

Dear shareholder,

The year we are looking back on was very eventful. Although the COVID-19 pandemic did not have the same impact on us as a company as it did in previous years, we had little time to stop for a breather. The outbreak of war in the heart of Europe and the resulting economic uncertainties, such as supply problems in the global value chain and rising energy prices, dominated 2022. As a company with a robust business model, we mastered these challenges well, thanks to the considerable commitment shown by our employees and our loyal clients.

We would like to mention the good level of incoming orders in Security Printing, the gratifying business development in book retailing as well as the takeover of hep Verlag as highlights of the past financial year. Another highlight was the well-attended Capital Markets Day in November, which we took as an opportunity to unveil the Orell Füssli Group's new strategy and financial targets.

The social trends of security and education form the basis for our growth strategy. The Orell Füssli Group aims to achieve a leading position in analogue and digital Trust Services: as a systems supplier of security solutions and identification systems, as a market leader in book retailing – both bricks-and-mortar and online – and as a major publisher of Swiss learning media. The Group is targeting revenue of CHF 300 million and an EBIT margin of 8% by 2028. The Group's core business in the areas of education and security is being developed further in a targeted manner in order to achieve these objectives. Read the chapter on our strategy on page 12 and the interview with the Head of Corporate Development on page 14 of this report.

“The Orell Füssli Group aims to achieve revenue of CHF 300 million by 2028.”

Dr. Martin Folini, Chair of the Board of Directors

Revenue increased slightly in a challenging environment, but various cost increases and special items meant that profitability is down slightly in a year-on-year comparison.

Orell Füssli's balance sheet remains solid with its high equity ratio. The continuous cash flow from the operating business allowed us to finance the investments in machinery, technology and participating interests that will play a crucial role in maintaining our competitive edge.

Incoming orders in Security Printing were up significantly on the previous year, which translated into good capacity utilisation levels in our production facilities. At the same time, Orell Füssli forged ahead with innovations. Experts showed considerable interest in the DUAL® study in 2022. This study involves a prototype for a digital banknote. The concept subsequently won the “Advancement of Digital Currency Award” in the US. The DUAL® combines conventional security elements with QR codes to transfer the value of a banknote to a digital wallet. With this innovation, Orell Füssli is establishing itself in the promising field of hybrid value documents and consolidating the company's reputation as an innovation leader. Another highlight in 2022 was the launch of the new Swiss passport. Orell Füssli was entrusted with production and printing, and the design process.



Daniel Link
Dr. Martin Folini

Zeiser's business performance in 2022 was hit by the consequences of postponed projects due to low investment activity as a knock-on effect of the COVID-19 pandemic. Demand for spare parts and consumables, on the other hand, ensured constant revenue. In the second half of the year, the number of enquiries increased considerably, resulting in favourable forecasts for the year ahead. A new camera system that monitors production in Security Printing at high speed was successfully commissioned by clients on all continents. The activities of Inspectron that were acquired back in 2021 were successfully transitioned to the Zeiser product portfolio.

The book retailing business showed excellent development, a trend that was unexpected after two years dominated by the pandemic. Revenue in bricks-and-mortar stores rose almost to the level seen before the pandemic. Three new stores were added in the year under review: in Lucerne, Wil and Kriens. Thanks to an agreement with ETH Store AG, the latter's sales branches will be managed by Orell Füssli at the two ETH Zurich locations from 2023. Sales via online channels also bucked expectations by barely slowing down after two years of a boom fuelled by the COVID-19 pandemic. The omnichannel strategy continues to bear fruit and Orell Füssli is growing at a faster rate than the market as a whole.

In response to the increased demand for e-books and the trend towards hybrid reading habits, Orell Füssli has been collaborating with Skoobe since 2022. Skoobe is the most established provider of e-book subscriptions on the German-speaking market. Orell Füssli clients now have the opportunity to borrow their reading material at a fixed monthly price and enjoy access to more than 400,000 e-books and tens of thousands of audio books.

All in all, the Publishers Division can also report very positive performance. It achieved the revenue targets set for 2022. The acquisition of hep Verlag in 2022 marked a key milestone in the implementation of Orell Füssli's forward strategy in the area of education. The merger made a significant contribution to revenue and operating profit in the year under review. Hybrid and purely digital learning media are now being developed increasingly with hep Verlag, with the aim of promoting the students' skills in line with the trend. In the article on hep Verlag on page 16, member of the management team provides an in-depth insight into the successful publisher of learning materials.

The activities to mark the birthdays of Papa Moll and Globi made big waves in the media in 2022. More than 6,000 guests gathered at the Papa-Moll-Land theme park in Zurzach for a celebration. Events featuring the two popular characters were held across the country, boosting unit sales of books, audio books and non-books.

The subsidiary Procivis further enhanced the established products within its client base in 2022. In addition, solutions for the issuance and verification of digital trust services were developed together with Swisscom. They increase the efficiency of business processes and enable fast, legally watertight checks without any manual effort. In 2022, initial tests were conducted together with SBB, the city of St. Gallen and the University of Zurich. Read more in the interview in page 14.

For the first time in many years, Orell Füssli extended an invitation to investors, analysts and media representatives in November and provided them with an in-depth insight into its business segments and strategic priorities. The event was well attended and generated a positive response.

Sustainability reporting (page 32 onwards) was expanded further. The Board of Directors and the Executive Board identified relevant ESG topics that are firmly established in the company's strategy and set up the process for a report in line with the GRI Standards.

The bonus system for the group management team was revamped as of the financial year 2022 and more weight was attached to bonus components based on Orell Füssli's long-term business success (see Compensation Report on page 60).

Given the progress made in implementation of the strategy, the order situation in Security Printing and the planned expansion of the branch network in book retailing, the Board of Directors and the Executive Board expect to see revenue increase further in 2023. Higher costs due to inflation and the expansion of the digital business areas will put pressure on the result, and 2023 is expected to bring a somewhat lower EBIT margin than in the previous year. Due to the seasonal business in the book retailing business and at the publishing houses, the result in the second half of the year will be significantly better than in the first half.

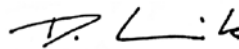
The Board of Directors proposes that the shareholders at the Annual General Meeting on 10 May 2023 approve an unchanged dividend of CHF 3.40 per share. The proposal is consistent with Orell Füssli's long-term policy of distributing 60-80% of the share of its net profit to which the shareholders are entitled.

We would like to thank all our employees for their dedicated work over the past year. We would like to thank our clients and business partners for their appreciation and loyalty, and you, our shareholders, for your loyalty to our company.

Zurich, March 2023



DR. MARTIN FOLINI
Chair of the Board of Directors



DANIEL LINK
CEO