

orell füssli

Half-year Report 2022



Key figures

Half-year 2022

Key Figures



97.6

Revenue
in CHF m

Previous year: 97.3



12.6

EBITDA
in CHF m

Previous year: 11.1



7.4

EBIT
in CHF m

Previous year: 6.4



603

Number of
employees (FTE)

Previous year: 569



6.7

Half-year-results
in CHF m

Previous year: 5.7



2.9

Cash flow from
operating activities
in CHF m

Previous year: 12.1

Dear shareholder,

The interim results for the first half of 2022 are cause for optimism. The figures are in line with the plan for the Orell Füssli Group as a whole. We achieved this performance even though current prices for raw materials are driving up costs, certain key goods have become scarce and consumption has slowed as a result of inflation fears.

In particular, incoming orders in Security Printing performed well in the first half of the year. New orders exceeded expectations in the first half. The figures were well above those of last year. As a result, production has been well utilised so far this year. However, price pressure continues due to excess capacity in the market.

The ability to once again travel and meet customers without restrictions has boosted Orell Füssli's business relationships. Key events included the Banknote & Currency Conference in Washington, DC, in February, and the Global Currency Forum Aventura, south of Barcelona, in May of this year. Both events saw higher-than-expected attendance. At the conference in the US, Orell Füssli was recognised for its innovation Utopian Dual® – a new concept that combines traditional security elements with barcodes on banknotes. This hybrid solution allows the value of the banknote to be transferred to a digital wallet and simultaneously removes the value from the physical banknote.

High value is placed on personal contact with customers. The same is true for

Zeiser's business relationships. The division's orders were good in the first half of the year. However, coronavirus-related employee absences and the move to the new operating facilities at Emmingen, Baden-Württemberg, led to delays in carrying out projects. The backlog will be partially recovered in the second half of the year. The sale of the former production building resulted in a book profit.

Subsidiary Inspectron, which specialises in the service business, concluded several multi-year contracts. The integration of the company, which was acquired in 2021 and occupies a leading position in document inspection and track & trace for security printing, was concluded successfully. In order to simplify the organisation, the two US units Zeiser Inc. and Inspectron Inc. were merged as of 1 April 2022.

Book Retailing saw a number of store openings in the first half of the year. New Orell Füssli shops were opened in Lucerne and Wil (SG). The first Orell Füssli children's bookstore was opened as a pop-up at Bern railway station in April 2022, and another Orell Füssli bookstore will open at the



“The measures implemented in the first half of the year will sustainably increase our competitiveness.”

Dr. Martin Folini, Chairman of the Board of Directors

Pilatusmarkt Kriens shopping centre over the course of the year. With 46 locations, Orell Füssli Thalia AG is the market leader in German-speaking Switzerland.

At the ShopVille-Zurich shopping centre in the main railway station, Orell Füssli Thalia AG took over the Barth bookstore but retained the shop’s long-standing name. In a competition with several interested parties, Orell Füssli managed to win over the beneficiaries and the Board of Directors of Alfred Barth AG. Its size and roots in Zurich make Orell Füssli the ideal partner for long-term succession planning.

In autumn of this year, Payot Libraire will open a shop-in-shop at the Stauffacher bookstore in Bern. Payot Libraire’s extensive French-language offer will be available on the third floor of Neuengasse 37, occupying 235 m² of space. It will be the only branch in German-speaking Switzerland of the largest bookseller in western Switzerland.

As part of its omnichannel strategy, Orell Füssli Thalia has now addressed the

increasing interest in online streaming for books. In collaboration with Skoobe, the company has introduced a digital flat rate for e-books and audio books on its tolino e-reader. The Skoobe platform (“e-books” written backwards) offers access to an online library of more than 400,000 books and tens of thousands of audio books for a fixed monthly price. This offer means Orell Füssli, Switzerland’s largest bookseller, is now also a leader in the area of book flat rates.

Orell Füssli Publishers has been active in the area of legal media since spring with the innovative start-up justement.ch, which offers online legal research. Through a subscription, customers receive access to the 10 most used Orell Füssli commentaries and the most comprehensive collection of Swiss legal rulings handed down by federal and cantonal courts. The digital content can be searched efficiently and translations and citations accessed with a mouse click. A further expansion of the platform is planned. Thus, Orell Füssli Publishers has strengthened its position in the strategically relevant specialist legal field.

“The acquisition of hep Verlag will make a positive contribution to EBIT in the second half of the year.”

Daniel Link, CEO



In the children's book segment, the activities carried out as part of Globi's 90th anniversary attracted a lot of interest and brought great joy to participants. The Zurich Cobra tram decorated with a Globi design was a visual highlight. The new release at the end of February, Globi und die Ozeane, hit the best-seller list immediately thanks to high sales figures. Globi und die Mikroben, the latest book in the GlobiWissen series, was published in May. It was written in collaboration with a number of experts and includes the latest information.

With the acquisition of hep Verlag announced at the beginning of June, Orell Füssli has seized an opportunity to further expand its educational sector. hep Verlag is a leading provider of Swiss learning media. The merger combines the forces of the two companies in the market for learning media for various school and training levels, and the establishment of a convergent learning media system in the area of e-learning and hybrid offerings. With this acquisition, Orell Füssli has become the largest privately owned learning media publishing house, directly behind the major cantonal

publishers of teaching materials and a German publisher.

Several pilot projects are being worked on currently as part of the collaboration between Orell Füssli and Swisscom announced in January 2022. Orell Füssli subsidiary Procvivis and Swisscom are focusing on practical applications for intelligent digital verification by the general public, such as diplomas, residence certificates, hunting licences and proof of age.

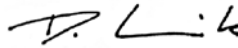
The development of the growth strategy in the areas of security and education is continuing and was refined further in the first half of the year. Further initiatives followed with the majority stake in hep Verlag and the partnership with Swisscom. The Board of Directors and the Executive Board are driving ideas forward with great commitment and on many fronts in order to exploit trends in security and education on the basis of many years of expertise in existing business areas to ensure the long-term growth of Orell Füssli. The more detailed strategy will be presented to a broader audience at an investor day at the end of November.

Positive and negative effects balanced each other out in the first half of the year. The acquisition of a majority stake in hep will make a positive contribution to EBIT in the second half of the year. As a result, the forecast for 2022 has been revised slightly upwards. The Board of Directors and Executive Board expect a slight increase in revenue and an EBIT margin at the same level as the previous year.

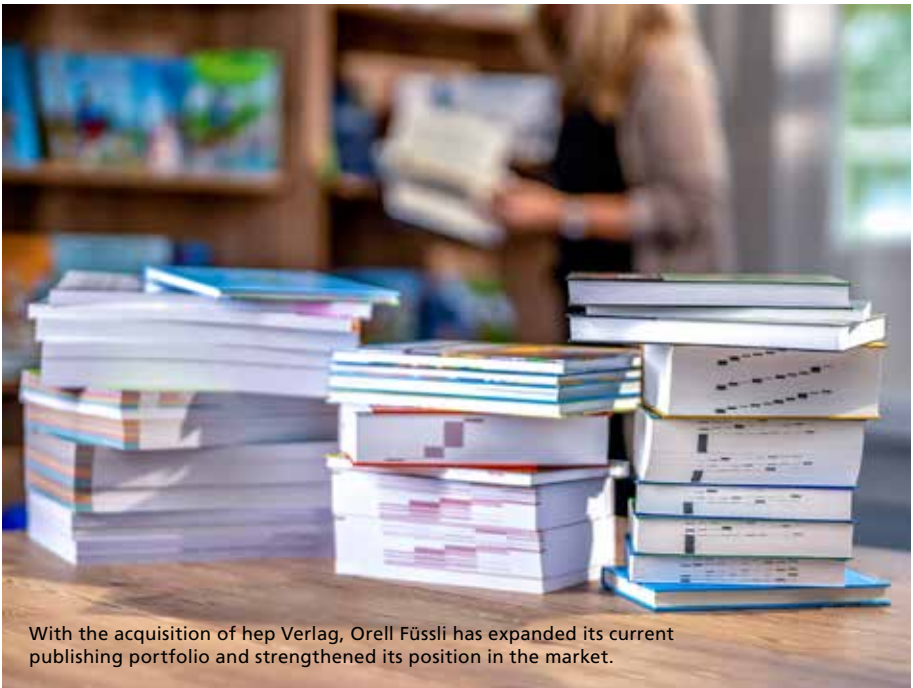
Huge thanks to all employees for their valuable efforts and to our clients and partners for their loyalty and good collaboration. And we thank you, esteemed shareholders, for your confidence in the management and future of our company.



DR. MARTIN FOLINI
Chairman of the Board of Directors



DANIEL LINK
CEO



With the acquisition of hep Verlag, Orell Füssli has expanded its current publishing portfolio and strengthened its position in the market.

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

from January to June, in CHF thousand	2022	2021	2020	2019	2018
Security Printing					
Revenue from sales to customers	38,025	39,200	48,743	55,994	58,074
Operating earnings (EBIT)	7,798	4,183	5,886	6,589	6,785
Industrial Systems					
Revenue from sales to customers	11,010	13,191	12,422	14,609	25,981
Operating earnings (EBIT)	1,886	3,314	2,834	3,539	-1,094
Book Retailing					
Revenue from sales to customers	44,981	41,396	38,156	40,858	39,137
Operating earnings (EBIT)	865	611	-559	377	-911
Other business areas					
Revenue from sales to customers	3,587	3,385	4,652	4,029	4,362
Operating earnings (EBIT)	-1,143	128	45	-810	-525
Not assigned					
Revenue from sales to customers	31	105	96	-244	-94
Operating earnings (EBIT)	-1,994	-1,822	-1,483	-1,590	-1,054
Total Group					
Revenue from sales to customers	97,634	97,277	104,069	115,246	127,460
Operating earnings (EBIT)	7,412	6,414	6,723	8,105	3,201

Half-year Financial Report 2022

1.1 CONSOLIDATED INCOME STATEMENT

in CHF thousand	Jan–Jun 22	Jan–Jun 21
Revenue from sales to customers	97,634	97,277
Other operating income	2,342	1,416
Changes in inventories of semi-finished and finished products, capitalised costs	344	724
Operating income	100,320	99,417
Cost of materials	–33,689	–34,527
External production costs	–4,372	–7,524
Personnel expenses	–29,393	–26,784
Other operating expenses	–20,311	–19,513
Depreciation and impairment on tangible assets	–4,729	–4,300
Depreciation and impairment on intangible assets	–414	–355
Earnings before interest and taxes (EBIT)	7,412	6,414
Financial income	22	356
Financial expenses	–722	–645
Financial result	–700	–289
Ordinary result	6,712	6,125
Income tax expenses	32	–440
Net income for the period	6,744	5,685
Attributable to the shareholders of Orell Füssli AG	6,673	5,550
Attributable to minority interests	71	135
in CHF	Jan–Jun 22	Jan–Jun 21
Earnings per share	3.41	2.83
Diluted earnings per share	3.40	2.83

1.2 CONSOLIDATED BALANCE SHEET

in CHF thousand	30.06.2022	31.12.2021
Assets		
Cash and cash equivalents	63,038	75,706
Marketable securities and derivative financial instruments	–	12
Trade accounts receivable	14,986	16,090
Other receivables	10,516	6,008
Inventories	17,232	14,971
Accrued income and deferred expenses	4,754	2,919
Total current assets	110,526	115,706
Tangible assets	56,831	58,303
Intangible assets	2,944	2,320
Non-current financial assets	7,286	7,419
Deferred tax assets	2,487	2,169
Total non-current assets	69,548	70,211
Total assets	180,074	185,917
Liabilities and equity		
Trade payables	6,888	5,369
Other current liabilities	15,841	13,638
Accrued expenses and deferred income	12,673	14,175
Current financial liabilities	2,078	2,156
Current provisions	750	2,865
Total current liabilities	38,230	38,203
Other non-current liabilities	3,110	3,516
Non-current financial liabilities	2,905	4,030
Non-current provisions	248	248
Deferred tax liabilities	1,035	1,072
Total non-current liabilities	7,298	8,866
Share capital	1,960	1,960
Capital reserves	4,175	4,167
Own shares	–60	–60
Retained earnings	125,157	125,216
Exchange differences	–5,580	–5,232
Total equity before minority interests	125,652	126,051
Minority interests	8,894	12,797
Total equity	134,546	138,848
Total liabilities and equity	180,074	185,917

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF thousand	Jan–Jun 22	Jan–Jun 21
Net income for the period	6,744	5,685
Change in employee equity incentive plans	8	8
Depreciation	5,100	4,655
Impairment and amortisation	94	–
Share of loss applicable to equity method	–	261
Other non-cash related income and expenses	–600	56
Change in trade accounts receivable	935	3,460
Change in inventories	–2,351	–2,518
Change in other receivables	–4,887	5,495
Change in accrued income and deferred expenses	–1,527	2,584
Change in trade payables	1,550	–1,672
Change in other liabilities	1,703	–6,208
Change in accrued expenses and deferred income	–1,280	4
Change in provisions and deferred income tax	–2,552	280
Cash flow from operating activities	2,937	12,090
Purchase of tangible assets	–4,325	–7,570
Proceeds from disposals of tangible assets	1,969	37
Purchase of intangible assets	–1,233	–164
Investments in financial assets	–271	–
Disposal of financial assets	–	20
Cash flow from investing activities	–3,860	–7,677
Increase of financial liabilities	–	4,378
Repayment of financial liabilities	–1,074	–45
Dividends paid to minorities	–3,769	–
Dividends paid	–6,662	–5,879
Cash flow from financing activities	–11,505	–1,546
Exchange differences	–240	500
Change in cash and cash equivalents	–12,668	3,367
Cash and cash equivalents at 1 January	75,706	76,998
Cash and cash equivalents at 30 June	63,038	80,365

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 2021	1,960	4,150	-60	129,450	135,500	8,995	144,495
Dividends paid	-	-	-	-5,879	-5,879	-	-5,879
Employee equity incentive plans	-	8	-	-	8	-	8
Currency translation effects	-	-	-	424	424	-	424
Net income for the period	-	-	-	5,550	5,550	135	5,685
Total equity at 30 June 2021	1,960	4,158	-60	129,545	135,603	9,130	144,733
Net change 2nd half-year 2021	-	9	-	-9,561	-9,552	3,667	-5,885
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

Retained earnings include currency translation differences of CHF 5,580K (as of 30.06.2021: CHF 4,058K) and goodwill of CHF 43,642k (as of 30.06.2021: CHF 31,346k).

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 2022. 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 2021.

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 largely due to the very high volume of business realised at Christmas by the Book Retailing Division. 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

Net revenue from sales of CHF 97.6 million is in line with prior year. Other operating income of CHF 2.3 million includes a profit of around CHF 1.0 million from the sale of the property in Emmingen, which is no longer required for operations after the move to the new premises.

External production costs in the first half of the year are down by CHF 3.2 million compared with prior year. The decrease is mainly due to the product mix of the Security Printing Division, with lower volumes in the identity documents business and lower transport costs.

The increase in personnel expenses compared to prior year is mainly due to the increase in staff numbers following the takeovers of Procvivis AG and Inspectron Inc. in the second half of 2021. In addition, compensation for short-time work in the Book Retailing Division because of the pandemic fell in the reporting period.

The negative financial result is attributable to currency effects, especially the strengthening of the Swiss franc against the euro.

The formation of deferred tax assets in the Industrial Systems Division resulted in a positive overall tax effect in the first half of 2022.

2.3 Consolidated balance sheet

The reduction in total assets is largely accounted for by dividend payments.

The progress of projects is recorded according to the percentage-of-completion method (PoC) and disclosed in „other receivables“. Inventories have increased due to project-related purchases of raw materials. The somewhat higher inventory levels as a consequence of supply chain disruptions had a lesser impact.

The decrease in financial liabilities is due to the scheduled partial repayment of the building loan for the newly occupied production and administrative building in Emmingen.

With the completion of the post-processing of a production order in Security Printing from 2020, the provision formed for this purpose was reversed in full. Accordingly, there is a reduction in the „short-term provisions“ line item.

The reduction in minority interests in equity is due to an asymmetric dividend payment in favour of a co-shareholder. This effect will be offset in 2023 by an increased dividend in favour of Orell Füssli AG.

2.4 Liquidity reserves

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

in CHF thousand	30.06.2022	31.12.2021
Cash in bank accounts and in hand	63,039	75,706
Advance payments PoC / from customers	-24,649	-11,710
Other financial assets / liabilities	-4,983	-6,186
Cash and cash equivalents net	33,407	57,810
Thereof assigned to other shareholders	7,327	20,495
Freely available cash and cash equivalents	26,080	37,315

2.5 Changes in the scope of consolidation

In the 2022 financial year (January to June)

Zeiser Inc.: As of 1 April 2022, Inspectron Inc. and Zeiser Inc. merged into Zeiser Inc. in the USA.

Delivros Orell Füssli AG.: As of 1 February 2022, Orell Füssli Thalia AG increased its stake in Delivros Orell Füssli AG by 10% to 80%. Part of the purchase price was derecognised from equity as goodwill.

In the 2021 financial year

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

Procivis AG: As of 14 September 2021, Orell Füssli Ltd increased its stake in Procivis AG from 30.3% 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 expected earn-out payments of CHF 3,432k for the acquisition of Inspectron Inc. and Lehmann's Media AG are recorded as other liabilities.

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

2.6 Currency conversion

APPLIED EXCHANGE RATES

	Market rate		Annual average rate	
	30.06.2022	31.12.2021	2022	2021
EUR at a rate of CHF	0.9984	1.0356	1.0320	1.0944
USD at a rate of CHF	0.9553	0.9129	0.9441	0.9080
GBP at a rate of CHF	1.1604	1.2336	1.2257	1.2607

2.7 Segment reporting

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

SEGMENT RESULTS JANUARY – JUNE 2021

in CHF thousand	Revenues from segment sales	Inter- segment sales	Revenue from sales to customers	Earnings before interest an taxes (EBIT)
Security Printing	39,200	–	39,200	4,183
Industrial systems	13,171	20	13,191	3,314
Book Retailing	41,396	–	41,396	611
Other business areas	3,385	–	3,385	128
Total segment	97,152	20	97,172	8,236
Not assigned	125	–20	105	–1,822
Total Group	97,277	–	97,277	6,414

2.8 Related party transactions

In the first half of 2022, the Orell Füssli Group effected sales and accruals of goods and services to related parties amounting to CHF 19,319k (January–June 2021: CHF 19,488k).

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	2022	2021
Impact on income statement – Depreciation and amortization (each as of June 30)	-1,597	-347
Impact on equity (previous year as of December 31, 2021)	11,976	13,573

Retained earnings include CHF 27,932k (31.12.2021: 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 -62k (as at 31.12.2021: CHF 12k). Consequently, there is an unrecognised amount of CHF 21k (as of 31.12.2021: zero). The total notional amount of foreign currencies that are hedged is CHF 1,725k (as at 31.12.2021: CHF 2,319k).

2.11 Events occurring after the balance sheet date

As of 1 July 2022, Orell Füssli AG acquired 100% in hep Verlag AG, a leading provider of Swiss learning media.



AGENDA

Investor Day	24.11.2022
Publication of annual financial statements 2022	10.03.2023
Analyst conference	10.03.2023
General assembly 2023	10.05.2023

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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