
Half-year Financial Report 2021

Editorial

Dear Shareholders

The Orell Füssli Group made a solid start to 2021 and demonstrated resilience and adaptability in the first six months. Despite challenging underlying conditions, restrictions on travel and the closure of retail outlets in January and February, the group achieved results for the first half of 2021 that were slightly above its own forecasts.

Thanks to a robust, broad-based business model and sound markets, the Orell Füssli Group generated new orders in line with expectations in the first half of 2021. Net sales at the Orell Füssli Group in the first six months were 6.5% lower than in the previous year and decreased to CHF 97.3 million (CHF 104.1 million in the previous year). Operating earnings (EBIT) amounted to CHF 6.4 million (CHF 6.7 million in the previous year). The solid financial position ensures that Orell Füssli can develop according to plan. This continued without interruption in the first six months of the year.

As expected, the Security Printing Division in the first half of 2021 was down on the same period last year. However, the market environment remains healthy. The division continued to expand the share of international orders in banknote printing and won a new project order for identity documents. Thanks to the modern printing machine put into operation in the first half of the year, Orell Füssli is in a position to continue strengthening its role as a leading and innovative high-quality supplier in the security printing sector.

Zeiser recorded a consistently high backlog of orders in the first six months of the current year. With the acquisition of innovative track & trace technologies from Inspectron in July, the division is developing its offering along the value chain and further broadening its portfolio in the area of security document traceability. Consequently, Zeiser is strengthening its leading position as a provider of serialisation solutions and services for the security printing industry.

The Book Retailing Division had a very good first half of 2021 and successfully dealt with the consequences of the COVID-19 pandemic, as it did in 2020. In particular, the division's broad-based omnichannel strategy is proving its worth. The expansion based on retail outlets in high-frequency locations will continue and the opening of various new outlets is planned for 2021 and 2022.

The publishing house achieved a result in line with expectations in the first half-year. The concentration on learning and educational media as well as the well-known children's book brands, Globi and Carigiet, has paved the way for the further development of the publishing house after the successful sale of Atlantis Verlag at the end of 2020. The focus is particularly on linking the current publishing offering with innovative digital solutions. The new Globi book, "Globi and Roger" with Roger Federer, was also a success in the first six months, selling very well as expected and already on the bestseller list in Switzerland.

The development of digital solutions in the area of e-government, identities and identification systems was further accelerated in the first half of 2021. The discussion surrounding the vote in March 2021 on the e-ID Act in Switzerland has made it clear that there is a great need to expand digital government services. With the Procivis technology, Orell Füssli has a proven, technologically and politically accepted solution for the digitisation of services in the public sector. However, the legislative processes and technical implementation in the field of e-ID need time before realisation, which is why Orell Füssli is also examining the use of the technology by private sector companies in addition to government partners.

Finally, we would like to express our sincere thanks to all our employees for their commitment, to our customers and partners for their continued loyalty, and to you, dear shareholders, for your trust in our company.

Zurich, August 2021



DR MARTIN FOLINI
Chairman of the Board of Directors



DANIEL LINK
CEO

NET REVENUE

in CHF million

97.3

EBIT

in CHF million

6.4

NET INCOME FOR THE PERIOD

in CHF million

5.7

Business in the first half of 2021

The Orell Füssli Group generated net sales of CHF 97.3 million (previous year: CHF 104.1 million) and an order volume in line with expectations in the first half of 2021. Operating earnings (EBIT) amounted to CHF 6.4 million (previous year: CHF 6.7 million).

NET REVENUE SECURITY PRINTING

in CHF million

39.2

As expected, in the first half of 2021 the **Security Printing Division** showed a slight decrease compared to the previous year. Net revenue fell by 19.6% to CHF 39.2 million (previous year: CHF 48.7 million) due to a high proportion of less complex banknotes in the product mix. This resulted in an operating result (EBIT) of CHF 4.2 million (previous year: CHF 5.9 million).

Despite the coronavirus-related restrictions, production in the Security Printing Division continued uninterrupted in all areas in the first half of 2021. The identity documents business developed positively and was expanded by an additional international project. In the area of innovation, various partnerships were entered into with customers and key suppliers. In the second half of the year, a further weakening of the banknote business is expected due to the pandemic with, as a result, a slightly lower utilisation rate.

NET REVENUE ZEISER

in CHF million

13.2

The **Zeiser Division** generated net sales of CHF 13.2 million in the first half of 2021 (previous year: CHF 12.4 million). The division's operating result (EBIT) was CHF 3.3 million, up 16.9% on the previous year (CHF 2.8 million). The stable basic business with a high degree of vertical integration continued to contribute to the good profit margin. The high backlog of orders from the previous year was partially reduced and stood at CHF 8.8 million at the end of the first half of the year.

All planned orders were finalised and delivered on time in the first half of 2021. This also includes the largest single order in Zeiser's history for mechanical numbering machines. The customer was an Asian central bank. Despite the continuing difficulties in approaching customers, which had to be done exclusively by virtual means and not on-site at the customer, some new orders were acquired. Due to the pandemic, however, government organisations in particular are still holding back somewhat with new orders. Zeiser expects demand to pick up again in the third and fourth quarters. The initial orders for the new inkjet products launched in 2020 were won in the first six months of 2021. The introduction of further product innovations is also planned for the current business year. The closure of the Hong Kong branch was successfully completed in the first half of the year. The completion of the new building in Emmingen, Germany, is progressing well, so that moving the production, logistics and shipping departments can begin as planned in the fourth quarter of 2021.

Proportionately consolidated net sales of the **Book Retailing Division** amounted to CHF 41.4 million in the first half of 2021, 8.5% above the previous year's figure (previous year: CHF 38.2 million). The operating result (EBIT) amounted to CHF 0.6 million in the first half of 2021 (previous year: CHF -0.6 million). As a result of the lockdown, all branches had to close again for six weeks from 18 January to 28 February 2021 (previous year: eight weeks). Capacity restrictions in the retail spaces posed an additional challenge. The branches in railway stations and large city centres recorded significantly lower frequencies of customers because of the lack of commuters. Due to a change in shopping behaviour, branches in smaller towns and regional shopping centres performed comparatively well. In addition, a certain pent-up demand after the reopening of the branches supported the growth in sales of the stationary business. In e-commerce, a large customer base, a comprehensive offering and an excellent performance once again compensated to a large extent the sales losses of the brick-and-mortar business. The business customer segment was able to compensate for revenue losses in the continuing education business through the acquisition of new customers. In addition, stringent cost management contributed significantly to the economic success in the first half of 2021. With the successful launch of the reading community, "Book Circle", the company has created another offering to provide inspiration and promote discussion on the subject of reading.

**NET REVENUE
BOOK RETAILING**

in CHF million

41.4

In the first half of 2021 net revenues at **Orell Füssli Publishing** were slightly below the company's own expectations and amounted to CHF 3.4 million (previous year: CHF 4.7 million). However, net revenues in the first half of 2021 are not comparable with the same period of the previous year, as Atlantis Children's Book Publishing was sold in December 2020 and no new works will be published in the non-fiction segment and the Orell Füssli children's book series from 2021. Sales in the legal publication business are on track despite postponements of publication dates in the first half of the year. In the children's book programme, the new volume of "Globi and Roger" lived up to the high expectations. Due to the pandemic, the teaching material programme has been rather subdued, as there has been an increased demand for digitally enriched teaching material in recent months. A strategic project was initiated for the publishing house in the first half of the year with the aim of identifying market opportunities and defining measures to exploit them.

**NET REVENUE
PUBLISHING**

in CHF million

3.4

Outlook for 2021

Provided that the coronavirus pandemic does not necessitate any further drastic restrictions, Orell Füssli continues to expect net sales slightly below 2020 and an EBIT margin in the mid-single-digit percentage range for the 2021 financial year.

ORELL FÜSSLI GROUP FIGURES

<i>in CHF million</i>	Jan–Jun 21	Jan–Jun 20	2020
Net revenues from sales to customers	97.3	104.1	218.6
Total operating income	99.4	104.7	219.7
Operating earnings (EBIT)	6.4	6.7	14.4
<i>in % Net revenue (rounded)</i>	6.6%	6.5%	6.6%
Special items	0.1	0.1	0.2
<i>Cost for restructuring</i>	0.1	0.1	0.2
Earnings before interest and taxes (EBIT) and before special items	6.3	6.6	14.2
Net income for the period	5.7	8.0	15.0
Total equity	144.7	138.0	144.5
Full time equivalents FTE (of reporting date)	569	568	581

Half-year Financial Report 2021

1 Half-year financial statements

1.1 Consolidated income statement

<i>in CHF thousand</i>	Jan–Jun 21	Jan–Jun 20
Net revenue from sales to customers	97,277	104,069
Other operating income	1,416	593
Changes in inventories of semi-finished and finished products, capitalised costs	724	16
Total operating income	99,417	104,678
Cost of materials	–34,527	–40,201
External production costs	–7,524	–7,306
Personnel expenditure	–26,784	–27,113
Other operating expenses	–19,513	–18,336
Depreciation and impairment on tangible assets	–4,300	–4,550
Depreciation and impairment on intangible assets	–355	–449
Earnings before interest and taxes (EBIT)	6,414	6,723
Financial income	356	721
Financial expenses	–645	–911
Financial result	–289	–190
Earnings before income taxes (EBT)	6,125	6,533
Income tax expenses	–440	1,484
Net income for the period	5,685	8,017
Attributable to the shareholders of Orell Füssli Ltd	5,550	8,331
Attributable to minority interests	135	–314

<i>in CHF</i>	Jan–Jun 21	Jan–Jun 20
Earnings per share	2.83	4.25
Diluted earnings per share	2.83	4.25

The disclosures on pages 11 to 13 form an integral part of the financial report.

1.2 Consolidated balance sheet

<i>in CHF thousand</i>	30.06.2021	31.12.2020
Assets		
Cash and cash equivalents	80,365	76,998
Marketable securities and derivative financial instruments	63	407
Trade accounts receivable	15,346	18,721
Other receivables	18,191	22,209
Inventories	22,447	19,850
Current income tax receivables	1,467	2,932
Accrued income and deferred expenses	5,182	7,761
Total current assets	143,061	148,878
Tangible assets	56,816	53,476
Intangible assets	1,956	2,146
Participations and financial assets	270	531
Deferred tax assets	2,091	2,005
Other non-current financial assets	4,080	4,099
Total non-current assets	65,213	62,257
Total assets	208,274	211,135
Liabilities		
Trade payables	9,713	11,368
Other current liabilities	21,861	27,149
Current income tax liabilities	1,807	2,688
Accrued expenses and deferred income	12,770	12,750
Current financial liabilities	1,436	338
Current provisions	9,237	7,749
Total current liabilities	56,824	62,042
Non-current financial liabilities	5,314	2,062
Non-current provisions	286	1,368
Deferred tax liabilities	1,117	1,168
Total non-current liabilities	6,717	4,598
Share capital	1,960	1,960
Capital reserves	4,158	4,150
Own shares	-60	-60
Retained earnings	133,603	133,932
Exchange differences	-4,058	-4,482
Total equity before minority interests	135,603	135,500
Minority interests	9,130	8,995
Total equity	144,733	144,495
Total liabilities and equity	208,274	211,135

The disclosures on pages 11 to 13 form an integral part of the financial report.

1.3 Consolidated cash flow statement

<i>in CHF thousand</i>	Jan–Jun 21	Jan–Jun 20
Net income for the period	5,685	8,017
Change in employee equity incentive plans	8	–74
Depreciation	4,655	4,933
Impairment and amortisation	–	66
Share of loss applicable to equity method	261	201
Other non-fund related income and expenses	56	305
Change in trade accounts receivable	3,460	–7,007
Change in inventories	–2,518	–4,620
Change in other receivables	5,495	7,021
Change in accrued income and deferred expenses	2,584	–211
Change in trade payables	–1,672	–3,527
Change in other liabilities	–6,208	–9,192
Change in accrued expenses and deferred income	4	619
Change in provisions and deferred income tax	280	–3,173
Cash flow from operating activities	12,090	–6,642
Purchase of tangible assets	–7,570	–5,107
Proceeds from disposals of tangible assets	37	128
Purchase of intangible assets	–164	–475
Purchase of participations	–	–2,232
Proceeds from disposals of other non-current assets	20	–
Cash flow from investing activities	–7,677	–7,686
Increase of financial liabilities	4,378	–
Repayment of financial liabilities	–45	–
Purchase of company's own shares	–	–1
Dividends paid to minorities	–	–2,450
Dividends paid	–5,879	–11,757
Cash flow from financing activities	–1,546	–14,208
Exchange differences	500	–502
Change in cash and cash equivalents	3,367	–29,038
Cash and cash equivalents at 1 January	76,998	102,738
Cash and cash equivalents at 30 June	80,365	73,700

The disclosures on pages 11 to 13 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	-2,450	-14,207
Offsetting goodwill against equity	-	-	-	-	-3,352	-	-3,352	-	-3,352
Employee equity incentive plans	-	-73	82	-	-	-	9	-	9
Currency translation effects	-	-	-	-	-	-203	-203	-	-203
Net income for the period	-	-	-	8,331	-	-	8,331	-314	8,017
Total equity at 30 June 2020	1,960	4,142	-60	160,664	-31,346	-4,124	131,236	6,802	138,038
Net income for the second half-year 2020	-	8	-	4,614	-	-358	4,264	2,193	6,457
Equity at January 2021	1,960	4,150	-60	165,278	-31,346	-4,482	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	164,949	-31,346	-4,058	135,603	9,130	144,733

The disclosures on pages 11 to 13 form an integral part of the financial report.

2 Notes to the half-year financial statements

2.1 Basis of accounting

These semi-annual financial statements of the Orell Füssli Group comprise the unaudited interim report for the reporting period ending on 30 June 2021. The consolidated financial statements have been prepared in conformity with the current Swiss GAAP FER 31 "Additional recommendations for listed companies", as well as the provisions of the Listing Rules of SIX Swiss Exchange and the Swiss law on companies limited by shares ("company law"). The consolidated interim financial statements do not include all the data 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 2020.

The consolidated financial statements include all domestic and foreign entities directly or indirectly controlled by Orell Füssli Ltd, either by holding at least 50% of the voting rights or by otherwise exercising a significant influence on the business management and business policy. 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 half-year financial statements requires management to estimate values and make assumptions affecting the disclosures of income, expenses, assets, liabilities and contingent liabilities as of the balance sheet date. If such estimates and assumptions, as made by management as of the balance sheet date to the best of its knowledge, differ from the actual conditions at a later date, the original estimates and assumptions are amended in the reporting period in which the conditions have changed.

The business in the Orell Füssli Group is subject to significant seasonal and cyclical fluctuations. The seasonal fluctuations are mainly related to the Book Retailing Division's Christmas business and the cyclical fluctuations are largely due to the product mix of the Security Printing Division.

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

2.2 Income statement

At CHF 97.3 million, net revenue from sales is CHF 6.8 million below prior year. Net revenue generated by the Industrial Systems Division increased slightly to CHF 13.2 million in the first half of the year. At the same time, revenue generated by the Security Printing Division decreased by CHF 9.5 million. The main reason for the decrease compared to prior year is a larger proportion of orders of a less complex nature. Despite the renewed closure of the branches of the Book Retailing Division due to coronavirus-related measures, net revenue increased by CHF 3.2 million to CHF 41.4 million thanks to e-commerce sales. At the same time, this led to higher shipping costs, which is the reason for the increase in "other operating expenses".

The cost of materials decreased by CHF 5.7 million. On balance, the cost of materials/external production decreased slightly to 42.3% of operating income from 45.4% in the prior year. The decrease is mainly due to the product mix of the Security Printing Division.

The financial result of CHF -0.3 million comprises negative interest income from liquidity maintenance, bank charges and currency effects.

2.3 Balance sheet

Total assets decreased by CHF 2.9 million compared with the end of 2020. This is largely due to lower trade payables and advance payments from customers amounting to CHF 20.1 million (31.12.2020: CHF 25.7 million). "Other receivables" includes services recorded using the percentage-of-completion method (POC) amounting to CHF 12.3 million (31.12.2020: CHF 17.9 million). The increase in tangible assets mainly reflects the progress of construction of Zeiser's new production site in Emmingen. In order to benefit from the state support programme for energy-efficient buildings, a financing facility of CHF 4.4 million over three years had to be used.

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

LIQUIDITY RESERVES AND CREDIT FACILITIES

<i>in CHF thousand</i>	30.06.2021	31.12.2020
Cash in bank accounts and in hand	80,365	76,998
Prepayments PoC / from customers	-20,145	-25,682
Other financial assets / liabilities	-6,750	-2,400
Cash and cash equivalents net	53,470	48,916
Thereof assigned to other shareholders	7,174	12,945
Disposable cash and cash equivalents	46,296	35,971
Available lines of credit	68,332	70,448
./. Secured guarantees by banks (without prepayment guarantees)	-7,311	-2,210
./. Lines of credit used	-4,388	-250
Total disposable cash and cash equivalents and unused lines of credit	102,929	103,959

2.4 Change in the scope of consolidation

In the 2021 financial year

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

In the 2020 financial year

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

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

Procvivis AG: In the year under review, Orell Füssli Ltd acquired a 30% interest in Procvivis Ltd. Part of the purchase price was derecognised from equity as goodwill.

2.5 Currency exchange rates

	Market rate		Average rate January–June	
	30.06.2021	31.12.2020	2021	2020
EUR at a rate of CHF	1.0970	1.0824	1.0944	1.0640
USD at a rate of CHF	0.9235	0.8826	0.9080	0.9660
GBP at a rate of CHF	1.2778	1.2048	1.2607	1.2180

2.6 Segment results

SEGMENT RESULTS JANUARY – JUNE 2021

<i>in CHF thousand</i>	Security Printing	Industrial Systems	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	39,200	13,171	41,396	3,385	97,152	125	97,277
Inter-segment sales	–	20	–	–	20	–20	–
Net revenue from sales to customers	39,200	13,191	41,396	3,385	97,172	105	97,277
Earnings before interest and taxes (EBIT)	4,183	3,314	611	128	8,236	–1,822	6,414

SEGMENT RESULTS JANUARY – JUNE 2020

<i>in CHF thousand</i>	Security Printing	Industrial Systems	Book Retailing	Other	Total segments	Unallocated	Total Group
Net revenues from segment sales	48,743	12,393	38,156	4,652	103,944	125	104,069
Inter-segment sales	–	29	–	–	29	–29	–
Net revenue from sales to customers	48,743	12,422	38,156	4,652	103,973	96	104,069
Earnings before interest and taxes (EBIT)	5,886	2,834	–559	45	8,206	–1,483	6,723

2.7 Related party transactions

In the first half of 2021, the Orell Füssli Group effected sales and accruals of goods and services to associated companies of CHF 19,488,000 (January – June 2020: CHF 29,834,000).

2.8 Theoretical impact of goodwill capitalisations

The goodwill resulting from acquisitions is offset against 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:

<i>in CHF thousand</i>	2021	2020
Impact on income statement (previous year at 30 June 2020)	–347	–180
Impact on balance sheet (previous year at 31 December 2020)	2,577	2,924

Retained earnings include an additional CHF 27,932,000 (31.12.2020: CHF 27,932,000) of goodwill that is theoretically fully amortised.

2.9 Financial instruments

As of the balance sheet date, there were no outstanding foreign exchange forwards for currency hedging of future cash flows that had not yet been recognised in the balance sheet. As of the balance sheet date, foreign currencies with a total value of CHF 8,426,000 are hedged (31.12.2020: CHF 20,323,000). These contracts are fully recognised and measured in the balance sheet (off-balance-sheet hedging transactions as of 31.12.2020 amount to CHF 12,000).

2.10 Events after balance sheet date

As of 1 July 2021, Zeiser GmbH acquires from Inspectron (UK) the rights to its innovative track and trace software as well as its US-based subsidiary, Inspectron Inc., which specialises in service business. Inspectron Inc. has net assets in the low single-digit million range.

There were no other significant events that would have resulted in an adjustment of the book values of the group's assets and liabilities.

Agenda

Publication Annual Report 2021
(press release, analysts' conference)
Annual General Meeting of Orell Füssli Ltd

11 March 2022

11 May 2022 (Zurich)

Note regarding forward-looking statements

No statements relating to the future imply any guarantee whatsoever with regard to future performance. They are subject to risks and uncertainties including but not confined to future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control, which can lead to actual developments and results differing significantly from the statements made in this document. Orell Füssli is under no obligation whatsoever to adjust or amend forward-looking statements based on new information, future events or for other reasons.

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