

orell füssli

Half-year Report 2023

Key figures

Half-year 2023



105.0

Revenue
in CHF m
previous year: 97.6



11.0

EBITDA
in CHF m
previous year: 12.6



5.4

EBIT
in CHF m
previous year: 7.4



633

Number of
employees (FTE)
previous year: 603



5.0

Half-year-results
in CHF m
previous year: 6.7



-0.9

Cash flow from
operating activities
in CHF m
previous year: 2.9

Dear shareholder,

The business result for the first half of 2023 presented in this document confirms our forecast for the year. The increase of 7.6% in turnover compared to the previous year was mainly due to Book Retailing and the integration of hep Verlag. In the first, typically weaker, half of the year, Orell Füssli generated a revenue of CHF 105.0 million (PY: CHF 97.6 million) with an EBIT margin of 5.2% (PY: 7.6%). The investments in the development of the digital business areas were made as planned in the first half of the year.

The economy performed surprisingly positively in the first half of the year despite uncertainties in the market due to geopolitical tensions and continuing high inflation. Orell Füssli observed strong consumer sentiment in our bookshops, especially in the first quarter. The number of tenders in the banknote sector and investment interest in Zeiser printing equipment were also encouraging developments for the Group. The lower EBIT compared to the previous year can be explained by the product mix in the first half of the year and the sale of a property in 2022.

Security Printing benefited from good capacity utilisation in the first half of the year. Orell Füssli won tenders to print banknotes for several customers in the global south. Despite high international inflation, prices on the market only reflected this to a very limited extent. Some competitors are coming under noticeable strain as a result of the market

situation and the pressure on margins remains very high, but can be partially offset by internal gains in efficiency.

Orell Füssli was responsible for the design and production of the new Swiss driving licence made of polycarbonate. The new driving licence has been in circulation on schedule since mid-April 2023. Around 600,000 credit-card-sized driving licences are produced every year. They meet the highest international and European standards for driving licence security.

Zeiser's revenue and EBIT are at the budgeted level after the first half of the year. Incoming orders are trending upwards. It should be noted that in the previous year's period, around CHF 1 million was contributed to the operating result (EBIT) by the sale of a property. Nevertheless, Zeiser has introduced measures to increase efficiency, the majority of which will not have a positive impact until 2024.



“We have made targeted investments in our core business and consistently pursued our growth strategy.”

Dr Martin Folini, Chairman of the Board of Directors

Editorial

Zeiser's project business is geared towards the long term, as new printing systems for customers involve high investments and long evaluation processes. The strategy for the track & trace business, used for tracing products in Security Printing and paper mills, was strengthened and specific projects are currently being finalised with various customers. The track & trace service offered by the US subsidiary was once again in high demand in the reporting period.

Book Retailing performed very well in the first half of the year, further increasing revenue. Following good sales in the first quarter, momentum slowed somewhat in the second quarter. Nevertheless, growth is well above the market as a whole. In January, Orell Füssli opened its first branch in the canton of Solothurn in the Ladedorf shopping centre in Langendorf. Since the beginning of 2023, Orell Füssli has also been operating two ETH stores – in the city centre and on the Höggerberg campus – as well as a new branch occupying around 80 square metres in the Neumarkt shopping centre in Zurich-Altstetten. With 57 locations, Orell Füssli is the market leader in German-speaking Switzerland. More store openings

are planned in the second half of 2023. These include a second branch in Thun as well as new locations in Bern central station and Weinfelden.

The integration of hep Verlag into Orell Füssli Publishers has been successful. The company was acquired by Orell Füssli in mid-2022, after which the teaching and learning media programme was centralised at hep's main location in Bern. For the first time, purely digital learning media were launched on the market, with myKV and myDetailhandel being the two most successful in Switzerland in terms of numbers. This broadens Orell Füssli's value creation in the strategic focus area of education. Manuel Schär, Chairman of the Board of Directors of hep, was elected as Chair of the Swiss Book Retailing and Publishers Association. This position increases the visibility of Orell Füssli and hep in the Swiss education landscape.

With "Globi bei den Yaks" (Globi and the Yaks) and "Globis neue Abenteuer im Nationalpark" (Globi's New Adventures in the National Park), two more Globi bestsellers were published in the first half of 2023. After the space laboratory lab toy set, the

“In the first half of the year, we were able to further strengthen our positions in the market and increase turnover.”

Daniel Link, CEO



forest lab set is the second collaboration between Orell Füssli Publishers and ETH Zurich for children with a thirst for knowledge.

Orell Füssli legal media reported a good first half-year. The revised commentary on the “Handelsregisterverordnung” (Swiss commercial register ordinance) was published to coincide with the Swiss revision of company law and the revision of the Swiss commercial register ordinance. The “Repetitorium Gesundheitsrecht” (revision of Swiss health law) was published for the first time and covers a practical cross-sectional area of law in the upswing as well as new challenges.

The implementation of the 2028 growth strategy, as presented to the public in autumn 2022 and described in detail in the 2022 Annual Report, is well on track. Orell Füssli is focussing its activities on the development of the new business field of legally binding digital credentials.

The draft law for a new Swiss eID is expected to be passed by the Swiss Federal Council after the summer period and then discussed by the Federal Assembly. To

ensure that the eID can be put into use as quickly as possible, conceptual and technical preparatory work is running in parallel to the legislative process. With Procivis, Orell Füssli is represented in working groups on the standardisation of digital verification and is conducting preparatory technical projects with other companies using the Public Sandbox Trust Infrastructure.

Following the successful acquisition of Procivis AG in 2021, Orell Füssli assessed its position at the beginning of the year. The business plan for digital identities in the public sector will be extended to verifiable digital credentials as well as private sector customers and use cases. A specific software solution is currently being developed. Due to the new focus in the scaling phase, Procivis founder and CEO Daniel Gasteiger has decided to concentrate on his responsibilities as a member of the Board of Directors of Procivis AG and to step down from his operational management position. The search for a successor is underway. In the meantime, the Chairwoman of the Board of Directors, Désirée Heutschi, is managing Procivis AG as interim Managing Director.

At the 133rd Annual General Meeting held at the SIX ConventionPoint in Zurich on 10 May 2023, the shareholders of Orell Füssli AG approved all the proposals of the Board of Directors. Over 75% of the share capital was represented at the meeting. For management, the Annual General Meeting provides an important opportunity to check in with shareholders.

Orell Füssli plans to continue **growing its revenue** in the second half of the year. The strong seasonal business in book retailing and publishing will more than compensate for the lower profitability in Security Printing in H2. Overall, we expect higher revenue with better profitability in the second half of the year. The **EBIT margin**

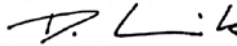
for the full year will be slightly lower overall than in 2022, as already communicated. This is primarily due to the development of the new business fields and especially the investments in additional skilled labour.

We are proud of our employees across all locations and thank them for their significant contribution to the progress we have made.

We would also like to thank you, our shareholders, for your trust in our work and your willingness to support Orell Füssli's growth strategy, as well as our customers and partner organisations, to whom we are thankful for their loyalty and positive cooperation.



DR MARTIN FOLINI
Chairman of the Board of Directors



DANIEL LINK
CEO



As part of the origination process, the banknote design is converted into printing plates for series production.

SEGMENT DATA

The business activities of the Orell Füssli Group involve mainly the sub-areas Security Printing, Industrial Systems and Book Retailing. The activities of the smaller business units are grouped together as "Other business areas". Activities from Group functions not directly attributable to core businesses are not allocated to the sub-areas

In 2023, the delivery of a production machine from Industrial Systems to Security Printing of around CHF 2.7 million will be eliminated under "Not allocated" in "revenue from sales to customers" and carried in the consolidated financial statements as capitalised costs.

in CHF thousand	2023	2022	2021	2020	2019
Security Printing					
Revenue from sales to customers	39,164	38,025	39,200	48,743	55,994
Operating earnings (EBIT)	6,082	7,798	4,183	5,886	6,589
Industrial Systems					
Revenue from sales to customers	11,778	11,010	13,191	12,422	14,609
Operating earnings (EBIT)	848	1,886	3,314	2,834	3,539
Book Retailing					
Revenue from sales to customers	49,938	44,981	41,396	38,156	40,858
Operating earnings (EBIT)	1,169	865	611	-559	377
Other business areas					
Revenue from sales to customers	6,984	3,587	3,385	4,652	4,029
Operating earnings (EBIT)	-999	-1,143	128	45	-810
Not assigned					
Revenue from sales to customers	-2,839	31	105	96	-244
Operating earnings (EBIT)	-1,661	-1,994	-1,822	-1,483	-1,590
Total Group					
Revenue from sales to customers	105,025	97,634	97,277	104,069	115,246
Operating earnings (EBIT)	5,439	7,412	6,414	6,723	8,105

Half-year Financial Report 2023

1.1 CONSOLIDATED INCOME STATEMENT

in CHF thousand	Jan–Jun 23	Jan–Jun 22
Revenue from sales to customers	105,025	97,634
Other operating income	1,740	2,342
Changes in inventories of semi-finished and finished products, capitalised costs	4,755	344
Operating income	111,520	100,320
Cost of materials	–41,777	–33,689
External production costs	–5,469	–4,372
Personnel expenses	–31,740	–29,393
Other operating expenses	–21,584	–20,311
Depreciation and impairment on tangible assets	–4,988	–4,729
Depreciation and impairment on intangible assets	–523	–414
Earnings before interest and taxes (EBIT)	5,439	7,412
Financial income	415	22
Financial expenses	–435	–722
Financial result	–20	–700
Ordinary result	5,419	6,712
Income tax expenses	–462	32
Net income for the period	4,957	6,744
Attributable to the shareholders of Orell Füssli AG	4,826	6,673
Attributable to minority interests	131	71
in CHF	Jan–Jun 23	Jan–Jun 22
Undiluted earnings per share	2.46	3.41
Diluted earnings per share	2.46	3.40

1.2 CONSOLIDATED BALANCE SHEET

in CHF thousand	30.06.2023	31.12.2022
Assets		
Cash and cash equivalents	41,545	62,538
Marketable securities and derivative financial instruments	24	105
Trade accounts receivable	12,558	11,331
Other receivables	11,512	8,897
Inventories	27,739	24,384
Accrued income and deferred expenses	3,243	4,455
Total current assets	96,621	111,710
Tangible assets	56,700	55,648
Intangible assets	2,744	2,589
Non-current financial assets	7,597	7,698
Deferred tax assets	2,523	1,729
Total non-current assets	69,564	67,664
Total assets	166,185	179,374
Liabilities and equity		
Trade payables	5,967	7,957
Other current liabilities	13,520	14,095
Accrued expenses and deferred income	14,316	16,796
Current financial liabilities	861	1,862
Current provisions	1,442	926
Total current liabilities	36,106	41,636
Other non-current liabilities	1,018	1,030
Non-current financial liabilities	1,821	1,864
Non-current provisions	402	309
Deferred tax liabilities	913	831
Total non-current liabilities	4,154	4,034
Share capital	1,960	1,960
Capital reserves	4,115	4,183
Own shares	–	–60
Retained earnings	120,463	122,301
Exchange differences	–6,649	–6,192
Total equity before minority interests	119,889	122,192
Minority interests	6,036	11,512
Total equity	125,925	133,704
Total liabilities and equity	166,185	179,374

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF thousand	Jan–Jun 23	Jan–Jun 22
Net income for the period	4,957	6,744
Change in employee equity incentive plans	8	8
Depreciation	5,509	5,100
Impairment and amortisation	2	94
Other non-cash related income and expenses	–124	–600
Change in trade accounts receivable	–1,301	935
Change in inventories	–3,448	–2,351
Change in other receivables	–2,627	–4,887
Change in accrued income and deferred expenses	1,200	–1,527
Change in trade payables	–1,971	1,550
Change in other liabilities	–543	1,703
Change in accrued expenses and deferred income	–2,447	–1,280
Change in provisions and deferred income tax	–127	–2,552
Cash flow from operating activities	–912	2,937
Purchase of tangible assets	–6,143	–4,325
Proceeds from disposals of tangible assets	171	1,969
Purchase of intangible assets	–714	–1,233
Investments in financial assets	–	–271
Cash flow from investing activities	–6,686	–3,860
Repayment of financial liabilities	–1,026	–1,074
Dividends paid to minorities	–5,606	–3,769
Dividends paid	–6,664	–6,662
Cash flow from financing activities	–13,296	–11,505
Exchange differences	–99	–240
Change in cash and cash equivalents	–20,993	–12,668
Cash and cash equivalents at 1 January	62,538	75,706
Cash and cash equivalents at 30 June	41,545	63,038

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF thousand	Share capital	Capital reserves	Own shares	Retained earnings and net income	Equity before minority interests	Minority interests	Total equity
Equity at 1 January 2022	1,960	4,167	-60	119,984	126,051	12,797	138,848
Change in scope of consolidation	-	-	-	-	-	-138	-138
Dividends paid	-	-	-	-6,662	-6,662	-3,769	-10,431
Offsetting goodwill against equity	-	-	-	-70	-70	-67	-137
Employee equity incentive plans	-	8	-	-	8	-	8
Currency translation effects	-	-	-	-348	-348	-	-348
Net income for the period	-	-	-	6,673	6,673	71	6,744
Total equity at 30 June 2022	1,960	4,175	-60	119,577	125,652	8,894	134,546
Net change 2nd half-year 2022	-	8	-	-3,468	-3,460	2,618	-842
Equity at 1 January 2023	1,960	4,183	-60	116,109	122,192	11,512	133,704
Dividends paid	-	-	-	-6,664	-6,664	-5,607	-12,271
Employee equity incentive plans	-	-68	60	-	-8	-	-8
Currency translation effects	-	-	-	-457	-457	-	-457
Net income for the period	-	-	-	4,826	4,826	131	4,957
Total equity at 30 June 2023	1,960	4,115	-	113,814	119,889	6,036	125,925

Retained earnings include currency translation differences of CHF -6,649k (as of 30.06.2022: CHF -5,580k) and goodwill of CHF -48,315k (as of 30.06.2022: CHF -43,642k).

2.1 Basis of accounting

This Half-year report includes the unaudited interim financial statements of the Orell Füssli Group for the reporting period ending 30 June 2023. The consolidated financial statements have been prepared in conformity with the current Swiss GAAP FER standards (Swiss Foundation for Accounting and Reporting Recommendations) as well as the provisions of the Listing Rules of the SIX Swiss Exchange and the Swiss law on companies limited by shares ("company law"). The consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements and they must therefore be read in conjunction with the consolidated annual financial statements prepared for the financial year ending 31 December 2022.

The consolidated interim financial statements include all entities which belonged to the Group and were managed and controlled by Orell Füssli AG during the reporting period. For the Orell Füssli Group, this applies when more than 50% of the entity's share capital or voting rights are directly or indirectly owned by Orell Füssli AG, Zurich. Investments in joint ventures under joint management, but not controlled by one of the parties, are consolidated on a pro rata basis.

The preparation of the consolidated interim financial statements requires management to estimate values and make assumptions affecting the disclosures in the interim financial statements of income, expenses, assets, liabilities and contingent liabilities. If such estimates and assumptions made by management differ from the actual conditions at a later date, their values are amended in the reporting period in which the conditions have changed.

The Orell Füssli Group's business is subject to significant seasonal and cyclical fluctuations. The seasonal fluctuations are in particular due to the Christmas business, which is very important for the book trade, as well as to the publishers' educational media business, which is mainly handled in the third quarter. The cyclical fluctuations are mainly due to the lifecycles and product mix of the products manufactured in the Security Printing Division.

Income taxes are calculated on the basis of the best estimate of the expected average tax rate for the entire financial year.

2.2 Consolidated income statement

At CHF 105.0 million, revenue from sales to customers is around CHF 7.4 million higher than in the previous year. The book trade segment and the acquisition of hep Verlag AG in July 2022 are the main contributors to the increase in revenue.

Other operating income remained at the usual level of CHF 1.7 million. In the previous year, the sale of the property in Emmingen, which was no longer required for operations, increased other operating income by around CHF 1.0 million.

In the first half of 2023, Industrial Systems delivered a production machine to Security Printing. The intersegmental delivery of CHF 2.7 million is reported as capitalised costs in the item "Changes in inventories of semi-finished and finished products, capitalised costs".

The cost of materials increased by around CHF 8.1 million compared to the previous year. The increase is due to the product mix and the associated share of materials in the security printing segment. In addition, in the previous year a larger order was processed with provided materials.

The increase in personnel expenses by about CHF 2.3 million and in other operating expenses by about CHF 1.2 million is explained by the increase in personnel from the acquisition of hep Verlag AG as well as from the further branch openings in the book retailing segment.

The change in the financial result is due to currency effects.

Income taxes include current and deferred taxes. In the first half of 2023, fewer deferred tax assets were formed than in the same period of the previous year. This leads to a higher tax burden of CHF 462k in the reporting period.

2.3 Consolidated balance sheet

The item "Other receivables" shows the project progress recorded according to the Percentage-of-completion method (PoC).

The increase in "inventories" of around CHF 3.3 million is due to various factors. Among the most important are the larger number of retail outlets in the book retailing with corresponding inventory, the build-up of inventory at hep Verlag AG in view of the upcoming educational media business in the third quarter and the production of semi-finished products at Zeiser GmbH for projects that will be delivered to customers in the second half of the year.

The reduction in financial liabilities results from the scheduled partial repayment of the construction loan for the newly occupied production and administration building in Emmingen.

The increase in the current provision results from costs for delivery delays in the Security Printing segment.

The reduction in equity is made up of CHF 12.3 million in dividend payments to shareholders and minority interests and around CHF 5.0 million in profit.

At the request of a co-shareholder, an interim dividend was distributed at Buchhandlungs AG in the first quarter of 2023. This reduces the minority interests in equity.

2.4 Liquidity reserves

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

in CHF thousand	30.06.2023	31.12.2022
Cash in bank accounts and in hand	41,545	62,538
Advance payments PoC / from customers	-10,806	-11,456
Other financial assets / liabilities	-2,682	-3,726
Cash and cash equivalents net	28,057	47,356
Thereof assigned to other shareholders	3,680	16,721
Freely available cash and cash equivalents	24,377	30,635

2.5 Changes in the scope of consolidation

In the 2023 financial year (January bis June)

No changes in the scope of consolidation took place in the first half of 2023.

In the 2022 financial year

izit AG: Founded as of 26 September 2022.

hep Verlag AG: As of 1 July 2022, Orell Füssli AG acquired hep Verlag AG. Besides liquidity in the amount of CHF 1,956k, the material balance sheet items representing trade accounts receivable in the amount CHF 1,637k and inventories in the amount of CHF 2,667k were also taken over. The goodwill was offset against equity in the period under review, hep Verlag AG contributed CHF 5,798k to consolidated sales.

Zeiser Inc.: As of 1 April 2022, Inspectron Inc. and Zeiser Inc. in the USA merged to form Zeiser Inc. The expected earn-out payment for the acquisition of Inspectron Inc. has been reduced by CHF 1,773k.

Delivros Orell Füssli AG: As of 1 February 2022, Orell Füssli Thalia AG increased its stake in Delivros Orell Füssli AG by 10% to reach 80%. The goodwill was written off directly via equity.

Barth Bücher AG: Barth Bücher AG: In mid-year, Thalia Bücher AG took over the assets of Barth Bücher AG. The resulting goodwill was offset against equity.

The goodwill from the transactions carried out in 2022 amounted to a total of CHF 6,973k

2.6 Currency conversion

APPLIED EXCHANGE RATES

	Market rate		Annual average rate	
	30.06.2023	31.12.2022	2023	2022
EUR at a rate of CHF	0.9770	0.9899	0.9856	1.0320
USD at a rate of CHF	0.8976	0.9246	0.9119	0.9441
GBP at a rate of CHF	1.1366	1.1184	1.1243	1.2257

2.7 Segment reporting

SEGMENT RESULTS JANUARY – JUNE 2023

in CHF thousand	Revenues from segment sales	Inter- segment sales	Revenue from sales to customers	Earnings before interest an taxes (EBIT)
Security Printing	39,164	–	39,164	6,082
Industrial systems	9,068	2,710	11,778	848
Book Retailing	49,938	–	49,938	1,169
Other business areas	6,855	129	6,984	–999
Total segment	105,025	2,839	107,864	7,100
Not assigned	–	–2,839	–2,839	–1,661
Total Group	105,025	–	105,025	5,439

The inter-segmental turnover for Industrial Systems includes the sale of a machine of CHF 2,691k to Security Printing. The sale is eliminated in the revenue from sales to customers under the item "Not allocated" and is shown in the consolidated income statement as capitalised costs.

SEGMENT RESULTS JANUARY – JUNE 2022

in CHF thousand	Revenues from segment sales	Inter- segment sales	Revenue from sales to customers	Earnings before interest an taxes (EBIT)
Security Printing	38,025	–	38,025	7,798
Industrial systems	10,920	90	11,010	1,886
Book Retailing	44,981	–	44,981	865
Other business areas	3,583	4	3,587	–1,143
Total segment	97,509	94	97,603	9,406
Not assigned	125	–94	31	–1,994
Total Group	97,634	–	97,634	7,412

2.8 Related party transactions

In the first half of 2023, the Orell Füssli Group effected sales and accruals of goods and services to related parties amounting to CHF 18,800k (January–June 2022: CHF 19,319k).

2.9 Theoretical impact of goodwill capitalisations

The goodwill resulting from acquisitions is offset against the consolidated equity at the time of acquisition. A theoretical amortisation period over five years would have the following effects on the result and the balance sheet:

in CHF thousand	2023	2022
Impact on income statement – Depreciation and amortization (each as of June 30)	–2,029	–1,597
Impact on equity (previous year as of December 31)	12,827	14,856

Retained earnings include CHF 27,932k (31.12.2022: CHF 27,932k) of goodwill that is theoretically fully amortised.

2.10 Financial instruments

As of the balance sheet date, there were outstanding foreign exchange forwards for currency hedging of future cash flows in addition to the reported derivatives of CHF 17k (as at 31.12.2022: CHF 99k). Consequently, there is an unrecognised amount of CHF –41k (as of 31.12.2022: CHF 47k). The total notional amount of foreign currencies that are hedged is CHF 7,982k (as at 31.12.2022: CHF 6,273k).

2.11 Events occurring after the balance sheet date

On 13 July 2023, Orell Füssli Thalia AG announced that it would take over the three branches of Buchparadies AG.



AGENDA

Publication of annual financial statements 2023	08.03.2024
Analyst conference	08.03.2024
General assembly 2024	07.05.2024

NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements in this Half-year Report that relate to the future are not guarantees of future performance. They involve risks and uncertainties, including but not limited to future global economic conditions, foreign exchange rates, regulatory requirements, market conditions, activities of competitors and other factors beyond the control of the company, which could cause actual developments and results to differ materially from the statements made in this document. Orell Füssli is not under any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise

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