal pay analysis at the two companies did not meet all the requirements of Art. 13d and Art. 7 GEA. The salary data for 253 employees (79 women and 174 men) at Orell Füssli AG and 571 employees (452 women and 119 men) at Orell Füssli Thalia AG was examined. A comparison was made of employees in different areas, such as Book Retailing, the publishing house, Security Printing and the functions at the Group's head office.

Salary differences can be attributed to the length of service at the company, the employment market conditions at the time of entry, the responsibility assumed and individual skills and performance. Systematic discrimination contradicts Orell Füssli's corporate principles and can therefore be ruled out.

APPRENTICES BY PROFESSION



Protection of climate, energy and water



Based on the UN Agenda 2030, the Orell Füssli Group's core activities in the area of the environment focus on a sustainable energy supply, combating climate change and careful use of water.



These goals were observed consistently when planning the production facility in Emmingen, Baden-Württemberg, which opened at the end of 2021. For example, electricity is generated via a photovoltaic system with an output of 383 kW. This meets about 66% of Zeiser's own energy needs. The additional heating energy required comes from the waste heat of a local biogas plant.



In the area of mobility, Zeiser promotes mobility via bicycle with a lease bike initiative. A quarter of the workforce now takes advantage of the programme. In Zurich, the use of public transport is actively promoted by sharing the costs of employee travel cards.

At the Zurich location, structural measures have been taken to increase safety when handling chemicals. To ensure that no pollutants get into the public water supply in the event of an accident, the entire courtyard was modified so that it also functions as a retention basin. The quality of waste water is monitored continuously and the systems are equipped with alarms.

As a member of the energy model group of the Energy Agency of the Swiss Private Sector (EnAW), Orell Füssli has committed itself to measurable targets in terms of saving energy and reducing CO₂ emissions at its head office in Zurich. The basis for the indexed measurement is the year 2013. The energy model group's voluntary target agreement envisaged an increase in energy efficiency of at least 7% by 2022, with a simultaneous reduction of CO₂ emissions by at least 23%.

Since 2019, Orell Füssli has used only green electricity from hydroelectric power plants at its Zurich location. Furthermore, it makes continuous investments in modernisation of its machinery. As a result, the target value for energy efficiency was substantially exceeded. On an indexed basis, it reached 117% at the end of 2021, compared with a target value of 105%. However, the targets for CO₂ emissions have not yet been achieved. On an indexed basis, this target value reached 83% at the end of 2021, instead of the required 80%. The weak points are known and measures to correct them are being planned or have already been implemented. The environmental management system, established in 2006 in accordance with ISO 14001, is also being developed further.

Ethical business practices

Orell Füssli Security Printing has been a member of the Banknote Ethics Initiative (BnEI) since 2017. The organisation is committed to fighting bribery and corruption and promoting fair competition. The accredited companies are committed to ethical business practices in accordance with the BnEI's strict code. The industry association currently has 15 members from around the world. These are subject to regular checks by independent auditors. More than 40 commissioning central banks have agreed to support the initiative.



PHOTOVOLTAIC SYSTEM ON THE ROOF OF ZEISER GMBH IN EMMINGEN
When new investments are made, sustainability aspects are given substantial weight alongside purely economic considerations.

Corporate Governance

This report meets the requirements set out in the Directive on Information Relating to Corporate Governance published by SIX Swiss Exchange. Unless otherwise indicated, the figures refer to 31 December 2021.

All the relevant corporate governance documents (Articles of Association, Organisational Regulations, Risk Management and Internal Control System ICS, Code of Conduct, Rules for Entry of Registered Shares and Share Register Maintenance) can be accessed online on the Orell Füssli AG website under Corporate Governance (<https://www.orellfuessli.com/en/investors>).

1. Group Structure and Shareholders

Operational group structure

In terms of management, the Orell Füssli Group is split into three divisions and the publishing house business. Procivis AG, in which a majority stake was acquired in September 2021, is managed independently.

The divisions Zeiser, Security Printing and Book Retailing and the publishing house business enjoy extensive autonomy in their strategic and operational management. Orell Füssli AG influences the strategic focus of the individual divisions and also of Procivis AG.

Companies included in the scope of consolidation

The parent company Orell Füssli AG has its registered office in Zurich. The company is listed on SIX Swiss Exchange under security number 342 080 and ISIN number CH0003420806. Its Legal Entity Identifier (LEI) is 5067005U9Z97T4PWVC13. The company's market capitalisation as at 31 December 2021 amounted to CHF 176.4 million.

Orell Füssli AG does not hold any investments in listed companies. A full overview of significant investments can be found in the financial report.

Significant shareholders

There were no significant changes in the shareholder structure and thus no disclosure notifications in the reporting year. Any disclosure notifications can be accessed at <https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html>. A list of significant shareholders can be found in the financial report (section 9.19).

Cross-shareholdings

No cross-shareholdings with other public limited companies exist.

2. Capital structure

Capital

The share capital of Orell Füssli AG consists of 1,960,000 registered shares, each with a notional value of CHF 1, and is fully paid up. Ownership of one share confers the right to one vote. Orell Füssli AG has not issued any profit-sharing or participation certificates.

As at 31 December 2021, Orell Füssli AG has neither conditional nor authorised capital, with no convertible bonds or options outstanding.

Capital changes

The share capital of Orell Füssli AG remained unchanged in the year under review and in the two years preceding it.

Own shares

As part of the equity participation plan for members of the Executive Board, Orell Füssli AG did not purchase or issued any own shares in the reporting year.

Restrictions on transferability

The Articles of Association of Orell Füssli AG do not include any restrictions on share transfers. Only shareholders that meet the criteria set out in section 3 of the Rules for Entry of Registered Shares are entered with voting rights.

3. Board of Directors

BOARD OF DIRECTORS

Members of the Board of Directors	Year of birth	Nationality	Member since
Dr Anton Bleikolm (until 11 May 2021)	1949	CH / AT	07.05.2014
Mirjana Blume	1975	CH	21.05.2020
Dr Martin Folini	1958	CH	21.05.2020
Dr Thomas Moser	1967	CH	07.05.2014
Dr Luka Müller	1964	CH	21.05.2020
Dieter Widmer	1963	CH	10.05.2011

Biographies of the members of the Board of Directors

No member of the Board of Directors holds an executive position with the Orell Füssli Group and has not in the three financial years preceding the reporting period. Dr Thomas Moser represents the company's largest shareholder, Swiss National Bank (SNB). SNB's banknotes are produced by Orell Füssli. All other members of the Board of Directors are independent and have no material business relationships extending beyond their mandate on the Board of Directors with Orell Füssli AG or any other company belonging to the Orell Füssli Group.

Regulations in the Articles of Association on the number of permissible mandates

Pursuant to Art. 18h of the Articles of Association, members of the Board of Directors are permitted to hold no more than five additional mandates at listed companies, no more than ten mandates with non-listed companies and no more than 10 mandates with associations, charitable foundations, family foundations or retirement benefit schemes.

Members of the Board of Directors



CHAIRMAN OF THE BOARD (UNTIL MAY)
Member of the Board of Directors since 2014

Dr Anton Bleikolm

Swiss and Austrian, born 1949
Studies of Organic Chemistry at the Technical University in Graz, Master's Degree and PhD

STATIONS

1973–1976 Technical University Graz, Institute for Organic Chemistry, Assistant Professor
1976–1980 Hoechst AG, Graz, Research Chemist, synthetic polymers and automotive coatings
1980–1991 SICPA S.A., Research
1991–2000 SICPA S.A., Technical Director
2000–2010 SICPA S.A., Managing Director
2010–2012 SICPA Group, Chief Operating Officer and Head Security Ink Division
2012–2014 SICPA Group, Strategic Advisor to the CEO and Chairman
Since 2014 AFB-Engineering & Services, Ecublens, Owner and Chairman

OTHER BOARD APPOINTMENTS

Member of the Board of Directors Landqart AG (until August 2021)



CHAIRMAN OF THE BOARD (SINCE MAY)
Chairman of the Compensation Committee
Member of the Board of Directors since 2020

Dr Martin Folini

Swiss, born 1958
Dr sc. techn. ETH Zurich (Mechanical Engineering/BWI), AMP Wharton School, University of Pennsylvania

STATIONS

1985–1990 Foundation for Research and Consulting at BWI, ETH Zurich, Project Manager
1990–1993 Isopress AG, Managing Director
1993–2009 Rieter Textile Systems, various management positions, most recently CEO Spun Yarn Systems Business Unit
2010–2014 K.R. Pfiffner AG, CEO and member of the Board of Directors at the Pfiffner Group
2014–2016 Saurer AG, CEO Saurer Group
Since 2017 Independent Board of Directors

OTHER BOARD APPOINTMENTS

President MTEC Foundation, ETH Zurich
Chairman of the Board of Directors Hans Oetiker Holding
Board of Directors Integra Holding
Board of Directors Sitek AG (100% subsidiary of Integra Holding)
Board of Directors Eugen Seitz AG
Board of Directors Kowema AG
Board of Directors Stadtmühle Schenk AG (100% subsidiary of Kowema AG)
Board of Directors Wagner Waldstatt AG
Board of Directors Bomatec AG
Board of Directors Netech neeser Technik AG
Board of Directors Landqart AG



VICE CHAIRMAN OF THE BOARD
Chairman of the Audit Committee
Member of the Board of Directors since 2011

Dieter Widmer

Swiss, born 1963
Swiss certified public accountant (CPA) and auditor

STATIONS

1986–2010 KPMG, Zurich, Vancouver, Berne, Auditor and Management Consultant,
as of 1997 Head of KPMG Berne,
as of 1998 Partner and
as of 2002 Partner and
as of 2002 Member of the Executive Committee of KPMG Switzerland,
as of 2007 Member of the Non-Executive Board and Member of the Audit Committee of KPMG Europe LLP
Since 2010 Entrepreneur and independent member of various Boards of Directors

OTHER BOARD APPOINTMENTS

Member of the Red Cross Council Swiss Red Cross
Co-owner and Member of the Board of Directors EquityNova AG
Member of the Board of Directors Kelag Systems AG
Member of the Board of Directors Blattmann Switzerland AG
Co-owner and Member of the Board of Directors RP Invest AG
Member of the Foundation Council Kuoni and Hugentobler Foundation
Chairman of the Board of Directors Curena AG
Member of the Board of Directors Mühle Walther AG

**MEMBER OF THE BOARD**

Member of the Audit Committee
Member of the Digital Committee
Member of the Board of Directors since 2020

Mirjana Blume

Swiss, born 1975
Executive MBA, University of St. Gallen
Economist, University of Applied Science Zurich

STATIONS

1992–1995 Hotel Erlibacherhof, Commercial Apprentice
1995–1996 Telekurs Payserv AG, Administration Clerk responsible for debt collection
1996–1997 Schulthess Maschinen AG, Accountant
1997–1999 PricewaterhouseCoopers AG, Tax Consultant
1999–2000 Swissôtel Management Europe AG, Regional Accountant and Controller
2000–2006 MediCentrix AG, MediService AG, CFO, Head of Sourcing & IT, Member of the Board of Directors
2006–2008 Novartis Pharma Schweiz AG, CFO & Deputy Head Oncology
2008–2011 Edisun Power Europe AG, CFO & CEO
2012–2018 Qnective AG, CFO
2018 Jedlix B.V., Rotterdam, Netherlands, CFO (Interim)
Since 2019 SML Solutions AG, Managing Director
Since 2021 Synhelion SA, CFO

OTHER BOARD APPOINTMENTS

Vice-Chairwoman of the Board, Chairwoman of the Audit Committee IWB, Industrielle Werke Basel
Member of the Board of Directors EWE, Energie und Wasser Erlenbach AG
Member of the Board of Directors Eniso Partners AG
Secretary of the Board of Directors Qnective AG
Senior Independent NED W.A.G. payment solutions plc, UK

**MEMBER OF THE BOARD**

Member of the Compensation Committee
Member of the Digital Committee
Member of the Board of Directors since 2014

Dr Thomas Moser

Swiss, born 1967
Dr oec.publ., University of Zurich

STATIONS

1996–1999 KOF Swiss Economic Institute ETH Zurich, Economist
1999–2001 Swiss National Bank, Economist
2001–2004 International Monetary Fund (IMF), Washington, USA, Advisor
as of 2002 Senior Advisor to the Swiss Executive Director at the IMF
2004–2006 Swiss National Bank, Assistant Director
2006–2009 International Monetary Fund, Washington, USA, Executive Director of the IMF constituency headed by Switzerland
Since 2010 Swiss National Bank, Alternate Member of the Governing Board
Since 2015 Member of the Managing Committee of the Swiss Institute of Banking and Finance, University of St. Gallen
Since 2017 Member of the Advisory Board Swiss International Finance Forum

OTHER BOARD APPOINTMENTS

None

**MEMBER OF THE BOARD**

Chairman of the Digital Committee
Member of the Board of Directors since 2020

Dr Luka Müller

Swiss, born 1964
Lawyer, LL.M

Studies at the University of Zurich, doctorate at the University of Basel and master's degree at the London School of Economics (LSE)

STATIONS

1990–1993 Legal internship in the courts of Zug, bar exam and work as an examining magistrate in Zug
1993–1994 Studies at the London School of Economics (LSE)
1995–1998 Lawyer in a commercial law firm in Zurich and Zug
Since 1999 Co-founder/partner and until 2019 managing partner of MME Legal | Tax | Compliance AG

OTHER BOARD APPOINTMENTS

Co-owner and Chairman of the Board of Directors of KYC Spider AG
Co-owner and Chairman of the Board of Directors of Sygnum Bank AG
Chairman of the Board of Directors of Marquard Media Group AG

Election and term of office

The Board of Directors consists of at least three members who are elected by the Annual General Meeting. They are elected for a period of one year based on an absolute majority of the votes represented at an Annual General Meeting. The members are elected individually. The Annual General Meeting elects the Chair of the Board of Directors and each member of the Compensation Committee annually. The age limits and maximum term of office are set out in the Organisational Regulations.

Internal organisation

The Board of Directors has the following functions: Chair and Vice-Chair.

The main remit of the Board of Directors is governed by the Swiss Code of Obligations (CO), in particular Art. 716a, and the Organisational Regulations. Management of the company is delegated to the CEO and the Executive Board of Orell Füssli AG. The CEO chairs the Executive Board.

The Board of Directors meets as often as business requires, but at least once a quarter. Executives can also be invited to attend the meetings. The Board of Directors can call on the support of external consultants to address specific issues. The Board of Directors is supported in its work by the Audit Committee and Compensation Committee, and since autumn 2021 also by the Digital Committee. The Board of Directors met five times during the reporting year, with each meeting lasting a full day. In addition, the Board of Directors met for two strategy workshops with the Executive Board.

Audit Committee

The Board of Directors has set up an Audit Committee to assess the annual and interim financial statements, risk management, internal control and external audit. Regulations set out the duties of the Audit Committee. The Audit Committee has the authority to make decisions, subject to the approval

of the full Board of Directors, which also receives the minutes of the meetings. The Committee is made up of two members of the Board of Directors. The meetings of the Audit Committee are also attended by the CEO, the CFO, the Head of Internal Audit/ Risk Officer and representatives of the auditing firm acting in an advisory capacity. The Committee meets at least twice a year, generally in the first and third quarters. The Audit Committee met three times during the reporting year, with each meeting lasting half a day, and also held several video and conference calls. The Chair of the Audit Committee maintains regular contact with the Head of Internal Audit, who reports to them.

Compensation Committee

The Board of Directors has established a Compensation Committee, which defines the compensation to be paid to the Executive Board based on the success and performance of the company. Regulations set out the duties of the Compensation Committee. The Compensation Committee has the authority to make decisions on the total compensation approved by the Annual General Meeting. After each meeting, the other members of the Board of Directors are informed of the matters addressed and the main decisions made. The Compensation Committee is made up of two members of the Board of Directors. The CEO and the Head of HR (minutes taker) of the Orell Füssli Group also attend the meetings (both without voting rights). The Committee meets at least once a year. The Compensation Committee met twice during the reporting year, with each meeting lasting half a day.

Digital Committee

The Board of Directors has set up a Digital Committee to help shape the Group's digital issues and process them for the Board of Directors. The Digital Committee is a committee of the Board of Directors without a supervisory capacity. The Digital Committee is made up of three members of the Board of Directors and is chaired by one member of the Board of Directors. The Head of Corpo-

rate Development of the Orell Füssli Group also attends the meetings. The Committee meets at least twice a year. It met twice in the year under review. The Chair of the Digital Committee maintains regular contact with the Head of Corporate Development.

Attendance by members of the Board of Directors

With the exception of one member who was unable to attend a strategy workshop, all members of the Board of Directors attended the meetings and conference calls of the Board of Directors and the committees.

Division of responsibilities between the Board of Directors and the Executive Board

The Organisational Regulations contain provisions governing the division of responsibilities between the Board of Directors and the Executive Board. The Board of Directors makes decisions on the corporate policy, the organisational structure, the election of the CEO and the Executive Board, approves the budgets and makes decisions on proposals assigned to it as part of the division of responsibilities. The Board of Directors has delegated management of the business to the Executive Board under the leadership of the CEO.

Information and control instruments available to the Board of Directors

At the meetings of the Board of Directors, the CEO provides it with information on the current course of business and key business transactions. Financial reporting to the Board of Directors includes the monthly management cockpit, the interim report and the Annual Report with the annual financial statements at the end of the financial year.

The Chair of the Board of Directors meets the CEO at regular intervals and receives information from them on major events and the current course of business.

The Board of Directors, and in particular the Audit Committee, monitors the risk management and implementation of the Internal Control System (ICS). The Audit Committee defines its own key audit areas and receives information at the meetings from the Head of Internal Audit/Risk Officer on the outcome of audits conducted by independent internal or external bodies. A description of the ICS and risk management can be accessed online in the Corporate Governance section (<https://www.orellfuessli.com/en/investors>).

Internal audit

The main task of the Internal Audit (IA) department, which was created by the Board of Directors in 2013, is to assess and, if necessary, improve the effectiveness and efficiency of the company's risk management, internal management and control systems, and governance processes. IA also reviews compliance with standards and provides independent and objective assurance and consultancy services. The Head of IA reports directly to the Chair of the Audit Committee. This position has been held by an external specialist on a part-time basis since 2019. In the year under review, four audits/reviews were conducted with a focus on Orell Füssli AG, with one audit focusing on Zeiser GmbH. Other activities related to risk review and coordination and financial assurance. Further audits/reviews and assurance activities will follow at Group level and within the divisions in 2022.

4. Executive Board

Regulations in the Articles of Association on the number of permissible activities

Pursuant to Art. 18h of the Articles of Association, members of the Executive Board are permitted to hold no more than two additional mandates at listed or non-listed companies and no more than three additional mandates with associations or charitable foundations (a total of five mandates).

Members of the Group Executive Board



CEO ORELL FÜSSLI AG
Member of the Group Executive Board
Orell Füssli AG

Daniel Link

Swiss, born 1969

Diploma in Microtechnology Engineering, Lausanne, Executive MBA in General Management, St. Gallen

STATIONS

1994–1996 Laboratoire de Microtechnique, Neuchâtel, scientific Assistant

1996–2007 OC Oerlikon/ESEC, various R&D positions

2007–2010 Rieter Management AG, Project Manager Group Development

2010–2018 Bräcker AG, CEO

2018–2019 Gebr. Loepfe AG, CEO

Since 1 November 2019 CEO Orell Füssli AG

OTHER BOARD APPOINTMENTS

Vice Chairman of the Board of Directors Orell Füssli Thalia AG

Member of the Board of Directors Procivis AG

Chairman of the Board of Directors Orell Füssli Buchhandlungs AG



CFO ORELL FÜSSLI AG (UNTIL MAY)
Member of the Group Executive Board
Orell Füssli AG

Beat Müller

Swiss, born 1956

Business Economist (lic. oec. publ. Zurich University), Dual Executive Master of Business Administration GSBA Zurich, SUNY Albany/NY

STATIONS

1983–1985 Limmat Insurance, Controller

1987–1989 Swissôtel, Country Controller Switzerland

1989–2000 Swissair, Various functions, most recently Vice President Planning and Business Administration Operations, Member of the Executive Board Operations

2000–2009 Swiss Post, Post Offices and Sales, CFO, Member of the Management Board

2010–2011 Swiss Post, Swiss Post International Management AG, CFO, Member of the Management Board

2012–2013 Orell Füssli Holding AG, Head of Group Controlling

2013–2021 CFO Orell Füssli AG

OTHER BOARD APPOINTMENTS

Member of the Foundation Council cb-Foundation

Member of the Board of Directors of Orell Füssli Buchhandlungs AG

Chairman of the Board of Directors KXO AG



CFO ORELL FÜSSLI AG (SINCE JUNE)
Member of the Group Executive Board
Orell Füssli AG

Reto Janser

Swiss, born 1971

Business Economist (lic. oec. HSG St. Gallen University)

STATIONS

1996–2000 Swiss Re, Controller

2001–2003 Booz Allen & Hamilton AG, Management Consultant

2003–2004 Würth Holding GmbH, Controller Central Purchasing Department

2005–2014 Würth Finance International B.V., Head of Controlling and Accounting

2014–2017 ERNI Management Services AG, CFO

2018–2021 Suhner Holding AG, CFO

Since 1 June 2021 CFO Orell Füssli AG

OTHER BOARD APPOINTMENTS

Chairman of the Board of Directors KXO AG

Member of the Board of Directors of Procivis AG

Member of the Board of Directors of Orell Füssli Buchhandlungs AG

Vice President Orell Füssli Foundation



HEAD OF CORPORATE DEVELOPMENT
Member of the Group Executive Board
Orell Füssli AG

Désirée Heutschi

Swiss, born 1973

Executive Master of Business Law, University of St. Gallen

Master of International Relations, HEI, Paris

STATIONS

1999–2000 Genentech (Roche), South San Francisco, USA, Legal Associate

2000–2004 Genesys, San Francisco, USA, various positions, most recently as Director Business Development & Strategy

2005–2019 Microsoft Switzerland, various management functions

2019–2020 Swiss Startup Factory, CEO / Member of the Executive Board of Swiss Startup Group

2019–2020 Center for Corporate Venturing Switzerland, Director

Since 1 January 2021 Head of Corporate Development Orell Füssli AG

OTHER BOARD APPOINTMENTS

Chairwoman of the Board of Directors Procivis AG
Board Member MTEC Foundation ETH Zurich



HEAD OF SECURITY PRINTING
Member of the Group Executive Board
Orell Füssli AG

Dr Michael Kasch

German, born 1968

Studies of organic chemistry and doctorate at the University of Kiel

STATIONS

1994–1996 University of Kiel, Institute of Organic Chemistry, Assistant Professor

1997–1999 Consortium for Electrochemical Industry GmbH, Munich, Head of Laboratory for the development of organic effect pigments

1999–2005 Wacker Chemie AG, Burghausen, Laboratory Head of Technical Marketing with responsibility for Business Development and Product Management

2005–2018 SICPA Germany GmbH, Burghausen/Munich, Managing Director

2010–2018 SICPA SA, Regional Business Director Banknote for Western Europe and Canada

Since 1 January 2019 Head of Security Printing

OTHER BOARD APPOINTMENTS

None



HEAD OF ZEISER GMBH
Member of the Group Executive Board
Orell Füssli AG

Thorsten Tritschler

German, born 1964

Graduate in Business Management, Dual Executive Master of Business Administration GSBA Zurich, SUNY Albany/NY

STATIONS

1983–1986 Zeiser, Production Planning/Service

1986–1989 Gebel-Automatik, Sales Coordinator

1989–1992 Zeiser, Key Account Manager

1992–2002 Atlantic Zeiser, Sales Manager EUR-ASIA

2002–2008 Atlantic Zeiser, Sales Director

2008–2012 Atlantic Zeiser, Head of Business Unit Banknote Systems

2012–2015 Atlantic Zeiser, CSO

2015–2018 Atlantic Zeiser, Head of Business Unit Security Printing Systems

Since 1 October 2018 Head of Zeiser GmbH

OTHER BOARD APPOINTMENTS

None

Management of important participations and segments

Pascal Schneebeili: CEO Orell Füssli Thalia AG

Daniel Gasteiger: CEO Procivis AG

Martina Barth: Head of Orell Füssli Verlag

Sonja Lütolf: HR Manager of Orell Füssli AG

5. Shareholder participation rights

Only those entered in the share register are recognised as shareholders vis-à-vis the company. Entry in the share register requires proof of beneficial ownership of the shares to be entered. The terms and conditions are set out in the Rules of the Board of Directors for Entry of Registered Shares and Share Register Maintenance, which, as with the Company's Articles of Association, are available online.

In order to take part in the Annual General Meeting, all shareholders must furnish evidence of the shares they hold to the bodies specified by the Board of Directors for this purpose no later than five days before the date of the meeting. In return, they receive an admission ticket in their name. In deviation from the law (Art. 689 para. 2 CO), the Articles of Association state that a shareholder can be represented only by another shareholder at the Annual General Meeting; i.e. not by any other third party. Only directors and senior executives with signing authority (Prokuristen) at companies entered in the commercial register are exempt from this provision. Shareholders representing at least 1% of the share capital have the right to request addition of an item to the agenda.

Shareholders can participate in votes and elections at the Annual General Meeting by issuing a power of attorney or instructions to the independent proxy; powers of attorney and instructions issued to the independent proxy can also be issued electronically. The independent proxy is elected by the Annual General Meeting for a term of office of one year.

6. Change of control and defensive measures

The Articles of Association do not contain any provisions concerning opting out or opting up.

Orell Füssli AG does not have any change of control clauses for members of the Board of Directors or the Executive Board.

7. Auditor

Duration of the mandate and term of office of the lead auditor

The auditor is selected by the Annual General Meeting for a term of office of one year.

PricewaterhouseCoopers (PwC) has been the company's auditor since 2003. Following a public tender for the mandate and at the request of the Board of Directors, responsibility for the external audit of Orell Füssli AG and the consolidated financial statements was again assigned to PricewaterhouseCoopers at the Annual General Meeting on 28 April 2016. The auditor in charge of the mandate, Thomas Wallmer, has held the position of lead auditor since the 2015 financial year. In the 2021 reporting year, audit fees charged by PricewaterhouseCoopers in the amount of CHF 289,220 (2020: CHF 285,220) were incurred. In the 2021 reporting year, PricewaterhouseCoopers invoiced total additional fees of CHF 29,500 (2020: CHF 20,487).

Audit supervision and control instruments

Supervision and control of the external auditor is the responsibility of the Audit Committee of the Board of Directors. Representatives of the auditing firm are also invited to meetings of the Audit Committee to provide information. The Audit Committee assesses the performance, fees and impartiality of the external auditor. The criteria applied in this process include professional skills, the scope and quality of the written reports and verbal

statements, the practical feasibility of the recommendations, transparent and effective communication and coordination, and adherence to deadlines. The Audit Committee reviews the scope of the external audit, the audit plan and the relevant processes on an annual basis, and discusses the results of every audit with the external auditor. The external auditor's reporting includes the audit reports and the comprehensive report of the auditor for the attention of the Audit Committee and the Board of Directors for the most recent financial year.

8. Information policy

In the second half of the March following the close of the financial year, the detailed annual figures are published in a press release. The Annual Report goes live online at the same time (www.orellfuessli.com). A financial analysts' conference is held on the same day.

The Annual General Meeting is held in April or May of each year. A Group press release is published after the interim results are released (ca. mid-August). The planned publication dates are available online (<https://www.orellfuessli.com/en/investors>).

Shareholders receive a copy of the annual financial statements (summary report) and the interim report. The press releases can also be accessed online (<https://www.orellfuessli.com/en/media/press-releases>).

Extraordinary events relevant to the stock market are published in ad hoc disclosures. Interested parties can subscribe to the publications (<https://www.orellfuessli.com/en/subscription-for-press-releases>).

Compensation Report

This report is issued in accordance with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO/VegüV) of 20 November 2013 and the Directive on Information relating to Corporate Governance of SIX Exchange Regulation. Unless indicated otherwise, all of the information provided is as of 31 December 2021.

Compensation of the Board of Directors and the Executive Board

Principles

The provisions applicable to voting at the General Meeting of shareholders regarding the compensation of the members of the Board of Directors and the Executive Board are set out in article 18c of the articles of incorporation, and those regarding any additional amounts in article 18b thereof. The Articles of Association are on our homepage under Corporate Governance (www.orellfuessli.com/investoren).

Based on the Board of Director's proposal, the Annual General Meeting approves the maximum compensation of the Board of Directors for the period until the next Annual General Meeting as well as the maximum compensation of the Executive Board for the following financial year.

The provisions applicable to variable compensation and share allocations are set out in article 18d + e of the articles of incorporation (www.orellfuessli.com/en/investors).

The compensation of the Board of Directors is made up entirely of a fixed component, whereas the Executive Board's compensation comprises a fixed and a variable component. External specialists are consulted only in the case of a fundamental redesign of the compensation structure. At group level, compensation is determined for new hires or promotions based on function-specific benchmarks.

The Board of Directors can allocate entitlements to employee shares to members of the Executive Board as part of an equity participation plan. If they remain with the company for the duration of the vesting period, the participants in the plan are entitled to receive one employee share per entitlement. If the employee leaves the firm before the end of the vesting period, any entitlement to employee shares is usually extinguished.

Executive Board members can elect, on a voluntary basis, to receive a portion of their annual bonus in the form of restricted stock units (RSUs) at a preferential price set by the Board of Directors as part of the equity bonus plan. The Board of Directors determines each year the portion of the bonus that can be awarded in shares and the duration of the vesting period. The voting rights and dividend rights are transferred with the transfer of the shares to the beneficiary.

Apart from the contributions to the pension fund, which are limited to a maximum insured salary of CHF 860,400 by the Occupational Pensions Act (OPA/BVG), the Orell Füssli Group does not provide any special old-age benefit schemes.

The compensation of the Executive Board includes individually agreed additional benefits, such as the provision of a company vehicle at no charge or the reimbursement of the cost of a rail season ticket (GA).

No severance payments ("golden parachutes") have been agreed with any of the members of the Board of Directors and the Executive Board. The members of the Executive Board do not have long-duration contracts (maximum period of notice of six months).

Compensation of the Board of Directors

The Compensation Committee of the Board of Directors reviews annually the regulations applicable to the determination of the compensation of the Board of Directors. The Compensation Committee proposes to the Board of Directors any changes it deems necessary. The Board of Directors approves the compensation, which will take effect as of the subsequent term of office. Final approval of the compensation for the subsequent year is given only after the Annual General Meeting gives its approval. Board members receive a fixed amount of compensation.

Compensation of the Executive Board

Final approval of the amount of the fixed and variable components of the compensation for the subsequent financial year is given only after the Annual General Meeting gives its approval. Within this range, the Compensation Committee of the Board of Directors reviews the fixed compensation as proposed by the CEO. The amount of the fixed compensation is defined according to the function, duties, qualifications, experience and the market environment. The CEO (when it concerns his own compensation) and the members of the Executive Board are not present during the discussions to determine the compensation. The Compensation Committee adjusts the compensation, where necessary, and passes on its recommendation to the attention of the Board of Directors. The Board makes the final decision and approves the fixed compensation component.

The variable component of the Executive Board's compensation is based on the bonus regulations as approved by the Board of Directors. The maximum value of the variable component (for achieving or overachieving all of the goals) is determined individually and amounts to between 45% and 75% of the basic salary. It is calculated according to a pre-defined formula based on the EBIT as well as the achievement of the agreed annual goals (weightings: EBIT 60% and individual goals 40%). The Executive Board members are assessed against the EBIT and the Group's or division's results. The individually determined goals, which have a three- to five-year horizon, comprise quantitative and qualitative components; such goals must also be specific, measurable, challenging, relevant and time-bound. They may concern, for example, the implementation of a project, adherence to a project budget or the strategic development of the business. With the involvement of the Executive Board members, the CEO elaborates the goals of the individuals, the assessment criteria and the range of values. Lastly, he agrees on the proposed goals with the Chairman of the Board of Directors. After they are approved by the Chairman of the Board of Directors, the proposed goals are reviewed by the Compensation Committee of the Board of Directors. The Compensation Committee adjusts them, if necessary, and passes on its recommendation to the attention of the Board of Directors. The Board then makes the final decision and approves the goals. The bonus regulations also provide for individual cash bonus payments to be made at the discretion of the Board of Directors to employees of the Orell Füssli Group as a reward for exceptional performance.

Compensation 2021

(audited from this point until the end of page 50 by the external auditor)

Dr Martin Folini was elected as the new Chairman of the Board at the General Assembly held on 11 May 2021. He replaced Dr Anton Bleikolm, who did not stand for re-election because of the age limit. The compensation of the two members mentioned above is included in the calculations on a pro rata basis and is shown in the table below. Johannes Schaede was also elected as a new member of the Board of Directors. Johannes Schaede took office on 1 January 2022. Consequently, he will not receive any compensation for the 2021 financial year.

At the end of July 2021, the long-standing CFO, Beat Müller, retired. As of 1 June 2021, Reto Janser took over as CFO and member of the Executive Board. The compensation of the two members mentioned above is included in the calculations on a pro rata basis and is shown in the table below.

In 2021, the Executive Board decided to draw up new bonus and equity bonus regulations with effect from 1 January 2022. As a result of the changes introduced, no share entitlements were allocated to members of the Executive Board in 2021 and the equity bonus plan was not proposed.

The disclosed compensation amounts are for the services rendered in the year under review. The following tables therefore include all entitlements to compensation relating to the 2021 financial year in full. Compensation that has not yet been paid is accrued in the financial year in question, even when the payment will only be made in the following year.

COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE 2021 FINANCIAL YEAR

in CHF	Fixed com- pensation	Other payments	Other payments		Total 2021
	in cash	in cash	Special allowances	Social securi- ty expenses	
Dr Anton Bleikolm, Chairman (until 11 May 2021)	61,695	–	–	3,516	65,211
Dr Martin Folini, Vice Chairman (until 11 May 2021) ¹⁾ , Chairman (as of 12 May 2021), Compensation Committee (Chairman)	127,099	–	–	7,964	135,063
Dieter Widmer, Audit Committee (Chairman)	75,000	–	–	5,550	80,550
Dr Thomas Moser, Compensation Committee (Member)	55,000	–	–	4,070	59,070
Mirjana Blume, Audit Committee (Member) ²⁾	60,000	–	–	–	60,000
Dr Luka Müller, Member of the Board of Directors ²⁾	55,000	–	–	–	55,000
Total	433,794	–	–	21,100	454,894

1) Until 11 May 2021 Member of the Board of Directors - payment by invoice without VAT

2) Payment by invoice without VAT

COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE 2021 FINANCIAL YEAR

in CHF	Fixed com- pensation	Other payments	Other payments		Total 2020
	in cash	in cash	Special allowances	Social securi- ty expenses	
Dr Anton Bleikolm, Chairman	170,004	–	–	9,610	179,614
Dr Caren Genthner-Kappesz (until 20 May 2020) Member of the Board of Directors	18,333	–	–	–	18,333
Dieter Widmer, Audit Committee (Chairman)	75,000	–	–	5,530	80,530
Dr Thomas Moser, Compensation Committee (Member)	55,000	–	–	4,055	59,055
Peter Stiefenhofer, Audit Committee (Member) (until 20 May 2020)	20,000	–	–	903	20,903
Dr Beat Lüthi, Vice Chairman (until 20 May 2020) Compensation Committee (Chairman)	18,333	–	–	1,352	19,685
Dr Martin Folini, Vice Chairman (as of 21 May 2020) Compensation Committee (Chairman)	36,667	–	–	2,703	39,370
Mirjana Blume, Audit Committee (Member) (as of 21 May 2020)	40,000	–	–	2,949	42,949
Dr Luka Müller, Member of the Board of Directors (as of 21 May 2020)	36,667	–	–	2,703	39,370
Total	470,004	–	–	29,806	499,809

The social security expenses include the mandatory employer's contributions.
No pension fund contributions were made.

COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE 2021 FINANCIAL YEAR

in CHF	Fixed compensation	Short-term variable compensation incl. bonus share plan ³⁾		Long-term variable compensation (vested benefits)	Other payments	Social security and pension fund expenses ⁶⁾	Total 2021	
		in cash	in cash	in shares				in shares
		Daniel Link, CEO Orell Füssli Group ¹⁾	408,000	204,000				–
Other members of the Executive Board ^{1), 2)}	999,197	344,780	–	–	32,678	238,216	1,614,871	
Total	1,407,197	548,780	–	–	33,733	364,917	2,354,627	

1) The executive Board consisted of five members as of 31 December 2021 (incl. CEO).

2) Changes of executive board members took place as of 1 June 2021. The payments to the members are included pro rata.

3) The annual variable compensations are payable in cash in the following year. The equity bonus plan was not offered in 2021.

6) Including additional pensions costs for an early retirement of total CHF 87,900.

COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE 2020 FINANCIAL YEAR

in CHF	Fixed compensation	Short-term variable compensation incl. bonus share plan ³⁾		Long-term variable compensation (vested benefits)	Other payments	Social security and pension fund expenses ⁶⁾	Total 2020	
		in cash	in cash ⁴⁾	in shares				in shares ⁵⁾
		Daniel Link, CEO Orell Füssli Group ¹⁾	342,000	171,000				–
Other members of the Executive Board ^{1), 2)}	800,054	272,637	–	–	23,970	298,587	1,395,248	
Total	1,142,054	443,637	–	50,800	34,625	417,844	2,088,960	

1) The executive Board consisted of five members as of 31 December 2020 (incl. CEO).

2) Changes of executive board members took place as of 1 July 2020. The payments to the members are included pro rata.

3) The annual variable compensations are payable in cash in the following year. The equity bonus plan 2020 was not used.

4) Including one-off bonus payment for the other members of the Executive Board.

5) Valued in accordance with the market price as at the transfer date of 1 January 2020 at CHF 100.00.

6) Including additional pensions costs for an early retirement of total CHF 87,900.

The social security and pension fund expenses include the mandatory and voluntary employer's contributions. The pension fund contributions are made jointly by the employer and the employee.

Loans and other payments

The provisions applicable to loans and other payments are set out in article 18i of the articles of incorporation (www.orellfuessli.com/en/investors).

In the 2021 and 2020 financial years, no loans were granted to current or former members of the Board of Directors and the Executive Board. Additionally, no guarantees were given on behalf of the members of these bodies for loans granted by third parties. As of 31 December 2021, no such loan receivables were disclosed on the balance sheet.

Further disclosures

The Orell Füssli Group paid CHF 25,000 to Dr Luka Müller and CHF 4,000 to Mirjana Blume for consultancy services in connection with strategic projects and negotiations. In addition, no payments were made to current or former members of the Board of Directors, the Executive Board or any related parties thereof and no claims against such persons were waived.

Report of the statutory auditor on the compensation report

Report of the statutory auditor

to the General Meeting of Orell Füssli AG

Zürich

We have audited the remuneration report of Orell Füssli AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the section labeled 'audited' on pages 48 to 50 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Orell Füssli AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Dario Gassmann
Audit expert

Zürich, 9 March 2022

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Financial Report

1 Financial statements of the Orell Füssli Group

1.1 CONSOLIDATED INCOME STATEMENT

in CHF thousand	Notes	2021	2020
Revenue from sales to customers	3.1/3.2	210,375	218,556
Other operating income	3.2	3,941	2,668
Changes in inventories of semi-finished and finished products, capitalised costs	3.2	-1,995	-1,483
Operating income	3.2	212,321	219,741
Cost of materials		-78,609	-88,402
External production costs		-12,066	-13,544
Personnel expenses	3.3	-55,877	-55,433
Other operating expenses	3.4	-40,330	-38,278
Depreciation and impairment on tangible assets	4.6	-9,191	-8,877
Depreciation and impairment on intangible assets	4.7	-819	-828
Earnings before interest and taxes (EBIT)	3.1	15,429	14,379
Financial income		15	1,494
Financial expenses		-1,546	-941
Financial result	3.5	-1,531	553
Ordinary result		13,898	14,932
Income tax expenses	3.6	-1,800	60
Net income for the period		12,098	14,992
Attributable to the shareholders of Orell Füssli AG		9,388	12,945
Attributable to minority interests		2,710	2,047
in CHF		2021	2020
Earnings per share	5.2	4.79	6.61
Diluted earnings per share	5.2	4.79	6.60

The disclosures on pages 56 to 82 form an integral part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET

in CHF thousand	Notes	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	4.1	75,706	76,998
Marketable securities and derivative financial instruments	4.2	12	407
Trade accounts receivable	4.3	16,090	18,721
Other receivables	4.4	6,008	22,209
Inventories	4.5	14,971	19,850
Accrued income and deferred expenses		2,919	10,693
Total current assets		115,706	148,878
Tangible assets	4.6	58,303	53,476
Intangible assets	4.7	2,320	2,146
Non-current financial assets	4.8	7,419	4,630
Deferred tax assets	4.13	2,169	2,005
Total non-current assets		70,211	62,257
Total assets		185,917	211,135
Liabilities and equity			
Trade payables		5,369	11,368
Other current liabilities	4.9	13,638	27,149
Accrued expenses and deferred income	4.10	14,175	15,438
Current financial liabilities	4.11	2,156	338
Current provisions	4.12	2,865	7,749
Total current liabilities		38,203	62,042
Other non-current liabilities	7.5	3,516	–
Non-current financial liabilities	4.11	4,030	2,062
Non-current provisions	4.12	248	1,368
Deferred tax liabilities	4.13	1,072	1,168
Total non-current liabilities		8,866	4,598
Share capital		1,960	1,960
Capital reserves		4,167	4,150
Own shares	5.2	–60	–60
Retained earnings		125,216	133,932
Exchange differences		–5,232	–4,482
Total equity before minority interests		126,051	135,500
Minority interests		12,797	8,995
Total equity		138,848	144,495
Total liabilities and equity		185,917	211,135

The disclosures on pages 56 to 82 form an integral part of the financial report.

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF thousand	Notes	2021	2020
Net income for the period		12,098	14,992
Change in employee equity incentive plans		17	-65
Depreciation		9,833	9,626
Impairment and amortisation		177	79
Share of loss applicable to equity method		381	499
Other non-cash related income and expenses		349	-751
Change in trade accounts receivable		2,528	-5,477
Change in inventories		4,840	1,896
Change in other receivables		18,119	4,421
Change in accrued income and deferred expenses		6,050	-4,932
Change in trade payables		-6,153	-75
Change in other liabilities		-14,278	-13,157
Change in accrued expenses and deferred income		-1,267	1,786
Change in provisions and deferred income tax		-6,323	3,011
Cash flow from operating activities		26,371	11,853
Purchase of tangible assets	4.6	-14,554	-18,586
Proceeds from disposals of tangible assets		766	87
Purchase of intangible assets	4.7	-897	-520
Investments in financial assets		-10,531	-4,232
Disposal of financial assets		83	56
Cash flow from investing activities		-25,133	-23,195
Increase of financial liabilities	4.11	4,326	250
Repayment of financial liabilities		-338	-65
Purchase of company's own shares	5.2	-	-1
Dividends paid to minorities		-	-2,589
Dividends paid	5.2	-5,879	-11,757
Cash flow from financing activities		-1,891	-14,162
Exchange differences		-639	-236
Change in cash and cash equivalents		-1,292	-25,740
Cash and cash equivalents at 1 January		76,998	102,738
Cash and cash equivalents at 31 December		75,706	76,998

The disclosures on pages 56 to 82 form an integral part of the financial report.

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF thousand	Share capital	Capital reserves	Own shares	Retained earnings and net income	Goodwill offset with equity	Translation differences	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2020	1,960	4,215	-142	164,090	-27,994	-3,921	138,208	9,566	147,774
Dividends paid	-	-	-	-11,757	-	-	-11,757	-2,589	-14,346
Offsetting goodwill against equity	-	-	-	-	-3,352	-	-3,352	-	-3,352
Disposal of foreign exchange in equity	-	-	-	-	-	211	211	203	414
Employee equity incentive plans	-	-65	82	-	-	-	17	-	17
Currency translation effects	-	-	-	-	-	-772	-772	-232	-1,004
Net income for the period	-	-	-	12,945	-	-	12,945	2,047	14,992
Total equity at 31 December 2020	1,960	4,150	-60	165,278	-31,346	-4,482	135,500	8,995	144,495
Equity at 1 January 2021	1,960	4,150	-60	165,278	-31,346	-4,482	135,500	8,995	144,495
Change in scope of consolidation	-	-	-	-	-	-	-	1,245	1,245
Dividends paid	-	-	-	-5,878	-	-	-5,878	-	-5,878
Offsetting goodwill against equity	-	-	-	-	-12,226	-	-12,226	-153	-12,379
Employee equity incentive plans	-	17	-	-	-	-	17	-	17
Currency translation effects	-	-	-	-	-	-750	-750	-	-750
Net income for the period	-	-	-	9,388	-	-	9,388	2,710	12,098
Total equity at 31 December 2021	1,960	4,167	-60	168,788	-43,572	-5,232	126,051	12,797	138,848

The share capital as at 31 December 2021 and 31 December 2020 consisted of 1,960,000 registered shares with a par value of CHF 1.00 each.

The amount of accumulated non-distributable reserves is CHF 7,041k (2020: CHF 7,017k).

The disclosures on pages 56 to 82 form an integral part of the financial report.

2 General information

2.1 Basis of accounting

The consolidated financial statements have been prepared in conformity with the existing Swiss GAAP FER standards in their entirety as well as the provisions of the Listing Rules of the Swiss stock exchange, SIX Swiss Exchange, and the Swiss law on companies limited by shares ("company law").

The consolidated financial statements apply the principle of historical (acquisition) cost and they are prepared under the assumption that the organisation is a going concern.

2.2 Key events in the reporting period

With the acquisition of Inspectron Inc. as of 1 July 2021, the increase of the stake in Procivis AG to 76.7% as of 14 September 2021 and the acquisition of Lehmanns Media AG as of 1 October 2021, the scope of consolidation changed during the year.

The refocussing of the activities of the publishing business has largely been completed. The Atlantis transactions was finalised in the first half of 2021. In accordance with art. 13h of the Gender Equality Act (GEA), an equal pay analysis was conducted of Orell Füssli Ltd in the 2021 financial year. As a listed company, Orell Füssli is required to publish the results of the analysis in the notes to the financial statements. These are presented on page 33.

2.3 Change in reporting

In order to improve the readability of the financial report, it has been revised and changed in presentation.

3 Performance

3.1 Segment reporting

The business activities of the Orell Füssli Group largely comprise three segments: Security Printing, Industrial Systems and Book Retailing. The activities of the smaller businesses are summarised under „Other business areas“. The activities of Group functions that are not directly attributable to the core business are not assigned to the segments.

The activities of the segments differ significantly in terms of markets, customers and, accordingly, opportunities and risks.

The segmentation of the business activities presented below forms the basis for regular internal segment reporting. The segments provide information on sales from goods and services as well as on the operating result (EBIT).

Orell Füssli Group

Security Printing	Industrial Systems	Book Retailing	Other business areas	Unallocated
Orell Füssli AG (OFS)	Zeiser GmbH Zeiser Inc. Zeiser Ltd. Zeiser SRL Inspectron Inc.	Orell Füssli Buchhandlungs AG Orell Füssli Thalia AG Delivros Orell Füssli AG Lehmanns Media AG	Orell Füssli AG, Verlage (OFV) Procivis AG	Orell Füssli AG, Konzernfunktionen (OFC)

Security Printing

Production and marketing of banknotes, security documents, identity cards and other documents with high security requirements as well as other services directly related to security printing solutions. These include consulting services or contracts for the development of designs or security elements. The segment generates sales from production orders, which are calculated using the percentage-of-completion method (PoC).

Industrial Systems

Construction, production, installation, sales and distribution and after sales service of equipment for the serialisation of banknotes and security documents. Implementation of control and inspection systems as well as software solutions for tracking security documents in the production process.

Book Retailing

Sales of books and similar products through 36 outlets in German-speaking Switzerland and an online shop. In addition, a proprietary e-reader device is sold. In particular, this segment includes the 50% of the income statement and the balance sheet of the Orell Füssli Thalia AG joint venture.

Other business areas

In 2020, this segment consisted primarily of the publishing business. Procivis AG is also presented in this segment as of the third quarter of 2021.

Unallocated

Infrastructure services as well as the costs and revenues of the central group functions are not allocated, unless they can be directly allocated to an individual segment. Further, consolidation effects arising from inter-segment revenue in this category are eliminated.

SEGMENT RESULTS 2021

in CHF thousand	Security Printing	Industrial systems	Book Retailing	Other business areas	Total segment	Not assigned	Total Group
Revenues from segment sales	73,824	25,264	103,300	7,737	210,125	250	210,375
Inter-segment sales	–	53	–	4	57	–57	–
Revenue from sales to customers	73,824	25,317	103,300	7,741	210,182	193	210,375
Earnings before interest and taxes (EBIT)	6,119	5,540	7,452	–33	19,078	–3,649	15,429

SEGMENT RESULTS 2020

in CHF thousand	Security Printing	Industrial systems	Book Retailing	Other	Total segment	Not assigned	Total Group
Revenues from segment sales	87,301	24,521	96,210	10,274	218,306	250	218,556
Inter-segment sales	–	269	3	9	281	–281	–
Revenue from sales to customers	87,301	24,790	96,213	10,283	218,587	–31	218,556
Earnings before interest and taxes (EBIT)	5,511	5,291	5,505	1,017	17,324	–2,945	14,379

3.2 Operating income

The operating income comprises the following:

OPERATING INCOME

in CHF thousand	2021	2020
Revenue from sales to customers		
Sales of goods and products	209,326	216,724
Revenue from services rendered	163	920
Revenue from license fees	886	912
Total revenue from sales to customers	210,375	218,556
Other operating income		
Rental income from operating leases	371	354
Gain from sales of non-current assets	765	29
Other income	2,805	2,285
Total other operating income	3,941	2,668
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	–1,995	–1,483
Total changes in inventories of semi-finished and finished products, capitalised costs	–1,995	–1,483
Total operating income	212,321	219,741

In the 2021 financial year, net sales of goods and products include revenue from production orders calculated using the PoC method in the amount of CHF 55,666k (2020: CHF 75,176k). The gain from sales of non-current assets includes the sale of the Zeiser Ltd building in the UK.

Sales of goods and services are allocated to the following regions:

SALES OF GOODS AND SERVICES BY REGION

in CHF thousand	2021	2020
Switzerland	175,672	168,057
Germany	5,255	7,075
The rest of Europe and Africa	10,238	5,429
North and South America	8,118	16,672
Asia and Oceania	11,092	21,323
Total revenue from sales to customers by region	210,375	218,556

Sales are allocated based on the country in which the customer's branch is located. This usually corresponds to the delivery location.

The Security Printing and Industrial Systems segments market their offerings worldwide and do not focus on a specific geographical market. By contrast, the Book Retailing and „Other business activities“ segments focus mainly on the domestic market in Switzerland and the neighbouring countries.

Accounting policies

Sales of goods and services resulting from the sale of trading goods, manufactured products and printed products are recognised after their delivery net of value-added tax and any rebates.

Sales from production orders (see note 4.4) are recorded using the percentage-of-completion method (PoC). As a result, sales are recorded as a portion of total sales for the reporting period.

Revenue from services rendered and objects leased over a certain period and which are invoiced to clients periodically is recorded in the period in which the service is rendered or the right of use is exercised. Revenue from the processing of transaction-related services is recorded at the time the service is rendered in full.

Dividend income is recorded in the financial year period in which a dividend payment is approved and, consequently, a right to payment arises.

3.3 Personnel expenses

The personnel expenses was composed as follows:

PERSONNEL EXPENSES

in CHF thousand	Notes	2021	2020
Wages and salaries		46,681	46,189
Social security costs		3,874	3,963
Pension costs	6.1	3,909	3,756
Other personnel expenditure		1,413	1,525
Total personnel expenses		55,877	55,433

The Book Retailing division had varying numbers of employees on short-time work due to pandemic-related store closures and capacity limits. Compensation for short-time work of CHF 790k (2020: CHF 1,359k) is recorded in the wages and salaries line item.

Employee equity incentive plans

In the year under review, no entitlements to employee shares and shares in Orell Füssli AG were granted to the members of Group Management and senior management (prior year: 508). Personnel expenditure relating to the employee equity incentive plans amounts to CHF 17k (2020: CHF 17k). The related accruals are recorded in the capital reserves.

Accounting policies

The Board of Directors can grant entitlements for employee shares to members of the Executive Board. If the employee remains with the company for the duration of the three-year vesting period, participants in the plan are entitled to receive one employee share per entitlement. If the employee leaves the firm before the end of the vesting period, any entitlement to employee shares is usually extinguished. When the entitlements for employee shares are allocated, they are valued on the basis of the share price and taking into account the likelihood that the employee remains with the company until the end of the vesting period. The personnel expense is distributed linearly over the vesting period and an accrual is recognised directly in equity. Changes in the estimates of employees granted entitlements remaining at the company are included, in aggregate form, in the calculation of the expenditure to be recorded.

In 2021, the Executive Board decided to draw up new bonus and equity bonus regulations with effect from 1 January 2022. As a result of the changes introduced, no share entitlements were allocated to members of the Executive Board in 2021 and the equity bonus plan was not proposed.

3.4 Other operating expenses

OTHER OPERATING EXPENSES

in CHF thousand	Notes	2021	2020
Marketing and distribution expenses		12,604	11,246
Operating lease expenses	4.6	8,157	8,527
Repair and maintenance		3,741	4,699
Administration expenses		5,816	4,873
Losses on bad debts		-4	88
Losses from disposal of fixed assets		37	8
Share of loss applicable to equity method		381	499
Energy		1,688	1,864
IT		2,619	2,615
Other operating expenses		5,291	3,859
Total other operating expenses		40,330	38,278

3.5 Financial result

FINANCIAL RESULT

in CHF thousand at 31 December	Expenses	Income	Balance 2021	Expenses	Income	Balance 2020
Interest result						
Interest expenses and income	-313	13	-300	-271	12	-259
Financial leasing	-8	-	-8	-8	-	-8
Total interest result	-321	13	-308	-279	12	-267
Other financial income and expense						
Foreign exchange result	-1,042	-	-1,042	-358	1,431	1,073
Bank charges and other financial results	-183	2	-181	-304	51	-253
Other financial results	-1,225	2	-1,223	-662	1,482	820
Total financial result	-1,546	15	-1,531	-941	1,494	553

3.6 Income taxes

INCOME TAXES

in CHF thousand at 31 December	2021	2020
Current income tax	2,140	1,350
Deferred income tax	-340	-1,410
Total income tax expenses	1,800	-60

The income tax expense on the Group's earnings before tax in the income statement differs from the theoretical amount which would result from applying the weighted-average interest rate of the Group to the Group's earnings before tax. The calculation is presented in the table below:

CALCULATION OF INCOME TAX

in CHF thousand at 31 December	2021	2020
Earnings before income taxes	13,898	14,932
Weighted average group tax rate	22.2%	25.3%
Expected income tax	3,090	3,780
Non tax-deductible expenses	-	11
Tax-exempt earnings	-300	-199
Effect of tax loss carry-forwards not capitalised	265	26
Capitalisation and use of previously unrecognised loss carry-forwards	-1,257	-3,360
Tax effects relating to other periods and other tax effects	2	-318
Effective income tax expense	1,800	-60

The "Capitalisation of and use of previously unrecognised loss carryforwards" line item mainly derives from the operating result of Zeiser GmbH and of Orell Füssli AG.

Accounting policies

Income taxes include both current and deferred taxes. Income taxes are calculated based on the applicable tax rate of the individual countries and expensed in the period in which the corresponding gain occurs. Tax effects resulting from tax losses carried forward are recognised as deferred tax assets if future taxable profits are likely against which the tax losses could be offset.

Management assumptions and estimates

The estimate of current tax liabilities is subject to the interpretation of the tax laws in the relevant countries. The adequacy of the estimates is assessed in the context of the final assessment or audits by the tax authorities. This may result in significant adjustments in tax expense. In addition, the assessment of the ability to capitalise of tax loss carryforwards requires a critical assessment of the likely future taxable profits against which they may be offset, which depends on multiple factors and developments. Management works closely with local tax specialists in calculating and assessing tax liabilities.

4 Operating assets and liabilities

4.1 Cash and cash equivalents

Available liquidity as of the balance sheet date was as follows:

LIQUIDITY RESERVES AND CREDIT FACILITIES

in CHF thousand at 31 December	Notes	2021	2020
Cash in bank accounts and in hand		75,706	76,998
Advance payments PoC / from customers	4.9	-11,710	-25,682
Other financial assets / liabilities	4.4 / 4.11	-6,186	-2,400
Cash and cash equivalents net		57,810	48,916
Thereof assigned to other shareholders		20,495	12,945
Freely available cash and cash equivalents		37,315	35,971

The increase in the share of other shareholders in cash and cash equivalents is due to dividends not paid out by subsidiaries.

Accounting policies

Cash and cash equivalents include petty cash, cash in bank and postal giro accounts and short-term fixed deposits with a contractual maturity period of three months or less.

4.2 Securities and derivatives

In addition to derivatives recorded in the amount of CHF 12k (2020: CHF 407k) as of 31 December 2021, there are no outstanding foreign exchange forwards used for currency hedging of future cash flows that are not included in the balance sheet. In the prior year, there was an off-balance sheet amount of CHF 12k. The total notional amount of foreign currencies that are hedged is CHF 2,319k (2020: CHF 20,323k).

Accounting policies

Securities are initially valued at cost plus transaction costs. All purchases and sales are recognised at the daily market price. Subsequently, securities are valued as of the balance sheet date and the price difference is recorded in the financial result on the income statement and in the corresponding item under current assets on the balance sheet. Derivatives are valued as of the consolidated balance sheet date (see section 7.2).

Derivatives used to hedge transactions with future cash flows are recognised at fair value in the same line item where the underlying transaction is recorded on the balance sheet. Otherwise, they are disclosed in the notes to the financial statements in accordance with FER 27/18. The Orell Füssli Group does not buy or sell any derivative financial instruments without underlying transactions.

4.3 Trade accounts receivable

TRADE ACCOUNTS RECEIVABLE

in CHF thousand at 31 December	2021	2020
Trade accounts receivable gross	16,266	18,928
./. provisions for doubtful trade accounts receivable	-176	-207
Total trade accounts receivable net	16,090	18,721

There is no forfeiting on the receivables portfolio.

Accounting policies

Trade accounts receivable are recognised at nominal value less impairment. Due to the different customer structure and underlying transactions, the valuation of doubtful receivables by the Security Printing and Industrial Systems segments is based on an individual assessment. The other segments apply a flat-rate allowance based on actual experience.

Any loss due to a change in the provision for doubtful accounts receivable is recognised in the income statement under operating expense, while the reversal of any such provision accordingly results in a decrease in operating expense.

Management assumptions and estimates

The recoverability of trade receivables is assessed on the basis of compliance with payment deadlines. If significant payments are overdue, management contacts the customer and assesses its ability to meet its obligations. The assessment of the assumptions regarding the status of the customer as a going concern requires that management evaluates both the customer's willingness to pay as well as the customer's business model. This procedure is subject to high estimation uncertainty.

4.4 Other receivables

OTHER RECEIVABLES

in CHF thousand at 31 December	2021	2020
Construction contracts gross	2,320	20,522
./. deductible customer advances received	-932	-2,646
Total construction contracts net	1,388	17,876
Advance payments to suppliers	2,694	1,802
Other receivables	1,926	2,531
Total other receivables	6,008	22,209

Accounting policies

In principle, the policies outlined under 4.3 Trade receivables also apply to other receivables.

Long-term production orders with a time frame of at least three months and representing a significant volume are recorded using the percentage-of-completion (PoC) method. The PoC method measures the stage of completion of the contractual activity in percentage terms in order to determine the share of the overall revenue for the reporting period and to recognise this share as a receivable. The degree of completion is determined based on the completed quantity of a production lot and/or on the portion of the production stages carried out. Expected losses on production orders are recognised immediately in the income statement as an expense.

Advance payments are recognised directly in equity. Advance payments are offset against the accrued costs of the production order to which the payments relate.

For the other production orders, which do not satisfy the PoC criteria, the direct production costs, including material and production costs as well as production overheads, are recorded on an accrual basis.

4.5 Inventories

INVENTORIES

in CHF thousand at 31 December	2021	2020
Raw materials, auxiliary materials and supplies	4,605	6,739
Semi-finished and finished products	5,030	7,203
Trading goods	8,179	9,654
Work in progress	71	211
Total inventories gross	17,885	23,807
./. allowance on inventories	-2,914	-3,957
Total inventories net	14,971	19,850

Accounting policies

Inventories include raw materials, auxiliary materials and supplies, semi-finished products, finished products, work in progress and trading goods. Inventories are valued using the lower of cost or market principle (the lower of the acquisition or production costs or the net realisable value). The acquisition or production costs are determined based on the weighted-average acquisition costs. The production costs of semi-finished and finished products comprise the directly attributable production costs, including materials and manufacturing costs, as well as overhead costs. The net realisable value is the estimated selling price in the ordinary course of business less the production and distribution costs until the sale is realised. In production, materials purchased for a specific order but not consumed are immediately impaired. Coverage analyses are carried out to evaluate inventories. In the Book Retailing division, the value of the goods as at the date of acquisition is used. Discounts are treated as reductions in the acquisition cost.

4.6 Tangible assets

Tangible assets comprise machinery, technical installations, moveable property, leasehold improvements, vehicles, IT systems (hardware), property, buildings, investment property and fixed equipment.

MOVEMENTS IN TANGIBLE ASSETS 2021

in CHF thousand	Developed property and buildings	Un-developed property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	49,846	262	254	108,380	19,076	11,782	189,600
Change in scope of consolidation	–	–	–	–	7	–	7
Additions	7,846	–	–	1,228	2,212	3,268	14,554
Disposals	–798	–	–265	–2,869	–2,294	–	–6,226
Reclassification	1,454	–213	–	10,105	386	–11,732	–
Exchange differences	–533	–2	11	–253	–175	–4	–956
Cost at 31 December	57,815	47	–	116,591	19,212	3,314	196,979
Accumulated depreciation and impairment at 1 January	–33,860	–	–254	–87,736	–14,274	–	–136,124
Depreciation on disposals	798	–	265	2,840	2,285	–	6,188
Depreciation	–2,315	–	–	–5,088	–1,633	–	–9,036
Impairment	–2	–	–	–47	–106	–	–155
Reclassification	9	–	–	–8	–1	–	–
Exchange differences	140	–	–11	199	123	–	451
Accumulated depreciation and impairment at 31 December	–35,230	–	–	–89,840	–13,606	–	–138,676
Net carrying amount at 1 January	15,986	262	–	20,644	4,802	11,782	53,476
Net carrying amount at 31 December	22,585	47	–	26,751	5,606	3,314	58,303
Net carrying amount of tangible assets under finance lease	–	–	–	408	–	–	408

MOVEMENTS IN TANGIBLE ASSETS 2020

in CHF thousand	Developed property and buildings	Un-developed property	Investment property	Machinery and equipment	Other tangible assets	Assets under construction	Total
Cost at 1 January	78,104	263	269	123,610	19,075	400	221,721
Additions	3,633	–	–	2,025	1,901	11,601	19,160
Disposals	–32,011	–	–	–17,205	–1,949	–	–51,165
Reclassification	166	–	–	–	69	–235	–
Exchange differences	–46	–1	–15	–50	–20	16	–116
Cost at 31 December	49,846	262	254	108,380	19,076	11,782	189,600
Accumulated depreciation and impairment at 1 January	–62,987	–	–269	–100,420	–14,793	–	–178,469
Depreciation on disposals	32,011	–	–	17,158	1,930	–	51,099
Depreciation	–2,858	–	–	–4,515	–1,425	–	–8,798
Impairment	–69	–	–	–8	–2	–	–79
Exchange differences	43	–	15	49	16	–	123
Accumulated depreciation and impairment at 31 December	–33,860	–	–254	–87,736	–14,274	–	–136,124
Net carrying amount at 1 January	15,117	263	–	23,190	4,282	400	43,252
Net carrying amount at 31 December	15,986	262	–	20,644	4,802	11,782	53,476
Net carrying amount of tangible assets under finance lease	–	–	–	515	–	–	515

The remaining tangible fixed assets stated at acquisition cost are as follows:

ACQUISITION COSTS OF OTHER TANGIBLE ASSETS

in CHF thousand at 31 December	2021	2020
Cost at furniture and fixtures	13,350	12,140
Cost at IT systems (hardware)	5,558	6,666
Cost at vehicle	304	270
Total cost at other tangible assets	19,212	19,076

As of 31 December 2021, commitments entered into for the purchase of tangible assets amount to CHF 5,026k (2020: CHF 8,242k), mostly relating to machinery in the Safety Printing segment.

The Orell Füssli Group has no bank borrowings secured on land and buildings. In the income statement, operating lease expenses for leased properties were recorded in the amount of CHF 7,848k (2020: CHF 8,252k) and for other leased tangible assets in the amount of CHF 334k (2020: CHF 275k).

Accounting policies

Additions to tangible assets are recognised at acquisition or production cost. The acquisition and production costs include the acquisition costs of tangible assets as well as the directly attributable costs to prepare the assets for their intended use.

Tangible assets are depreciated using the straight-line method over the period of their useful lives. This also applies to tangible assets generated internally. Land is not depreciated. The period of depreciation may be adjusted if there is a business need. Depreciation begins once the tangible asset is ready for use. The operating life of each asset category is as follows:

OPERATING LIFE OF EACH ASSET CATEGORY

in years	Estimated useful lives
Machinery and technical installations	5–10
Buildings	30–40
Fixed facilities and renovations	10–20
Vehicles, movable properties, leasehold improvements	4–10
IT systems (hardware)	3–5

Assets under construction are those assets that are not yet ready for use or not yet in operation. They are valued at accumulated acquisition or production costs and are not depreciated.

Investments in the replacement and improvement of tangible assets are recognised in the balance sheet when an additional economic benefit is likely.

Expenditures for the repair and maintenance of buildings and equipment are recorded as expenses in the income statement when they occur.

Assets held under finance leases are carried at the lower of the fair value of the asset or the present value of the minimum lease payments. The corresponding finance lease obligations are recorded under liabilities.

Impairment

Non-current assets are tested for impairment if events or changes of circumstances indicate that the value of the individual asset may be impaired. If such indications exist, the recoverable amount is determined. An impairment loss results if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of either the fair value less selling costs or the present value of expected future cash flows. The impairment is recorded in the income statement. For the purpose of impairment testing, assets are grouped at the lowest level for which separate cash flows can be identified.

Management assumptions and estimates

Important assumptions for estimating the value of assets include sales and margin growth assumptions as well as the discount rates used. The assumptions made are based on publicly available data as well as internal documents (e.g. budgets) and management's analyses and estimates.

4.7 Intangible assets

Intangible assets comprise rights, licenses and software.

MOVEMENTS IN INTANGIBLE ASSETS 2021

in CHF thousand	Software and develop-ments	Rights and licenses	Other intangible assets	Total
Cost at 1 January	10,174	1,272	944	12,390
Change in scope of consolidation	–	225	–	225
Additions	588	–	309	897
Disposals	–145	–	–	–145
Reclassification	336	–	–336	–
Exchange differences	–106	4	–24	–126
Cost at 31 December	10,847	1,501	893	13,241
Accumulated depreciation and impairment at 1 January	–8,637	–1,034	–573	–10,244
Change in scope of consolidation	–	–127	–	–127
Depreciation on disposals	145	–	–	145
Depreciation	–735	–61	–	–796
Impairment	–23	–	–	–23
Exchange differences	104	–4	24	124
Accumulated depreciation and impairment at 31 December	–9,146	–1,226	–549	–10,921
Net carrying amount at 1 January	1,537	238	371	2,146
Net carrying amount at 31 December	1,701	275	344	2,320

MOVEMENTS IN INTANGIBLE ASSETS 2020

in CHF thousand	Software and develop-ments	Rights and licenses	Other intangible assets	Total
Cost at 1 January	12,340	1,072	849	14,261
Additions	29	270	220	519
Disposals	–2,298	–70	–13	–2,381
Reclassification	110	–	–110	–
Exchange differences	–7	–	–2	–9
Cost at 31 December	10,174	1,272	944	12,390
Accumulated depreciation and impairment at 1 January	–10,133	–1,060	–576	–11,769
Depreciation on disposals	2,275	70	–	2,345
Depreciation	–784	–44	–	–828
Exchange differences	5	–	3	8
Accumulated depreciation and impairment at 31 December	–8,637	–1,034	–573	–10,244
Net carrying amount at 1 January	2,207	12	273	2,492
Net carrying amount at 31 December	1,537	238	371	2,146

Software and development item consists solely of bought-in products.

Accounting policies

Intangible assets valued at acquisition or production cost less accumulated amortisation and impairment. The acquisition costs of rights, licenses and software comprise the purchase price and directly attributable costs for their installation. Rights, licenses and software are amortised using the straight-line method over the useful life.

4.8 Financial assets

FINANCIAL ASSETS

in CHF thousand at 31 December	Notes	2021	2020
Participations in associated companies		975	431
Long-term securities		107	100
Loan assets		340	340
Long-term deposits		2,278	–
Pension fund assets	6.1	3,622	3,622
Other non-current financial assets		97	137
Total financial assets		7,419	4,630

In the year, under review, Orell Füssli AG's investment in Procivis AG was increased from 30.3% to 76.7%. Procivis AG has therefore been fully consolidated and is no longer managed as an investment. Orell Füssli Thalia AG's investment in Evrlearn led to an increase in the number of investments in associates. The loan in relation to the state support programme for energy-efficient buildings taken out by Zeiser GmbH has been secured by means of a deposit at the lending bank.

Accounting policies

Financial assets are valued at nominal value less impairment.

4.9 Other current liabilities

OTHER CURRENT LIABILITIES

in CHF thousand at 31 December	2021	2020
Advance payments from customers on construction contracts gross	4,056	18,852
./. deductible customer advances received	–932	–2,646
Prepayments from customers on construction contracts net	3,124	16,206
Advance payments from customers	8,586	9,476
Liabilities to employees	295	48
VAT and similar taxes payable	507	509
Dividends payable	4	4
Other current payables	1,122	906
Total other current payables	13,638	27,149

Shareholders' claims to dividend payments are recorded as a liability in the period in which the dividends are approved by the company's shareholders.

Accounting policies

Trade accounts payable and liabilities are recognised at nominal value.

4.10 Accrued expenses and deferred income

ACCRUED EXPENSES AND DEFERRED INCOME

in CHF thousand at 31 December	2021	2020
Accrued expenses and deferred income for cost of materials	3,719	5,779
Accrued expenses and deferred income for personnel expenditure	4,166	4,185
Accrued expenses and deferred income for current income tax liabilities	2,084	2,688
Other accrued expenses and deferred income	4,206	2,786
Total accrued expenses and deferred income	14,175	15,438

4.11 Financial liabilities

Financial liabilities comprise borrowings, finance lease liabilities and other financial liabilities.

FINANCIAL LIABILITIES

in CHF thousand at 31 December	From borrowings	Liabilities from finance lease	Total 2021	From borrowings	Liabilities from finance lease	Total 2020
Current financial liabilities	2,071	85	2,156	250	88	338
Non-current financial liabilities	3,706	324	4,030	1,635	427	2,062
Total financial liabilities	5,777	409	6,186	1,885	515	2,400

The financial liability from external financing in the amount of CHF 5,777k (2020: CHF 1,885k) mostly comprises an interest-free, non-refundable loan to a related party, which will be converted into equity at a later date, and the building loan in the amount of CHF 4,142k taken out by Zeiser GmbH in order to benefit from the state support programme for energy-efficient buildings. This loan is repayable over three years. The government-supported COVID-19 loan obtained by Orell Füssli Thalia AG of CHF 500k (CHF 250k after proportional consolidation) was repaid in full in the autumn of 2021.

Accounting policies

Financial liabilities are valued at their nominal value. Financial liabilities are classified as current if they will mature in whole or in part within the following twelve months. If a contractual agreement to prolong the maturity of a loan exists as of the balance sheet date, the new duration will be taken into account for its classification.

The leasing of assets involving the transfer of essentially all the risk and rewards incidental to ownership to the lessee is designated as a finance lease. Finance leases are recognised initially in the balance sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The leased asset is depreciated over its useful life or the lease term, whichever is shorter. The corresponding financial obligations are recorded as liabilities.

4.12 Provisions

MOVEMENTS IN PROVISIONS 2021

in CHF thousand	Personnel	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	452	1,293	72	7,300	9,117
Additions (charged to income statement)	393	–	112	604	1,109
Reversals (charged to income statement)	–24	–651	–43	–304	–1,022
Utilisation during the year	–311	–210	–29	–5,520	–6,070
Exchange differences	–	–16	–5	–	–21
At 31 December	510	416	107	2,080	3,113
Provisions maturing within 12 months	262	416	107	2,080	2,865
Provisions maturing over 1 year	248	–	–	–	248

MOVEMENTS IN PROVISIONS 2020

in CHF thousand	Personnel	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	1,502	2,815	90	334	4,741
Additions (charged to income statement)	135	90	71	7,449	7,745
Reversals (charged to income statement)	–15	–563	–48	–	–626
Utilisation during the year	–1,170	–1,004	–41	–483	–2,698
Exchange differences	–	–45	–	–	–45
At 31 December	452	1,293	72	7,300	9,117
Provisions maturing within 12 months	166	211	72	7,300	7,749
Provisions maturing over 1 year	286	1,082	–	–	1,368

Provisions are included for personnel, restructuring, warranties, commissions, unfinished projects and for the valuation of orders at net realisable value.

Personnel provisions mainly comprise entitlements to long-service awards for employees.

The relocation of Zeiser GmbH to its new premises was largely completed by the end of 2021. Accordingly, restructuring provisions were reduced.

Other provisions are largely created and consumed in relation to the costs for the post-processing of a production order or for the almost completed post-processing of a production order from the prior year.

Warranty provisions are created in connection with the services rendered and they are based on local legislation or contractual agreements. The provisions are calculated based on experience.

Accounting policies

Provisions are recognised if the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a cash outflow will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions are recorded for future operating losses.

If the effect of the time value of money is significant, provisions are determined by discounting future cash flows.

Management assumptions and estimates

If contractual obligations exist, warranty claims or other obligations are expected, which affect the reporting period, then corresponding provisions are created. The provisions are based on experience or the reasoned expectations of management.

4.13 Deferred income taxes

Deferred income tax assets and liabilities were as follows:

COMPOSITION OF DEFERRED INCOME TAXES

in CHF thousand at 31 December	Deferred tax assets	Deferred tax liabilities	Balance 2021	Deferred tax assets	Deferred tax liabilities	Balance 2020
At 1 January	2,005	-1,168	837	782	-1,367	-585
Change recognized in profit or loss	244	96	340	1,211	199	1,410
Exchange differences	-80	-	-80	12	-	12
At 31 December	2,169	-1,072	1,097	2,005	-1,168	837

Deferred taxes are calculated at the effective applicable rate for each company.

Deferred taxes include the following capitalised losses carried forward:

DEFERRED INCOME TAX ASSETS ON LOSS CARRYFORWARDS

in CHF thousand at 31 December	2021	2020
Deferred income tax assets on loss carry-forwards gross	14,444	15,973
./. allowance on inventories	-12,275	-13,968
Deferred income tax assets on loss carry-forwards net	2,169	2,005

Deferred income tax assets arising from tax loss carry-forwards are recognised in as far as the related tax benefits are likely to be realised through future taxable profits. Deferred tax assets on loss carry-forwards correspond to accumulated taxable losses in the amount of CHF 51,801k (2020: CHF 66,698k). The loss carryforwards mainly arise from Zeiser GmbH and Orell Füssli AG.

Accounting policies

Deferred tax assets and liabilities are recognised for temporary differences between the values of assets and liabilities disclosed in the consolidated balance sheet and their corresponding tax accounting value in the local balance sheet provided they result in future taxable expenditures or profits, respectively. Further, deferred tax assets are recognised only if future taxable profits are likely against which they may be offset.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the asset will be realised or the liability will be settled.

Current tax assets and liabilities can be offset against each other provided they concern the same taxable unit, the same tax authority and there is a legally enforceable right to offset them.

5 Capital and financial risk management

5.1 Liquidity

LINES OF CREDIT

in CHF thousand at 31 December	2021	2020
Available lines of credit	65,463	70,448
./. Secured guarantees by banks (without prepayment guarantees)	-2,579	-2,210
./. Lines of credit used	-4,142	-250
Total unused lines of credit	58,742	67,988

The line of credit uses arises from the building loan of Zeiser GmbH.

As well as the lines of credit, sufficient funds should be available to conduct ordinary business activities in the future.

If additional liquidity is required for significant investments in non-current assets and expenditure on future acquisitions, an adjustment to the lines of credit may be considered. However, a mortgage could also be taken out on the unencumbered property at Dietzingerstrasse in Zurich.

5.2 Equity

Equity

Share capital is classified as equity. Transactions with minority interests are treated as transactions with the company's own shares. Therefore, payments for purchases of minority interests as well as any consideration received from the sales of minority interests are recorded in equity. Any differences between the consideration received/paid and the minority interests as presented in the balance sheet are recorded in equity.

Own shares

Purchases of the company's own shares are deducted from equity. The sale or purchase of own shares is not recognised in the income statement. If resold at a later date, any increase or decrease in value is recorded as an addition or a reduction to the capital reserves.

As at 31 December 2021, Orell Füssli AG held 508 of its own shares (2020: 508 own shares). All of these own shares are reserved for use in connection with the equity participation plan of Group Management. In the year under review and in the prior year, the company did not purchase any of its own shares.

In the year under review, the company did not issue any of its own shares in connection with share-based compensation (2020: 638 own shares).

Earnings per share

The earnings per share is calculated on the basis of the portion of the Group's results allocated to Orell Füssli Holding AG's shareholders, divided by the weighted average number of outstanding shares during the reporting period. The diluted earnings per share includes all of the shares that could be issued as part of the equity participation plan.

EARNINGS PER SHARE

At 31 December	2021	2020
Net income for the period in CHF thousand	9,388	12,945
Weighted average numbers of shares in issue (in thousands)	1,959	1,959
Earnings per share in CHF	4.79	6.61
Diluted earnings per share in CHF	4.79	6.60

Dividend per share

In the current financial year, a dividend for the 2020 financial year in the amount of CHF 5,880k (CHF 3.00 per share) was paid out. The theoretical dividend from the company's own shares of CHF 1k (CHF 3.00 per share) is included in the retained earnings carried forward.

At the Ordinary General Meeting held on 11 May 2022, a dividend of CHF 6,664k (CHF 3.40 per share) will be proposed, which has not yet been recorded as a liability in the consolidated financial statements.

5.3 Goodwill from acquisitions

The goodwill arising from acquisitions is offset against the group shareholders' equity as of the date of acquisition. A theoretical capitalisation of the goodwill would have the following impact on the annual financial statements:

THEORETICAL STATEMENT OF GOODWILL

in CHF thousand at 31 December	2021	2020
Cost at 1 January	3,473	121
Inflow due to change in the scope of consolidation	12,379	3,352
Cost at 31 December	15,852	3,473
Accumulated depreciation and impairment at 1 January	-549	-22
Depreciation and impairment	-1,730	-527
Accumulated depreciation and impairment at 31 December	-2,279	-549
Theoretical net book value at 1 January	2,924	99
Theoretical net book value at 31 December	13,573	2,924

A theoretical straight-line amortisation period of five years is applied.

Following the amortisation of the full theoretical amount, goodwill will no longer be listed in a theoretical statement. Retained earnings include CHF 27,932k of fully amortised theoretical goodwill.

THEORETICAL IMPACT ON NET INCOME FOR THE PERIOD

in CHF thousand	2021	2020
Earnings before interest and taxes (EBIT) according to consolidated income statement	15,429	14,379
Goodwill amortisation	-1,730	-527
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	13,699	13,852
Net income for the period after minority interests	9,388	12,945
Goodwill amortisation	-1,710	-527
Net income for the period after minority interests including goodwill amortisation	7,678	12,418

THEORETICAL IMPACT ON EQUITY

in CHF thousand at 31 December	2021	2020
Equity before minority interests according to the consolidated balance sheet	126,051	135,500
Theoretical capitalisation of goodwill (net book value)	13,573	2,924
Theoretical equity before minority interests including goodwill (net book value)	139,624	138,424

Accounting policies

Goodwill represents the excess of the purchase price over the fair value on the date of acquisition of the identifiable net assets of a company acquired by the Orell Füssli Group. The goodwill arising from acquisitions is offset against the Group shareholders' equity as of the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill is disclosed in the notes to the consolidated financial statements. Negative goodwill is recognised directly in equity as a capital reserve. In the event of disposal, the goodwill offset with equity at an earlier date shall be charged at its original cost to the result of the period.

Management assumptions and estimates

If the purchase price includes components that depend on future results, these are estimated and accounted for as best as possible at the date of acquisition. The goodwill offset with equity is modified accordingly if any differences result later from the determination of the final purchase price.

For goodwill items listed in the theoretical statement of goodwill, impairment is assessed based on indicators reflecting a possible impairment. If such indicators exist, the goodwill offset with equity is tested for impairment in order to determine the recoverable amount. The business plan for the next three years is used as the basis for this. The forecast is based on experience and on management's current assessment of the likely economic development of the relevant market.

6 Other financial information

6.1 Employee retirement benefit schemes

EMPLOYER'S CONTRIBUTION RESERVES

in CHF thousand	Nominal value ECR	Waiver of usage	Adjustments	Additions/ Reversals	Balance Sheet	Balance Sheet	Additions (charged to income statement)	Additions (charged to income statement)
	31.12.2021	2021	2021	2021	31.12.2021	31.12.2020	2021	2020
Pension schemes without funding surplus/deficit (Switzerland)	3,622	–	–	–	3,622	3,622	–	–

The Orell Füssli Foundation has used the 2020 BVG (OPA) mortality table since 2021 (2020: 2015 BVG (OPA) mortality table) to calculate pension obligations. The actuarial interest rate is 1.25% (2020: 1.0%).

FINANCIAL BENEFIT/LIABILITY AND PENSION COSTS

in CHF thousand	Funding surplus/deficit according to Swiss GAAP FER 26	Economic benefit/liability Group	Economic benefit/liability Group	Translation differences with no impact on the income statement	Change to prior-year or charged to income statement	Contributions limited to the period	Pension costs in personnel expenditure	Pension costs in personnel expenditure
	31.12.2021	31.12.2021	31.12.2020	2021	2021	2021	2021	2020
Pension schemes without funding surplus/deficit (Switzerland)	–	–	–	–	–	3,264	3,264	3,193
Funded pension schemes (abroad)	–	–	–	–	–	645	645	563
Total	–	–	–	–	–	3,909	3,909	3,756

Accounting policies

Group companies' retirement benefit schemes are included in the consolidated financial statements according to the legal provisions in effect in the corresponding country. The actual financial impact of the pension schemes on the company is calculated as of the balance sheet date. Any financial benefit is carried as an asset if it is used for the company's future pension expenses. A financial commitment is carried as a liability if the requirements for the creation of a provision are met. Any freely available employer's contribution reserves are recognised as an asset.

The Group's Swiss subsidiaries have legally independent retirement benefit schemes funded by the employer's and the employees' contributions. The financial consequences for the Group of pension fund surpluses and deficits as well as changes in any employer's contribution reserves are recorded in the income statement as personnel expenses alongside deferred contributions for the period. Any surpluses or deficits are calculated based on the pension fund's provisional annual financial statements prepared according to Swiss GAAP FER 26.

The foreign pension funds have either become independent or they are not significant. Certain foreign subsidiaries have pension plans without independent assets and include the corresponding pension provision directly in the balance sheet. Pension provisions recalculated according to nationally recognised methods and changes are recorded in the income statement as personnel expenditure.

6.2 Obligations from operating lease contracts

The Orell Füssli Group rents property, machinery, plant and equipment by means of operational leases. Some lease contracts cannot be terminated early; others have an option for cancellation of usually less than one year.

The future aggregated minimum lease payments that cannot be terminated early (mainly rental contracts) are as follows:

MATURITIES OF FUTURE AGGREGATED MINIMUM LEASE PAYMENTS

in CHF thousand at 31 December	2021	2020
No later than 1 year	6,587	8,087
Later than 1 year and no later than 5 years	17,858	21,075
Later than 5 years	5,174	8,559
Total future aggregate minimum lease payments	29,619	37,721

Accounting policies

Leases of assets for which, essentially, the lessor effectively has and benefits from all of the risks and rewards incidental to ownership are classified as operating leases. The costs under an operating lease are recorded in the income statement.

6.3 Related party transactions

All transactions with related companies and individuals are included in the consolidated financial statements for 2021 and 2020.

RELATED PARTY TRANSACTIONS

in CHF thousand at 31 December	with associated entities and joint ventures	with shareholders	with other related parties	Total 2021	with associated entities and joint ventures	with shareholders	with other related parties	Total 2020
Revenue from sales to customers	254	46,922	–	47,176	252	44,360	–	44,612
Other operating income	322	–	–	322	328	–	–	328
Cost of materials	–	–	5,304	5,304	–	–	6,336	6,336
Other operating expenses	197	–	260	457	218	–	260	478
Financial expenses	–	–	–	–	–	–	50	50

in CHF thousand	with associated entities and joint ventures	with shareholders	with other related parties	Total 2021	with associated entities and joint ventures	with shareholders	with other related parties	Total 2020
Trade accounts receivable	7	–	–	7	4	–	–	4
Other receivables	–	–	681	681	–	–	1,269	1,269
Non-current financial assets	975	–	–	975	431	–	–	431
Trade payables	3	–	–	3	5	–	–	5
Other liabilities	–	3,365	–	3,365	–	12,837	–	12,837
Financial liabilities	1,635	–	–	1,635	1,635	–	–	1,635

In the 2021 financial year as in prior years, the sale of books and publishing products to related parties and to employees at favourable rates was continued.

Except for the compensation disclosed in the compensation report (pages 46 to 50 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2021 and 2020.

6.4 Contingent liabilities and other commitments not included in the balance sheet

There are no contingent liabilities or other commitments not included in the balance sheet, neither in 2021 nor in the previous year.

7 Other disclosures

7.1 Consolidation

Subsidiaries

Subsidiaries comprise all domestic and foreign entities directly or indirectly controlled by Orell Füssli AG, either by holding at least 50% of the voting rights or by otherwise exercising a significant influence on the business management and business policy.

Subsidiaries are consolidated as of the date on which direct or indirect control passes to Orell Füssli AG. They are deconsolidated as of the date that such control ceases. All identifiable assets and liabilities of the subsidiary are measured at fair value as of the acquisition date. The excess of acquisition cost over the newly valued net assets of the subsidiary is defined as goodwill and recognised in equity.

The impact of inter-company transactions is eliminated in preparing the consolidated financial statements.

Investments in joint ventures

Joint ventures under joint management, but not controlled by one of the parties, are consolidated on a pro rata basis.

The merger of the book retailing activities of Thalia Bücher AG and Orell Füssli Buchhandlungen AG as of 1 October 2013, resulted in the creation of Orell Füssli Thalia AG. Each parent company holds a 50% interest. The Board of Directors consists of two representatives of each parent company. 50% of the income statement and the balance sheet line items is included in the consolidated financial statements of the Orell Füssli Group. Orell Füssli AG owns 51% Orell Füssli Buchhandlungen AG and Hugendubel Holding AG owns 49%.

Investments in associates

Investments in associates in which Orell Füssli AG is able to exercise a significant influence are accounted for using the equity method. Influence is considered as significant if Orell Füssli AG directly or indirectly holds between 20% and 50% of the voting rights or if it can otherwise exercise a significant influence on the business management and business policy.

Using the equity method, investments in associates are recognised initially at cost. Acquisition costs may include goodwill. Subsequently, the carrying amount of the participation is adjusted depending on the development of Orell Füssli AG's share of the associate's equity.

Other investments

Investments of less than 20% of voting rights are recognised at the lower value of cost or market value.

7.2 Currency conversion

The Group companies keep accounts in their respective national currency. Transactions in a foreign currency are converted into the local currency using the daily exchange rate. Bank account balances in foreign currencies are valued using the Group's exchange rates. Currency conversion differences are recorded in the financial result.

The consolidated financial statements are presented in Swiss francs. To prepare the consolidated financial statements, the assets and liabilities of foreign subsidiaries are converted into Swiss francs at the market rate as of the corresponding balance sheet date. Expenses and income are converted into Swiss francs at the average exchange rate for the year. Currency conversion differences and foreign currency gains on equity-like long-term loans are booked directly in equity. In the event of the disposal of a foreign subsidiary, the related accumulat-

ed currency conversion differences booked on the income statement are derecognised and disclosed as part of the profit or loss from the disposal.

The Orell Füssli Group used the following currency exchange rates (market rate and annual average rate) for the 2021 and 2020 financial years:

APPLIED EXCHANGE RATES

	Market rate		Annual average rate	
	31.12.2021	31.12.2020	2021	2020
EUR at a rate of CHF	1.0356	1.0824	1.0814	1.0703
USD at a rate of CHF	0.9129	0.8826	0.9141	0.9389
GBP at a rate of CHF	1.2336	1.2048	1.2577	1.2045

7.3 COVID-19: Impact on the financial statements in the financial year under review

In the second year of the pandemic, we continued to take a number of measures to minimise the impact of COVID-19 on our business. The health and safety rules for the employees (e.g. physical distancing at work, wearing masks and, where possible, working from home) have been consistently implemented in accordance with the applicable regulations. During the lockdown, short-time compensation was again requested by the Book Retailing segment. The short-time compensation resulted in a credit booked in personnel expenses of CHF 790,000 in the year under review. The government-supported COVID-19 loan obtained by Orell Füssli Thalia AG in the amount of CHF 500,000 was repaid in full in the autumn of 2021.

7.4 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 9 March 2022. They are subject to approval by the general meeting.

No further events that provide additional information on the items in the consolidated financial statements or cast doubt on the assumption that the company is a going concern or that would be otherwise material occurred between the balance sheet date and 9 March 2022.

7.5 Changes in the scope of consolidation

In the 2021 financial year

Inspectron Ltd: The acquisition was concluded as of 1 July 2021.

Procivis AG: As of 14 September 2021, Orell Füssli AG increased its stake in Procivis AG to 76.7%.

Lehmanns Media AG: The acquisition was concluded as of 1 October 2021.

Besides the acquired liquidity of CHF 9,219k, none of the three acquisitions listed above have material items in the balance sheet. The final purchase price to be paid depends on the development of the business. The potential earn-out payments of CHF 3,432k for the acquisition of Inspectron Ltd and Lehmanns Media AG have been deferred in the position other non-current liabilities.

Atlantic Zeiser Ltd, Hong Kong: The company was liquidated in the first half of 2021.

In the 2020 financial year

Orell Füssli AG: Orell Füssli Holding AG and its 100% subsidiaries in Switzerland were merged to form Orell Füssli AG.

Storyworld GmbH: In the third quarter of 2020, the subsidiary of Orell Füssli Buchhandlung AG was liquidated.

Procivis AG: In the current financial year, Orell Füssli AG acquired a 30.3% stake in Procivis AG. Part of the purchase price was written off as goodwill directly via equity.

7.6 Overview of significant investments

SIGNIFICANT INVESTMENTS

	City, Country	Currency	Nominal capital in thousand	% of capital held ¹⁾	
				direct	indirect ²⁾
Consolidated companies					
Orell Füssli Buchhandlungs AG	Zurich, CH	CHF	100	51	
Procivis AG	Zurich, CH	CHF	277	77	
Zeiser GmbH	Emmingen, DE	EUR	869	100	
Zeiser Inc. ³⁾	West Caldwell, US	USD	0		100
Zeiser Ltd. ³⁾	Andover, GB	GBP	0		100
Zeiser SRL ³⁾	Milano, IT	EUR	100		100
Inspectron Inc. ³⁾	Chelmsford, US	USD	2,389		100
Pro rata consolidated participation					
Orell Füssli Thalia AG ⁴⁾	Zurich, CH	CHF	9,500		50
Delivros Orell Füssli AG ⁵⁾	Zurich, CH	CHF	1,330		70
Lehmanns Media AG ⁶⁾	Hägendorf, CH	CHF	100		100
Equity accounted for participations					
Orell Füssli Kartographie AG	Zurich, CH	CHF	210	24	
Evrlearn AG ⁵⁾	Zurich, CH	CHF	190		37

¹⁾ Capital held and voting rights in % are identical

²⁾ Capital share of the respective parent company

³⁾ Held through Zeiser GmbH

⁴⁾ Held through Orell Füssli Buchhandlungs AG

⁵⁾ Held through Orell Füssli Thalia AG

⁶⁾ Held through Delivros Orell Füssli AG

Report of the statutory auditor on the consolidated financial statements

Report of the statutory auditor

to the General Meeting of Orell Füssli AG

Zürich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Orell Füssli AG and its subsidiaries (the Group), which comprise the consolidated income statement for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021, the consolidated cash flows statement and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.


In our opinion, the accompanying consolidated financial statements (pages 52 to 82) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview	Overall Group materiality: CHF 1'700'000
	<p>We concluded full scope audit work and selected audit procedures at three group companies in two countries.</p> <p>Our audit scope addressed 94% of the Group's net revenue to customers.</p> <p>As key audit matter the following area of focus has been identified:</p> <p>Revenue recognition relating to long-term production orders of Orell Füssli AG using the percentage-of-completion method (PoC-method).</p>

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due

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to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1'700'000
Benchmark applied	Net revenue to customers
Rationale for the materiality benchmark applied	We chose net revenue to customers as the benchmark because, in our view, it is a key benchmark against which the main business activities can be assessed.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We tailored the scope of our audit in order to cover the significant subsidiaries with a full scope audit or selected audit procedures. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement included, for example, meetings and telephone conferences during the audit planning stage and after completion of the local audits. For the remaining companies, we referred to the results of the completed statutory examinations and analyses of significant changes.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition relating to long-term production orders of Orell Füssli AG using the percentage-of-completion method (PoC-method)

Key audit matter	How our audit addressed the key audit matter
<p>As can be seen in note 3.2 to the consolidated financial statements, revenue from production orders accounted for using the PoC-method amounted to CHF 55.7 million in the 2021 financial year. This represents about 26.5% of net revenue to customers.</p> <p>We consider revenue recognition in accordance with the PoC-method as a key audit matter due to the size, the complexity of the underlying contracts and the significant scope for judgment by Management involved in recognizing revenue from the individual elements of a contract in the appropriate period. We identified the following risk relating to proper revenue recognition: the contractually defined payments comprise different elements depending on the contract with the customer. There is a risk that individual elements are not recognized in the correct period.</p>	<p>In order to test the recognition of these contractual elements, we performed the following:</p> <ul style="list-style-type: none"> • We gained an understanding of the process for recognizing and measuring production orders. • We selected various production orders, inspected the underlying contracts and reconciled the elements recognized in revenue. • Inspected selected Management memoranda regarding revenue recognition of specific elements in the appropriate period and assessed whether revenue recognition in relation to these elements complies with the requirements of Swiss GAAP FER.

Management has defined the principles for recording revenue from different contractual elements. For significant customer orders, Management specifies in memoranda how revenue is to be recognized for the individual contractual elements. The memoranda are submitted to the Audit Committee for approval.

- Checked whether the memoranda were approved by the Audit Committee.

On the basis of our audit procedures, we addressed the risk of different contractual elements of revenue not being recognized in the appropriate period and obtained adequate assurance.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Dario Gassmann
Audit expert

Zürich, 9 March 2022

8 Financial statements of Orell Füssli AG

8.1 INCOME STATEMENT

in CHF thousand	Notes	2021	2020
Revenue from sales to customers	9.4	81,856	97,570
Other operating expenses		1,626	1,916
Changes in inventories of semi-finished and finished products		-1,269	-1,259
Operating income		82,213	98,227
Cost of materials		-29,078	-43,660
Personnel expenses		-28,324	-30,569
Other operating expenses		-13,590	-12,427
Depreciation and impairment		-7,609	-8,970
Earnings before interest and taxes (EBIT)		3,612	2,601
Financial income		467	3,839
Financial expenses		-175	-162
Financial result	9.6	292	3,677
Ordinary result		3,904	6,278
Extraordinary income		238	1,700
Extraordinary result	9.7	238	1,700
Earnings before income taxes (EBT)		4,142	7,978
Income tax expenses		2	-1
Net income for the period		4,144	7,977

8.2 BALANCE SHEET

in CHF thousand	Notes	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents		26,996	27,202
Trade accounts receivable		6,146	9,706
Trade accounts receivable to Group companies		8	–
Delcredere		–12	–
Advance payments to suppliers		2,507	1,325
Other current receivables		163	987
Other current receivables to Group companies		500	–
Inventories		6,286	9,512
Construction contracts	9.11	1,388	17,876
Accrued income and deferred expenses		987	8,805
Total current assets		44,969	75,413
Loans to consolidated companies	9.14	27,992	27,992
Participations in consolidated companies		21,830	8,942
Participations in related companies		50	4,283
Tangible assets	9.15	40,448	42,762
Intangible assets	9.16	1,248	1,027
Total non-current assets		91,568	85,006
Total assets		136,537	160,419
Liabilities and equity			
Trade payables to third parties		986	5,114
Trade payables to Group companies		10	–
Current interest-bearing liabilities to Group companies		2,634	–
Other current payables to third parties		326	158
Advance payments from customers	9.12	5,732	19,226
Accrued expenses and deferred income		4,787	6,733
Current provisions	9.13	2,080	7,340
Total current liabilities		16,555	38,571
Non-current provisions		–	130
Total non-current liabilities		–	130
Share capital		1,960	1,960
./. Own shares	9.17	–60	–60
Legal profit reserve		11,113	11,113
Retained earnings		102,825	100,728
Net income for the period		4,144	7,977
Total equity		119,982	121,718
Total liabilities and equity		136,537	160,419

9 Notes to the financial statements

9.1 Disclosures / Basis of accounting

Orell Füssli AG is a Swiss company with headquarters in Zurich. As of 31 December 2021 the company employed 225 full-time equivalents (prior year: 252).

The financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations.

Where not prescribed by law, the significant accounting and valuation principles applied are described below.

9.2 Foregoing a cash flow statement and additional disclosures in the notes

As Orell Füssli AG prepares consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), it has decided to forego presenting a management report, a cash flow statement and additional information on audit fees in the notes in accordance with the law.

9.3 Currency conversion

Balance sheet items recorded in foreign currencies are converted into the functional currency, Swiss francs (CHF), using the exchange rate as of the balance sheet date. The price gain or loss resulting from the currency conversion is recognised in the income statement in the financial result. The items in the income statement are converted using the book rate (monthly average exchange rate).

9.4 Revenue from sales to customers

In the 2021 financial year, revenue from sales to customers includes revenue from production orders recognised using the PoC method in the amount of CHF 55,666k (prior year: CHF 75,176k).

Revenue from sales to customers of trading goods and manufactured and printed products is recorded as income after their delivery to the client. Revenue is recorded net of value-added tax and any rebates. Revenue from production orders is recognised using the percentage-of-completion (PoC) method in order to record the portion of total sales realised for the reporting period.

9.5 Derivative financial instruments

As of 31 December, there are outstanding foreign exchange forwards used for currency hedging of future cash flows. This resulted in an off-balance-sheet item in the amount of CHF 11k (prior year: CHF 418k).

9.6 Financial result

Financial income includes foreign currency differences of CHF 184k (prior year: CHF 649k) and interest income of CHF 282k (prior year: CHF 187k). The expenses include bank charges and negative interest.

9.7 Extraordinary result

The extraordinary result includes income from the reversal of provisions for special allowances to pensioners in the amount of CHF 238k. In the prior year, an amount of CHF 1,700k was reversed as part of the merger with Orell Füssli AG.

9.8 Liquidation of hidden reserves

Hidden reserves in the amount of CHF 238k were liquidated in the year under review (2020: none). The amount was credited in full to the extraordinary result.

9.9 Trade accounts receivables and other receivables

Trade receivables and other receivables are recognised at their nominal value. Doubtful accounts receivable are valued by applying individual value adjustments.

9.10 Inventories

Inventories comprise various substrates, dyes, varnishes and other materials as well as books and non-book articles.

Inventories are valued using the lower of cost or market principle (the lower of the acquisition or production cost and the net realisable value). Acquisitions are calculated based on the weighted-average acquisition cost. With regard to trading goods, impairment charges are made for unsellable inventory or inventory with a low turnover. Books still in production are recorded at the accumulated production costs.

9.11 Production orders

Long-term production orders with a time frame of at least three months and representing a significant volume are recorded using the PoC method. The PoC method measures the stage of completion of the contractual activity in percentage terms on order to determine the share of the overall revenue for the reporting period and to recognise this share as a receivable. To this end, the portion of the production stages that have been carried out is used as the valuation basis. Expected losses on production orders are recognised immediately in the income statement as an expense.

Advance payments are recognised directly in equity. Advance payments are offset against the accrued costs of the production order to which the payments relate.

For the other production orders, which do not satisfy the PoC criteria, the direct production costs, including material and production costs as well as production overheads, are recorded on an accrual basis.

9.12 Advance payments from customers

Advance payments from customers of CHF 5,732k (2020: CHF 19,226k) include advance payments from shareholders of CHF 3,365k (2020: CHF 12,837k) and payments in the amount of CHF 932k, which have been offset against the PoC production orders.

Advance payments are always made for long-term production orders. Advance payments by customers comprise only those payments that have not been offset against the accrued costs of the production orders.

9.13 Current provisions

Current provisions are related to the costs for the post-processing of production orders.

9.14 Loans and investments

Orell Füssli AG provides its subsidiaries with required funds in the form of loans or receives from its subsidiaries cash in excess of requirements for investments.

Loans and investments are recognised at the lower of acquisition cost or market value.

INVESTMENTS

at 31 December		2021		2020	
		in CHF thousand	Capital held	in CHF thousand	Capital held
Zeiser GmbH	Emmingen, DE	8,891	100.0%	8,891	100.0%
Procivis AG	Zurich, CH	12,888	76.7%	–	–
Orell Füssli Buchhandlungs AG	Zurich, CH	51	51.0%	51	51.0%
Total Group companies		21,830		8,942	
Procivis AG	Zurich, CH	–	–	4,233	30.3%
Orell Füssli Kartographie AG	Zurich, CH	50	23.8%	50	23.8%
KXO AG	Zug, CH	–	39.2%	–	39.2%
Landqart AG	Landqart, CH	–	3.3%	–	3.3%
Total related parties		50		4,283	

9.15 Tangible assets

MOVEMENTS IN TANGIBLE ASSETS 2021

in CHF thousand at 31 December	Properties	Machinery and equipment	Furniture and fixtures	Vehicles	IT systems (hardware)	Assets under construction	Total
Cost at 1 January	36,410	102,047	1,992	59	5,236	9,940	155,684
Additions	243	1,030	131	–	401	3,142	4,947
Disposals	–217	–2,141	–16	–	–1,037	–	–3,411
Reclassification	–150	9,978	–	–	81	–9,909	–
Cost at 31 December	36,286	110,914	2,107	59	4,681	3,173	157,220
Accumulated depreciation and impairment at 1 January	–24,591	–82,786	–1,559	–53	–3,933	–	–112,922
Depreciation on disposals	217	2,112	17	–	1,037	–	3,383
Depreciation	–1,742	–4,654	–89	–6	–587	–	–7,078
Impairment	–2	–47	–	–	–106	–	–155
Reclassification	9	–8	–1	–	–	–	–
Accumulated depreciation and impairment at 31 December	–26,109	–85,383	–1,632	–59	–3,589	–	–116,772
Net carrying amount at 1 January	11,819	19,261	433	6	1,303	9,940	42,762
Net carrying amount at 31 December	10,177	25,531	475	–	1,092	3,173	40,448

MOVEMENTS IN TANGIBLE ASSETS 2020

in CHF thousand at 31 December	Properties	Machinery and equipment	Furniture and fixtures	Vehicles	IT systems (hardware)	Assets under construction	Total
Cost at 1 January	66,077	117,291	1,992	59	5,236	–	190,655
Additions	2,344	1,262	–	–	–	9,940	13,546
Disposals	–32,011	–16,506	–	–	–	–	–48,517
Cost at 31 December	36,410	102,047	1,992	59	5,236	9,940	155,684
Accumulated depreciation and impairment at 1 January	–54,265	–95,165	–1,559	–53	–3,933	–	–154,975
Depreciation on disposals	32,011	16,506	–	–	–	–	48,517
Depreciation	–2,268	–4,119	–	–	–	–	–6,387
Impairment	–69	–8	–	–	–	–	–77
Accumulated depreciation and impairment at 31 December	–24,591	–82,786	–1,559	–53	–3,933	–	–112,922
Net carrying amount at 1 January	11,812	22,126	433	6	1,303	–	35,680
Net carrying amount at 31 December	11,819	19,261	433	6	1,303	9,940	42,762

Tangible assets are recognised at cost or manufacturing cost less depreciation. The acquisition and production costs include the acquisition costs of tangible assets as well as the directly attributable costs to prepare the assets for their intended use.

Depreciation begins as soon as the fixed asset is ready for use or is operational. Land is not subject to depreciation.

Assets under construction are those assets that are not yet ready for use or not yet in operation. They are valued at accumulated acquisition or production costs and are not depreciated.

The operating life of tangible assets is as follows:

USEFUL LIFE OF TANGIBLE ASSETS

in years	Estimated useful lives
Machinery and equipment	5–10
Buildings	30–40
Fixed facilities and renovations	10–20
Movable properties, leasehold improvements, vehicles	4–10
IT systems (hardware)	3–5

9.16 Intangible assets

MOVEMENTS IN INTANGIBLE ASSETS 2021

in CHF thousand at 31 December	Software and develop-ments	Rights and licenses	Intangible assets in the course of development	Total
Cost at 1 January	5,623	156	–	5,779
Additions	301	–	296	597
Disposals	–26	–	–	–26
Cost at 31 December	5,898	156	296	6,350
Accumulated depreciation and impairment at 1 January	–4,604	–148	–	–4,752
Depreciation on disposals	26	–	–	26
Depreciation	–351	–3	–	–354
Impairment	–22	–	–	–22
Accumulated depreciation and impairment at 31 December	–4,951	–151	–	–5,102
Net carrying amount at 1 January	1,019	8	–	1,027
Net carrying amount at 31 December	947	5	296	1,248

MOVEMENTS IN INTANGIBLE ASSETS 2020

in CHF thousand at 31 December	Software and develop-ments	Rights and licenses	Intangible assets in the course of development	Total
Cost at 1 January	7,921	1,681	–	9,602
Disposals	–2,298	–1,525	–	–3,823
Cost at 31 December	5,623	156	–	5,779
Accumulated depreciation and impairment at 1 January	–6,490	–214	–	–6,704
Depreciation on disposals	2,275	70	–	2,345
Depreciation	–389	–4	–	–393
Accumulated depreciation and impairment at 31 December	–4,604	–148	–	–4,752
Net carrying amount at 1 January	1,431	1,467	–	2,898
Net carrying amount at 31 December	1,019	8	–	1,027

Intangible assets comprise rights, licenses and software. They are valued at acquisition cost or production cost less accumulated depreciation and impairment. The acquisition costs of rights, licenses and software comprise the purchase price and directly attributable costs. Rights, licenses and software are amortised using the straight-line method over the contractually agreed duration. Software and development item consists solely of bought-in products.

9.17 Own shares

As at 31 December 2021, Orell Füssli AG held 508 of its own shares (2020: 508). All of these own shares are reserved for use in connection with the equity participation plan of Group Management. In the year under review, the company did not purchase any of its own shares.

In the year under review, none of the company's own shares were issued in connection with share-based compensation (2020: none).

9.18 Shares held by members of the Board of Directors and the Executive Board

As of the balance sheet date, the Board Directors and the members of the Executive Board held the following shares in Orell Füssli AG:

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Number of shares at 31 December	2021		2020	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Dr Anton Bleikolm (until 11 May 2021)	–	–	1,180	1,180
Dieter Widmer	800	800	800	800

Dr. Thomas Moser, member of the Board of Directors, is an Alternate Member of the Governing Board of the Swiss National Bank (SNB), which owns 653,460 shares in Orell Füssli AG.

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD

Number of shares at 31 December	2021		2020	
	Number of own shares	Total number of shares including shares of related parties	Number of own shares	Total number of shares including shares of related parties
Dr Michael Kasch	494	494	494	494
Thorsten Tritschler	100	100	100	100

9.19 Major shareholders

at 31 December	Total registered shares	Participation
Swiss National Bank (SNB), Berne (CH)	653,460	33.3%
Dieter Meier, Hong Kong (HK) (held by Campdem Development SA)	267,850	13.7%
Fam. Siegert, Meerbusch (DE)	180,000	9.2%
J. Safra Sarasin Investmentfonds, Basel (CH) (SaraSelect)	98,250	5.0%

9.20 Contingent liabilities

There are no contingent liabilities in the year under review.

9.21 Obligations from operating lease contracts

Orell Füssli AG leases a property under a fixed-term operating lease. The future minimum lease payment from this contract amounts to CHF 951k. Payments will be made over the next three years.

9.22 Equal pay analysis

Orell Füssli AG carried out the wage equality analysis using the standard analysis tool (Logib) for the reference month of November 2020. The Logib evaluation shows that Orell Füssli AG adheres to the tolerance threshold of 5% used in procurement. The analysis was also checked by an approved auditing company (PwC) in accordance with Art. 13d of the Gender Equality Act (GEA). In its report dated 30 November, 2021, the auditing company confirms that during the formal review of the equal pay analysis it did not come across any facts from which it would have to conclude that the equal pay analysis of Orell Füssli AG does not meet the requirements of Art. 13d GIG in all respects and Art. 7 of the Ordinance on the Review of the Equal Pay Analysis.

9.23 Events after the balance sheet date

The financial statements were approved and released for publication by the Board of Directors on 9 March 2022. They are subject to approval by the Annual General Meeting.

No further events that provide additional information on the items in the consolidated financial statements or cast doubt on the assumption that the company is a going concern or that would be otherwise material occurred between the balance sheet date and 9 March 2022.

9.24 Proposed appropriation of retained earnings and unrestricted reserves

The Board of Director's proposes to the Annual General Meeting on 11 May 2022 the payment of a dividend of CHF 3.40 per share.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF thousand	2021
Retained earnings	102,825
Net income for the period	4,144
Retained earnings available to the Annual General Meeting	106,969
Dividend of CHF 3.40 per share	-6,664
Carried forward	100,305

Report of the statutory auditor on the financial statements

Report of the statutory auditor

to the General Meeting of Orell Füssli AG

Zürich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orell Füssli AG, which comprise the income statement for the year ended 31 December 2021, balance sheet as at 31 December 2021 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 86 to 94) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 660'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Revenue recognition relating to long-term production orders using the percentage-of-completion method (PoC-method).

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 660'000
Benchmark applied	Net revenue to customers
Rationale for the materiality benchmark applied	We chose net revenue to customers as the benchmark because, in our view, it is a key benchmark against which the main business activities can be assessed.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition relating to long-term production orders using the percentage-of-completion method (PoC-method)

Key audit matter	How our audit addressed the key audit matter
<p>As can be seen in note 9.4 to the financial statements, revenue from production orders accounted for using the PoC-method amounted to CHF 55.7 million in the 2021 financial year. This represents about 68% of net revenue to customers.</p> <p>We consider revenue recognition in accordance with the PoC-method as a key audit matter due to the size, the complexity of the underlying contracts and the significant scope for judgment by Management involved in recognizing revenue from the individual elements of a contract in the appropriate period. We identified the following risk relating to proper revenue recognition: The contractually defined payments comprise different elements depending on the contract with the customer. There is a risk that individual elements are not recognized in the correct period.</p> <p>Management has defined the principles for recording revenue from different contractual elements. For significant customer orders, Management specifies in memoranda how revenue is to be recognized for the individual contractual elements. The memoranda are submitted to the Audit Committee for approval.</p>	<p>In order to test the recognition of these contractual elements, we performed the following:</p> <ul style="list-style-type: none"> • We gained an understanding of the process for recognizing and measuring production orders. • We selected various production orders, inspected the underlying contracts and reconciled the elements recognized in revenue. • Inspected selected Management memoranda regarding revenue recognition of specific elements in the appropriate period and assessed whether revenue recognition in relation to these elements complies with the requirements of Swiss GAAP FER and Swiss Code of Obligations. • Checked whether the memoranda were approved by the Audit Committee. <p>On the basis of our audit procedures, we addressed the risk of different contractual elements of revenue not being</p>



recognized in the appropriate period and obtained adequate assurance.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Dario Gassmann
Audit expert

Zürich, 9 March 2022

NOTE ON FORWARD-LOOKING STATEMENTS

No statement in this annual report that refers to the future constitutes a guarantee of future performance. They involve risks and uncertainty, including but not limited to future global economic conditions, foreign exchange rates, regulatory requirements, market conditions, activities of competitors and other factors beyond the company's control that may cause actual developments and results to differ significantly from the statements made in this document. Orell Füssli is under no obligation to adapt or modify forward-looking statements based on new information, future events or other reasons.

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