

orell füssli

Annual Report 2022



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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.

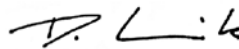
The Board of Directors proposes that the shareholders at the Annual General Meeting on 10 May 2023 approve an unchanged dividend of CHF 3.40 per share. The proposal is consistent with Orell Füssli's long-term policy of distributing 60-80% of the share of its net profit to which the shareholders are entitled.

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

**500**

years of history

**217.3**million (CHF) in
revenue**14.9**

million (CHF) in EBIT

**650**

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 for both analogue and digital applications. 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.

Verifiable digital certificates also represent a new, relevant business area that offers huge international potential for Orell Füssli and will be developed in the coming years.

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 46 branches located in German-speaking Switzerland and various e-commerce services. Orell Füssli provides logistics and other services for libraries and the corporate sector. With its publishing houses, Orell Füssli focusses on learning and legal media as well as books for children.

Orell Füssli was established more than 500 years ago and generates revenue of some CHF 220 million with about 650 employees in five countries. Orell Füssli is listed on SIX Swiss Exchange (Security number 342 080; ISIN number CH0003420806).

Key figures

INCOME STATEMENT

in CHF million	2022	2021	2020	2019	2018
Revenue	217.3	210.4	218.6	237.4	264.9
Thereof Security Printing	70.4	73.8	87.3	101.2	112.3
Thereof Industrial Systems	20.9	25.3	24.8	29.2	50.7
Thereof Book Retailing	112.2	103.3	96.2	97.4	92.2
Thereof other business areas	13.7	7.7	10.3	9.8	10.1
EBITDA (EBIT + Depreciation + Impairment)	25.8	25.4	24.1	29.2	26.5
in % revenue	11.9%	12.1%	11.0%	12.3%	10.0%
Depreciation and Impairment	-10.9	-10.0	-9.7	-11.0	-14.5
EBIT	14.9	15.4	14.4	18.2	12.0
Thereof Security Printing	9.7	6.1	5.5	9.2	18.0
Thereof Industrial Systems	0.9	5.5	5.3	6.4	-8.5
Thereof Book Retailing	9.3	7.5	5.5	6.5	5.0
Thereof other business areas	-0.9	-0.0	1.0	-1.2	-0.3
in % revenue	6.9%	7.3%	6.6%	7.7%	4.5%
Net income for the period¹⁾	11.7	12.1	15.0	10.9	-47.2
Net income in % revenue	5.4%	5.8%	6.9%	4.6%	-17.8%
Minority interests of net income for the periode	3.2	2.7	2.1	2.4	2.9
Net income for the period after minority interests ¹⁾	8.5	9.4	12.9	8.5	-50.1

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

BALANCE SHEET

in CHF million	2022	2021	2020	2019	2018
Tangible assets	67.7	70.2	62.3	50.8	58.6
Total assets	179.4	185.9	211.1	221.1	223.5
Total equity	133.7	138.8	144.5	147.8	148.5
thereof minority interests	11.5	12.8	9.0	9.6	6.9
Equity ratio	74.5%	74.7%	68.4%	66.8%	66.5%

OTHER KEY FIGURES

in CHF million	2022	2021	2020	2019	2018
Cash flow from operating activities	19.5	26.3	11.9	20.8	16.5
Investment in / Proceeds from ²⁾	19.3	25.1	23.2	5.3	9.7
tangible assets	6.6	13.8	18.5	4.5	9.0
intangible assets	1.3	0.9	0.5	0.8	0.9
financial assets	11.4	10.4	4.2	-	-0.2
Free Cash flow	0.2	1.2	-11.3	15.5	6.8
ROCE (NOPAT / Capital Employed) ³⁾	8.9%	9.5%	9.9%	10.4%	4.9%
Full-time equivalents FTE (annual average)	642	585	572	639	807
Full-time equivalents FTE (at 31.12.)	650	615	581	627	691

²⁾ In 2018 without the partial sale of Industrial Systems is included

³⁾ NOPAT: EBIT minus income tax expenses

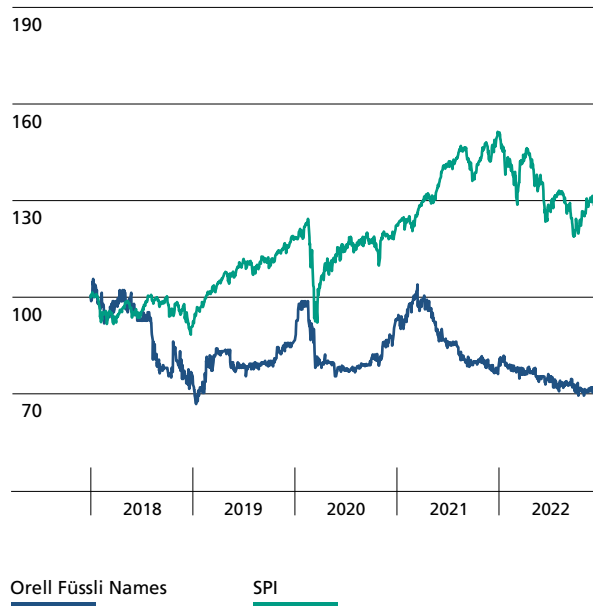
Capital Employed: Average equity plus average interest-bearing liabilities plus average pension fund liabilities

“The continuous cash flow from operations funded the investments in machines, technology and participating interests.”

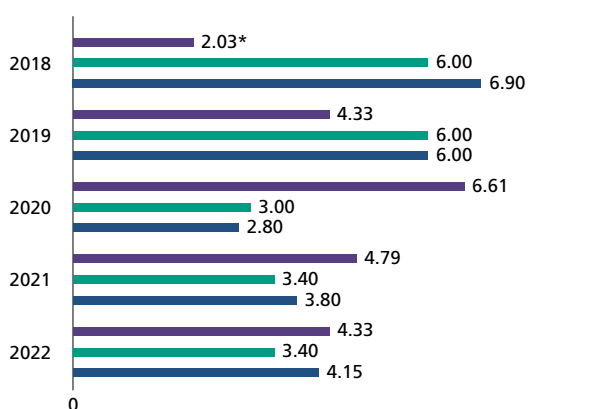
Reto Janser, CFO

SHARE PRICE PERFORMANCE

indexed, in %

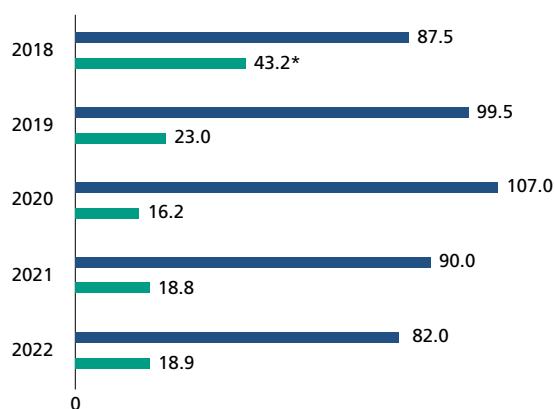


DIVIDEND INFORMATION



Net income per share in CHF Dividend per Share Dividend yield %

SHARE INFORMATION



Year-end share price Price earnings ratio

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

Growth strategy 2028

Orell Füssli is opening a new chapter in the company's history with its growth strategy 2028. The core business in the areas of security and education will be developed further. An additional business area for binding digital certificates is being established.

Comfortable starting position

Orell Füssli is an established brand and stands for credibility, reliability, Swissness and sustainability. The Group has a strong position on its domestic market, Switzerland, and is active on five continents. The diversified business model is robust and extremely crisis-resistant. Swiss National Bank has held a stake in the company for many years now as an anchor shareholder and key client.

The business areas in which Orell Füssli operates are intact and continue to offer potential. The demand for banknotes and value documents is growing in the mid single-digit percentage range every year. The barriers to market entry for new competitors in Security Printing are high. Additional and increasingly sophisticated security features are translating into higher prices. Digitalisation is creating a new generation of banknotes, identity cards, passports and systems for issuance of travel visas.

Spending on education has been steadily on the rise for 30 years, fuelling growth on the market for books and learning media. Orell Füssli's book retailing business has been growing at a faster rate than the market on average for several years.

The company's robust core business and healthy balance sheet give it leeway for further investments: Orell Füssli is ready to grow.

Trends and opportunities recognised

Over the past two years, new representatives – of a generation familiar with digital topics – have joined the group management team and the Board of Directors. Experience gleaned from industry and the innovative environment in which start-ups operate has grown and become more diverse within the management ranks. Since 2021, a three-strong Board of Directors Committee has been working closely with the Executive Board on the further development of digital topics.

As a pioneer in security and education, the Orell Füssli Group enjoys an excellent reputation as an international expert in security and identification technologies. In Switzerland, the Group is a major publisher of learning media and, with Orell Füssli Thalia AG, the country's leading bookseller.

Orell Füssli's strategy builds on existing strengths and exploits growth trends in the fields of security and education against the backdrop of increasing digitalisation. In terms of security, new opportunities are emerging from the need to protect personal data in a digital world and to prevent misuse and counterfeiting of value and identity documents. In terms of education, the pursuit of lifelong learning, changes in teaching methods and the increase in commercial training programmes are having a positive impact on Orell Füssli's business opportunities.

The company's ambitions

Orell Füssli is aiming to become a leading provider of analogue and digital trust services by 2028. This segment includes services and products where trust and security are of paramount importance, making them an ideal fit for the Orell Füssli brand. The focus is on trusted data, content and information. The efforts to further expand the position in the book retailing is unchanged.

The objective for profitable growth generated by new business areas is based on the following assumptions: Little additional capital should be tied up. New activities are in line with the company's corporate values and strengthen the Orell Füssli brand. The additional markets and products are not cyclical, or are exposed only to weak cycles. Orell Füssli continues to develop high quality products and aims to be a technology leader.

The path towards the goal

Orell Füssli took the first few key steps in implementation of its strategy in 2021/2022 by simplifying its group structures, acquiring majority stakes in Procivis AG and taking over Inspectron Inc. and hep Verlag AG and entering into a strategic partnership with Swisscom.

Orell Füssli has also set out further details of its long-term plan for profitable growth by identifying the value drivers with the greatest leverage.

In its core businesses, operational excellence, efficiency gains and product enhancements, and the expansion of products and services are key to the company's growth. Examples include the track & trace solution in Security Printing and the range of independent consultancy services offered to security printing companies and public authorities. In book retailing, the expansion of the branch network and the reach of the company's online stores are fostering growth in the traditional business.

“In addition to our core business, we are establishing a new business area for binding digital certificates.”

Daniel Link, CEO

At the second level, the benefit derived from existing physical and knowledge capital is increased through the addition of new digital products and services to the established analogue offering. Future service packages currently in progress include the combination of printed banknotes and digital money, and printed and digital forms of identity documents. In the area of education, hybrid offerings comprising analogue and digital media and channels are opening up new ways of imparting knowledge and opportunities for growth. The article on the takeover of hep Verlag (page 16) sheds light on these developments in the market for teaching and learning media.

At the third and most long-term level, Orell Füssli is in the process of developing a new business area for digital certificates as an additional pillar. There is the ambition to become a leading international provider of Digital Trust Services by enabling users, companies and public authorities to issue binding digital certificates that can be used and verified conveniently and securely in digital and analogue business processes. Read more about this on the following page.

Orell Füssli has set itself the target of lifting its revenue to CHF 300 million in the strategy period leading up to 2028. This corresponds to an increase of more than 35% as against the reporting year. At the same time, Orell Füssli aims to achieve an improved EBIT margin of at least 8%.

Orell Füssli is expanding its digital business areas

Interview with Désirée Heutschi, Head of Corporate Development, on Orell Füssli's ambitions in the field of digital certificates

During your time at Microsoft, you were responsible for supporting companies in their digital transformation. In other roles, you led the development of innovation topics. How are you using your experience in your work for Orell Füssli today?

In Corporate Development, we identify and develop new and scalable business areas related to our current core business in the areas of security and education. My experience from Microsoft helps me to classify and specifically expand the Orell Füssli product portfolio for a digital world. Digital certificates are a good example.

“Binding digital certificates represent a new, relevant business area that offers huge international potential.”

Why is Orell Füssli developing digital certificates specifically and what is the aim behind it?

We will be offering a software solution for digital certificates based on our core business with physical identity and value documents. We are creating equivalent digital counterparts to complement the products we currently offer, such as identity cards and driving licences. Increasing digitalisation means that trust in the digital arena is becoming more and more important. We enable users, companies and public authorities to issue binding digital certificates that can be used and verified conveniently and securely in digital and analogue business processes alike. This taps into the “last mile” of digitalisation in order to be able to handle trusted business processes securely. Our ambition is to become an international leader in this field.

What are digital certificates and how do they tap into the last mile of digitalisation?

Take a university, for example. In future, it will make matriculation certificates and diplomas available as forms of digital certificates. Students can store these in their smartphone wallets and share individual pieces of information from them as and when required. For example, they can request a student discount directly when shopping online, or submit their diplomas as part of a digital recruitment process. The authenticity and validity of the digital certificate is checked in real time thanks to the use of state-of-the-art cryptography software.

Where do you believe the biggest advantages of digital certificates lie?

At the moment, it is often impossible to incorporate official forms of certificates into digital processes without switching the media used, because they exist only in physical form. By closing the last mile of digitalisation, issuing, sharing and checking binding certificates can be achieved in a process that is much less time-consuming and more cost-effective than it is today. Avoiding manual steps and having checks performed in real time creates efficiency gains for the parties issuing and checking these documents. Security gaps created by makeshift processes, such as document scanning, are eliminated.

How would you estimate the potential of digital verification? What is Orell Füssli aiming to earn from this business area?

So far, we have taken a closer look at more than 100 use cases. We have identified considerable potential at an economic and business level. Based on market studies, we estimate the annual revenue potential to total more than CHF 1 billion in the



Désirée Heutschi

DACH region. Our aim is for the planned product portfolio to generate revenue of between CHF 30 million and CHF 50 million over the next five years, spread broadly over several products and services in the private and public sectors.

Digital verification is a new and innovative topic. What is the current state of affairs in general terms?

In some countries, the process is already at a more advanced stage. For example, mobile driving licences are already available. In the future, digital certificates will be part of day-to-day life in Switzerland; the COVID-19 certificate was the first digital certificate to be used nationwide. The Swiss parliament will be discussing the new e-ID Act in 2023, an important milestone for the development and dissemination of an e-ID and digital certificates.

What are the features of Orell Füssli's software solution specifically and how does it differ from other solutions?

The software solution includes components for issuers, verifiers and users. What makes it unique is its decentralised approach. Users have sovereignty and control over the data.

Today, the internet is dominated by large platforms and players that hold user data centrally and use it for their own purposes. Our solution, on the other hand, allows users to decide who they want to share which data with, and they alone have transparency regarding which data has been shared with whom and when. Moreover, the data shared includes only the data required for the specific use case, such as someone's age when alcohol is being sold.

The underlying concept is known as Self-Sovereign Identity (SSI). In addition to decentralised data storage and data economy, it provides privacy by design: users' privacy and data security are taken into account in the product development process from the very outset. These are principles that the Federal Council has also defined for the design of a future state e-ID. The EU is pursuing a similar approach. This means that our solution is based on national and international standards.

What specific stage in the implementation process has Orell Füssli reached?

The majority acquisition of Procvivis and the strategic partnership with Swisscom put us in a good position to join forces on the topic of digital certificates. The validation of market demand in various sectors led to the first successful pilot projects and confirmed the potential we had always suspected was there.

One example is a pilot project with SBB and the city of St. Gallen. SBB clients have to prove their place of residence when ordering a rail season ticket (GA partner) – at the moment, they do this by presenting a hard-copy confirmation of residence. In future, they will be able to do so using a digital certificate issued by the municipal authorities that users store in their wallet, so that they can then share it digitally with SBB as part of their GA partner order.

This saves costs and time for everyone involved and creates a more user-friendly solution for clients. Given the positive feedback received from the market, Orell Füssli will be making targeted investments in the development and marketing of these innovative software solutions over the next five years.

In touch with schools

Member of the hep Verlag management team talks about the importance of the merger with Orell Füssli

hep Verlag has grown steadily since it was established back in 2000. Today, it is one of Switzerland's leading providers of teaching and learning media. The range of digital products has become more extensive and sophisticated over time. In order to continue to keep pace with the rapid technological changes, the publisher's owners and management team were looking for a strong, reliable partner. "We also wanted to maintain our agility in order to exploit market opportunities in the best possible way and secure our competitive edge," explains Manuel Schär, who worked in operational roles at hep Verlag for many years and took over as chairman of the Board of Directors in summer 2022.

Orell Füssli: the right partner

The search for a suitable ally came to an end in summer 2022 with the announcement of the merger with Orell Füssli. The company's financial security and its long-term focus, with a history as a publisher and printer spanning more than 500 years, and its Swiss roots, argued in favour of Orell Füssli. In addition, hep Verlag would retain its independence. The acquisition was a very good fit for the Orell Füssli Group's strategy, which has defined education as a central growth area.

The Orell Füssli teaching materials team will move to hep at the beginning of 2023. This means that the joint activities for teaching and learning media will be bundled at hep's headquarters in Bern under the auspices of hep's management team.

Geraldine Blatter, Stephan Schori and Manuel Schär



hep is confident that its founding spirit and innovative strength will not change after the takeover. Although the formative figure of Peter Egger is retiring, the company has not been a one-man show in recent years, explains Schär. "The team is the pillar that holds the company together", emphasises Geraldine Blatter, who is in charge of the publishing house programme and previously spent seven years as an editor at hep Verlag. Continuity is also guaranteed by the fact that five current members of the Board of Directors will remain in their roles.

Valuable network in education

One of the strengths of hep Verlag lies in its careful selection of authors, including high-profile figures from the business and political arenas. The key pillars of the programme, however, are the numerous experts who write teaching materials driven by a passion for their subject and for education. "What really makes me proud is the fact that authors approach us on their own initiative," says Stephan Schori, who has been a member of the management team since 2021 and also teaches business and law at upper secondary level school.

One of hep Verlag's specialities is its close links to educational theory, didactics and learning research; hep not only offers educational media, but also reflections on them. The fact that representatives of teacher training universities sit on the Board of Directors is the result of the publishing house's consistent positioning and profiling.

Thanks to its ties with the education sector, hep keeps in touch with schools and has access to the latest information on the reforms that are currently keeping publishers of teaching and learning media on their toes. Players who want to be successful have to be able to develop the right teaching tools at the right time.

Multiplying recipes for success

In Switzerland, numerous educational reforms have been recently adopted and launched, and hep wants to support and facilitate their implementation. For example, commercial vocational training will be revamped at the start of the apprenticeship period in 2023. Commercial apprenticeships attract the highest number of students of all occupations. In view of the reform, hep has developed the digital teaching and learning platform "myKV". The platform reflects the goals of fostering methodological, social and personal skills, such as self-organisation and self-reflection. Geraldine Blatter: "Work on new teaching materials helps us develop close ties with schools and teaching staff. This helps us to understand their needs."

University of Teacher Education (PH Zurich), for example, teaching materials for Lehrplan 21 have been developed that use pictures and comics to promote children's understanding of media and information technology.

Conquering the realm of digital education

Pursuit of new avenues is a matter of course at hep and is an approach that is put into practice time and again; for example, in subjects such as art, Italian and history. This coming year will also see the publication of a large collection of teaching material for nursing professions.

The publishing house aims to use its products to cover a wide range, to be open to many different types of teaching concepts and to give teachers freedom in how they structure their lessons.

What is good digital teaching material? More than 20 years of experience have shown that there is no such thing as a one-size-fits-all solution. Work materials for primary school have to have different qualities than those for upper secondary level school. The key is to exploit the potential and added value of digital media. Learning can be supported by multimedia and interactive elements, facilitating collaborative work between students and teachers in a network. It makes little sense to simply replicate printed matter in digital form. "Printed books are still a good format, especially for younger pupils," says Schär.

"Orell Füssli is the right partner for us in terms of allowing us to keep pace with technological changes."

hep laid the technical foundation for "myKV" in recent years with the teaching and learning environment "mySkillbox", a service launched in cooperation with the Swiss Federal University for Vocational Education and Training (SFUVET). The same recipe is also used for vocational training in the retail trade.

Other areas that hep Verlag has discovered and is cultivating include products that help users to better find their way in media and virtual spaces. In cooperation with Zurich

But schools have a real need for digital learning media, says Geraldine Blatter. The real art lies in developing digital media that provide ideal support for learning and teaching at the appropriate level. And whether artificial intelligence, for example, to give students automated feedback, or book enhancements to include audio-visual media thanks to augmented reality, really have potential is still unclear. One thing is certain: hep Verlag aims to remain a leading provider of state-of-the-art teaching and learning media.

The year in pictures

The year in pictures



Orell Füssli and Swisscom enter into a strategic partnership for digital certificates.



The first "Advancement of Digital Currency Award" goes to Orell Füssli Security Printing for the conceptual study on a digital banknote (DUAL).



Zeiser moves into its new production and administration building at the start of the year.



The well-attended Annual General Meeting takes place at the SIX Convention Point in Zurich.



At Capital Markets Day, Orell Füssli AG unveils its growth strategy 2028.



Globi celebrates his 90th birthday. To mark the occasion, the Globi tram spends several months travelling through Zurich.



Orell Füssli takes over hep Verlag and becomes the largest private Swiss publisher of educational media.



Orell Füssli is responsible for the design, cover printing and paper pages of the new Swiss passport.



Orell Füssli opens a bookstore in Pilatusmarkt Kriens shopping centre.



Our trainees come together at the summer "Huus-Fäscht" party in the inner courtyard of our headquarter.



Orell Füssli Security Printing and Procivis present the ISO-certified mobile driving licence solution.

Course of business

The Orell Füssli Group achieved good results in 2022. Consolidated revenue was up by 3.3% year-on-year, while profitability at EBIT level could not quite be maintained at the prior-year level due to price increases and special items. The market developments and overall conditions are explained in detail in the editorial and divisional reports below.

The Group closed 2022 with revenue of CHF 217.3 million (previous year: CHF 210.4 million). The operating result (EBIT) came to CHF 14.9 million (previous year: CHF 15.4 million). Net profit came to CHF 11.7 million (previous year: CHF 12.1 million). The EBIT margin fell slightly to 6.9% (previous year: 7.3%). Higher prices and a provision of CHF 1.7 million for an impending client default at Zeiser had a negative impact on EBIT. The financial result of CHF –0.7 million (previous year: CHF –1.5 million) is due primarily to the depreciation of the euro and the US dollar against the Swiss franc.

At CHF 133.7 million (previous year: CHF 138.8 million), including minority interests, the Group continues to report substantial equity in its balance sheet. The equity ratio had dipped slightly to 74.5% (previous year: 74.7%) as at 31 December 2022. The sustained high investment volume and the acquisitions made were financed using the Group's operating cash flow. Freely available liquidity after deductions for minority interests fell by CHF 6.7 million to CHF 30.6 million.

Since 1 July 2022, the scope of consolidation has included hep Verlag AG. The results of hep Verlag AG are allocated to the "Other business areas" segment.

SEGMENT FIGURES

in CHF thousand	2022	2021	2020	2019	2018
Security Printing					
Revenue from sales to customers	70,439	73,824	87,301	101,175	112,318
Operating earnings (EBIT)	9,669	6,119	5,511	9,209	18,020
EBIT margin	13.7%	8.3%	6.3%	9.1%	16.0%
Industrial Systems					
Revenue from sales to customers	20,948	25,317	24,790	29,186	50,708
Operating earnings (EBIT)	925	5,540	5,291	6,416	–8,524
EBIT margin	4.4%	21.9%	21.3%	22.0%	–16.8%
Book Retailing					
Revenue from sales to customers	112,174	103,300	96,213	97,353	92,171
Operating earnings (EBIT)	9,254	7,452	5,505	6,508	4,970
EBIT margin	8.2%	7.2%	5.7%	6.7%	5.4%
Other business areas					
Revenue from sales to customers	13,702	7,741	10,283	9,845	10,122
Operating earnings (EBIT)	–868	–33	1,017	–1,219	–311
EBIT margin	–6.3%	–0.4%	9.9%	–12.4%	–3.1%



The production of banknotes requires a large number of processing steps, depending on the complexity of the banknote in terms of its design, colours and security features.



The special ink is a security feature and must not lose its radiance or quality over the lifespan of the note.

Security Printing

Result

In 2022, the Security Printing Division generated revenue of CHF 70.4 million (2021: CHF 73.8 million), in line with expectations.

Numberous international orders resulted in good capacity utilisation in production in 2022. The share of exports in the total amount from printed banknotes increased from 76.6% in the previous year to 91.7% in 2022. The product mix has hardly changed compared with the previous year.

Market

Central bank forecasts predict a further increase in the number of banknotes put into circulation worldwide over the coming years. A reason for this trend, apart from population growth in the emerging markets, is the Clean Note Policy, where old notes are continuously replaced by new ones.

Restrictions on travel almost vanished in 2022. Clients could be visited on site and acceptance tests and audits with clients were held in Zurich. Orell Füssli Security Printing had its own stand at the Banknote & Currency

“As a technology leader, we will combine the analogue and digital worlds of banknotes and identification systems in the future.”

Dr Michael Kasch, Managing Director, Security Printing

Operating profit (EBIT) increased again and was up significantly on a year-on-year comparison to CHF 9.7 million (previous year CHF 6.1 million). This was achieved despite higher costs for energy and for the procurement of materials, such as paper, polymer substrates and products containing cotton.

Increased profitability resulted from good capacity utilisation, successful cost management, organisational optimisation measures, technical production efficiency gains and a number of high value-added orders. For example, a new painting system with a much higher throughput was put into operation, reducing production time. Orell Füssli Security Printing invested a total of CHF 4.0 million in production facilities in 2022.

New Swiss passport

At the end of October 2022, the Federal Office of Police, fedpol, launched the new Swiss passport. Orell Füssli was commissioned to design the new passport, produce the cover page and print the content pages. Orell Füssli has also been entrusted with the technical printing. The new passport characterises Switzerland as having strong roots and also open to the world. The document meets the very highest quality standards and is equipped with state-of-the-art security features.

Conference in the US, and at the Global Currency Forum in Spain and at the Intergraf Currency + Identity in France. Representatives of Orell Füssli Security Printing also gave talks at various conferences.

Hybrid banknote and digital verification

The conceptual banknote study launched in 2021, which combines conventional security elements with QR codes for transfer of the value to a digital wallet, was unveiled to the public in 2022 under the name DUAL[®], which is filed in the trademark register. This concept met with keen interest among experts and was awarded the innovation prize “Advancement of Digital Currency Award” at the Digital Currency Conference in Washington, DC. Orell Füssli will continue to drive the development of the product until it is ready for industrial production.

In 2022, Ghana introduced a new system for issue of visas at the country's diplomatic missions developed by Orell Füssli Security Printing and a Swiss partner company and which is being rolled out worldwide. The system records the personal data of visa applicants, personalises the visa stickers and then signs them digitally in accordance with the standard for machine-readable travel documents set by the International Civil Aviation Organization (ICAO).

The system also features a central database and integrated control mechanisms that simplify administration and enable client-specific queries.

In future, driving licences issued by the Swiss cantons will be produced centrally. As part of the switch, a new and secure driving licence in credit card format made of polycarbonate will come into circulation in 2023. Orell Füssli is involved in this project launched by the Swiss Association of Road Traffic Offices (asa) and will be able to further expand its range of ID solutions thanks to the use of the new technology.

Outlook

Orell Füssli expects to see a slight decline in revenue from Security Printing in 2023 due to the product mix in the order backlog, and predicts an EBIT margin on a par with 2021.

Industrial Systems

Result

At CHF 20.9 million in 2022, the division generated lower revenue than in the previous year (CHF 25.3 million). The operating result (EBIT) amounted to CHF 0.9 million (previous year: CHF 5.5 million).

The result 2022 was hit by provisions in the amount of CHF 1.7 million set up to reflect an impending client default.

The backlog of new investments in Security Printing as a result of the COVID-19 crisis, the war in Ukraine and the turbulence on the energy markets was not cleared in 2022. Projects were cancelled or postponed, and incoming orders for new projects were also much lower than expected. The systems installed at Zeiser's existing clients ensured constant revenue from spare parts and consumables. It was encouraging to see that the targets set for the software and service business were also achieved.

The new facility in Emmingen, Baden-Württemberg, which was occupied in January 2022, passed its baptism of fire with flying colours. State-of-the-art building technology, a photovoltaic system and heating energy from the local heating network make production more cost-effective and environmentally friendly. The short distances that have to be covered save time and boost internal communication. The property in Emmingen, which was no longer needed after the move, was sold. The sale profits of CHF 1.1 million are included in the EBIT for the 2022 financial year.

Market

Market cultivation measures based on face-to-face contact and visits resumed in the second half of 2022 after a two-year hiatus due to COVID-19. The spirit of optimism was reflected in a marked increase in interest in Zeiser's products.

In particular, the new track & trace solutions in Security Printing acquired in 2021 with the acquisition of Inspecron. However, it became apparent that initiating business takes more time than, for example, numbering machines, since the monitoring systems for quality assurance tend to affect the entire production operations of all lines across different locations and require the involvement of companies' IT departments.

The delivery times for individual parts and components – mainly related to semiconductor brands – doubled or even tripled in 2022. As Zeiser managed to identify alternative sources for numerous products in the year under review, there were no significant delivery delays.

We still believe that there is considerable potential in demand for real-time tracking solutions in Security Printing.”

Thorsten Tritschler, Managing Director, Zeiser GmbH



Zeiser's numbering boxes are high-precision components. The exact engraving of the numbers in the dials are a prerequisite for the perfect imprint of the serial number on the banknotes. This gives each banknote its own identity.



Bricks-and-mortar book retail reported a return to strong growth in 2022. A peek at the renovated branch at Zurich railway station.

Innovation

Zeiser found a pilot client for a new numbering box with newly patented functions within a short space of time. The product is characterised by a significant reduction in machine downtime for cleaning or maintenance work, and can be used in a flexible manner for different font sizes.

With its new DataScan VS, Zeiser has successfully introduced the second generation of the CIS scan bar (line sensor camera system) within the Security Printing sector. Within only a few months of its launch, it has already been installed successfully on all continents. The camera system checks the print quality, numbering and other security features during the printing process.

Outlook

The expansion of Zeiser's portfolio to include new technology will generate revenue growth subject to a time lag. The market for serialisation of banknotes, passports and security documents is intact. The implementation of postponed projects is expected to lead to revenue growth and higher profitability in 2023.

Book Retailing**Result**

In 2022, revenues generated by the proportionately consolidated Book Retailing division came to CHF 112.2 million up by 8.6% compared with the previous year (CHF 103.3 million). The operating result (EBIT) at the end of the year came in at CHF 9.3 million (previous year: CHF 7.5 million).

Market situation

The COVID-19 pandemic had resulted in temporary shop closures, restrictions and the mandatory use of masks on the sales floor in 2020 and 2021, as well as revenue losses in the bricks-and-mortar business on a huge scale. On the other hand, the e-commerce business saw extraordinarily high revenue

growth, in some cases pushing the sector to its capacity limits.

In 2022, the bricks-and-mortar business made a return to strong growth (+15.4%) and almost reached the pre-pandemic level. This performance is particularly noteworthy in light of the pronounced drop in consumer sentiment at the end of February 2022.

According to surveys conducted among Swiss households by the State Secretariat for Economic Affairs SECO, assessment of their financial situation has fallen to a new all-time low. The fact that the Book Retailing division was able to grow nonetheless is largely due to the successful further development of the branch portfolio and the strategy pursued within this context. Orell Füssli focuses on locations with high footfall, such as railway stations, shopping centres and city centres.

E-commerce, which experienced a growth spurt of around 60% of revenue in the two years dominated by the pandemic, was able to almost maintain this level in 2022 (-1.4% against 2021), even though clients focused more on activities such as travel, meeting up with friends or attending cultural and sporting events. The established omnichannel strategy has once again proven its worth and is highly valued by clients

“Our shop concepts are based on a comprehensive range of books and numerous e-reading products.”

Pascal Schneebeil, Managing Director, Orell Füssli Thalia AG

Revenue generated with business customers – which accounts for more than 10% of Orell Füssli's book retailing business – rose by a significant +10.2% in the reporting year. The successful integration of Lehmanns Media AG, which was acquired in October 2021, made a significant contribution to this trend. The range of digital teaching material on offer, as well as customised client solutions for professional buyers in libraries or schools, contributed to the success story.

Strategy and growth outlook

The bricks-and-mortar branch portfolio was once again systematically renovated and expanded in the reporting year. A total of four branches were refurbished in Zurich, Winterthur, Emmenbrücke and Schönbühl, with some modification work also performed. New branches were opened at Lucerne railway station, in Wil city centre, and at Pilatusmarkt shopping centre in Kriens, expanding the network. The Barth bookstore was also acquired in the middle of the year, consolidating Orell Füssli's position at Zurich railway station. Towards the end of the reporting year, a partnership was entered into with ETH Store AG. As of January 2023, the two ETH sales branches on the central and Hönggerberg campuses will be operated by Orell Füssli. The ETH Store is the first port of call for campus services relating to books, stationery and ETH merchandise.

Orell Füssli entered into a partnership with Skoobe in 2022 in response to the mounting demand for e-books. The service allows users to borrow and consume an unlimited number of e-books and audio books in return for a monthly flat rate.

The Swiss Book Prize, the premier accolade for Swiss literature, has been supported by Orell Füssli as the main sponsor since 2022. The event is one of the most prominent platforms used to present new works to a wide audience.

Outlook

Further branches will be opened in 2023; for example, in Langendorf Solothurn and at Aarau railway station. This will translate into further revenue growth. Higher operating costs due to inflation will have a slightly negative impact on the result.

Other business areas

Publishers Division

Result

Orell Füssli Publishers not only achieved the revenue targets set for 2022, but outstripped them in all segments. Bern-based hep Verlag AG, which was acquired on 1 July 2022, made a substantial contribution to the operating result. A one-off effect arose from the fact that the company was fully consolidated in the third quarter, which brought strong performance in terms of revenue and earnings, whereas it was not in the first half of the year. Rising energy and paper costs in 2022 were absorbed thanks to newly negotiated business margins. This will also have a positive effect in subsequent periods.

Takeover of hep Verlag AG

Orell Füssli acquired hep Verlag in Bern, a leading supplier of Swiss learning media, in mid-2022. This will allow Orell Füssli to significantly expand its publishing portfolio in this segment, particularly in the areas of teaching and learning media for upper-secondary education, tertiary education and private continuing professional development. In line with the state educational mandate, hybrid and purely digital learning media that focus more on promoting competence will be developed together with hep and offered starting in the 2023 school year. The takeover will involve the concentration of activities relating to learning media at the Bern site. More information on hep Verlag AG and the merger of the learning media publishing houses can be found in the article on page 16 of the annual report.

Children's books

Two milestone birthdays were celebrated in 2022. In the first half of the year, 90-Globi's anniversary was celebrated in style. In the second half, Papa Moll turned 70. The coverage of the activities in newspapers, television, radio and on Orell Füssli's social media channels led to numerous catalogue orders and the positive impact was also reflected in Christmas sales.

Over the course of 2022, several new titles published by Orell Füssli Publishers featured simultaneously in the top 10 order list for children's and young people's books released by the Swiss Publishers' Association SBVV.



The acquisition of hep Verlag AG will allow Orell Füssli to significantly expand its existing publishing house portfolio, strengthen its position in the attractive market for learning media and take a significant step towards implementing its growth strategy in the education sector.

From March to July, *Globi und die Ozeane* and *Globi und die Mikroben* occupied the top two spots, and in the summer, no fewer than five Orell Füssli Publishers' children's books were in the top 10. At the end of the reporting year, the children's non-fiction book "*Globi und das Klima*" was published in time for the UN Climate Summit on the Red Sea.

In November 2022, the spectacular interactive knowledge show on the topic of energy featuring *Globi* celebrated its première in Zurich. Author Atlant Bieri and *Globi* familiarised young and old alike on the energy theme and provided exciting facts in a sensational show. The educational format of the interactive knowledge show for children of primary school age is new and complements the *Globi* non-fiction books.

All available Orell Füssli commentaries are now available for subscribers on justement.ch, the new smart search engine for legal research. Orell Füssli Publishers have been working with the start-up Justement since the spring of 2022.

Outlook

The publishing houses are planning a series of new publications in all programmes and on all channels. This, coupled with the full-year consolidation of hep, will lead to revenue growth in 2023. Due to the positive one-off effect resulting from the consolidation of hep Verlag AG following its acquisition, the EBIT will decrease in 2023 compared with 2022.

"The acquisition of hep Verlag will strengthen our position in the attractive market for Swiss learning media."

Martina Barth, Managing Director, Publishers Division

Legal media

In legal media, unit sales of the standard work *CC/CO Edition Commerciale*, the French edition of the Swiss Civil Code/Code of Obligations (ZGB/OR) commercial edition, increased by 35% thanks to increased sales and marketing activities in French-speaking Switzerland.

Orell Füssli also signed a new 30-strong team for the legal commentary *revDGS* in view of the forthcoming entry into force of the revised Federal Act on Data Protection in 2023. The new work is to be published in time for the Act's introduction in September 2023.

For the first time, Orell Füssli also held introductory legal literature events for law students in their first semester. At the universities in Zurich, Basel and Lucerne, Orell Füssli lecturers explained how to work with the books and answered students' questions.

Procvivis

Expanded product portfolio

Procvivis' digital identity solution, which has been in use for many years now at long-standing Procvivis clients, canton Schaffhausen and the city of Zug, was enhanced to include new functions and additional application services and was distributed further. The city of Zug won several awards at the Best of Swiss Apps Awards in 2022 with its mobile government solution developed by Procvivis.

Procvivis was also awarded its first contract from the Swiss Confederation. The intercantonal e-ID standard commissioned by the Swiss association for IT in cities and municipalities (SSGI) and financed by Digital Public Services Switzerland (DPSS) was awarded to Procvivis.

In January 2022, SSI+, a new product that systematically implements the concept of Self-Sovereign Identity (SSI), was launched on the market and met with a positive response. As part of the strategic partnership between Orell Füssli and Swisscom, various pilot projects based on SSI have been implemented, including with SBB and the University of Zurich. For example, the proof of concept for a seamless ordering process for an SBB partner season ticket (GA) was provided using digital confirmation of residence with the city of St. Gallen. The project received a great deal of attention at national level.

International potential

With the solution for an ISO-certified mobile driving licence (mDL), and the proven experience with SSI, Procivis established itself as an interoperability expert on an international level, enabling it to secure a contract as a partner company in a European consortium for the "EU Digital Identity Wallet Large Scale Pilots" project.

Procivis played an active role in several international and national standardisation and working groups in 2022; for example, in the Swiss Confederation's SSI-based e-ID, allowing it to make a name for itself in the field of digital identities.

The successful fintech entrepreneur Christian Pirkner was recruited as a new member of the Board of Directors. He will actively contribute his experience in scaling start-ups. Procivis moved to Orell Füssli's headquarters in Zurich Wiedikon at the beginning of September.

Outlook

In 2023, Procivis expects further details to be released on the national e-ID and the first tenders. Procivis intends to continue to play an active role in this area. New projects are also planned at cantonal level to build on the successful technology model of existing clients. Internationally, Procivis is pursuing the expansion of its activities in connection with strategic partnerships; in particular, for digital driving licence solutions and other applications in the public sector.

"Procivis continued to position itself as a leading provider of digital identity solutions at cantonal, national and EU level."

Désirée Heutschi, Head of Corporate Development/Chair of the Board of Directors, Procivis AG

ESG Report

This report is based on the requirements set out in the GRI Standards 2021. In line with GRI and the regulatory provisions for non-financial reporting, it contains introductory information on the Group’s strategy and business model, followed by reporting on the material topics. These are split into environmental, social and governance (ESG) topics.

Corporate responsibility

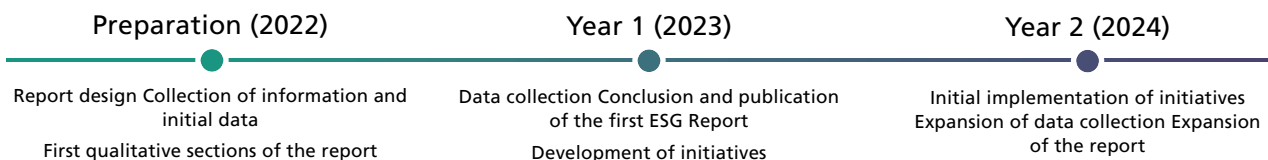
Orell Füssli can look back on a corporate history spanning more than 500 years. The company’s roots go back to letterpress printing. Today, as an industrial company, security printer for banknotes and identity documents, bookseller and publishing house, the Group continues to operate in business areas of central importance to the economy, society and to each individual. This leads to an inherent sense of responsibility towards the economy and society at Orell Füssli. This sense of responsibility extends beyond the business activities associated with the company’s core business. Rather, the company is aware that it has to make an active contribution to the sustainable development of the economy, society and the environment.

Strategic commitment to sustainability

In 2021, the Board of Directors and the Executive Board decided to define a strategic framework for the company’s entrepreneurial responsibility for society, the environment and the economy in order to manage the material topics in a targeted manner and identify potential for optimisation. The initial step taken in 2021 involved establishing a link to the United Nations Sustainable Development Goals (SDGs) relevant to Orell Füssli.

Orell Füssli strives to achieve strategic sustainability management in the long term. To this end, the Board of Directors instructed the Executive Board to draw up a multi-year plan. As a basis, the decision was made to disclose information on non-financial topics in an ESG report. Orell Füssli prepared its first report for the 2022 financial year in accordance with the standards set out by the Global Reporting Initiative (GRI). The report includes all companies consolidated in the Annual Report. The Board of Directors approves the ESG Report for publication as part of the Annual Report. The topics identified as material for the purposes of this first ESG Report form the basis for the future development of strategic sustainability management.

The roadmap drawn up by the Orell Füssli Executive Board for the definition and implementation of ambitious sustainability targets is shown in the graph below.



1. Business model, organisation and responsibilities

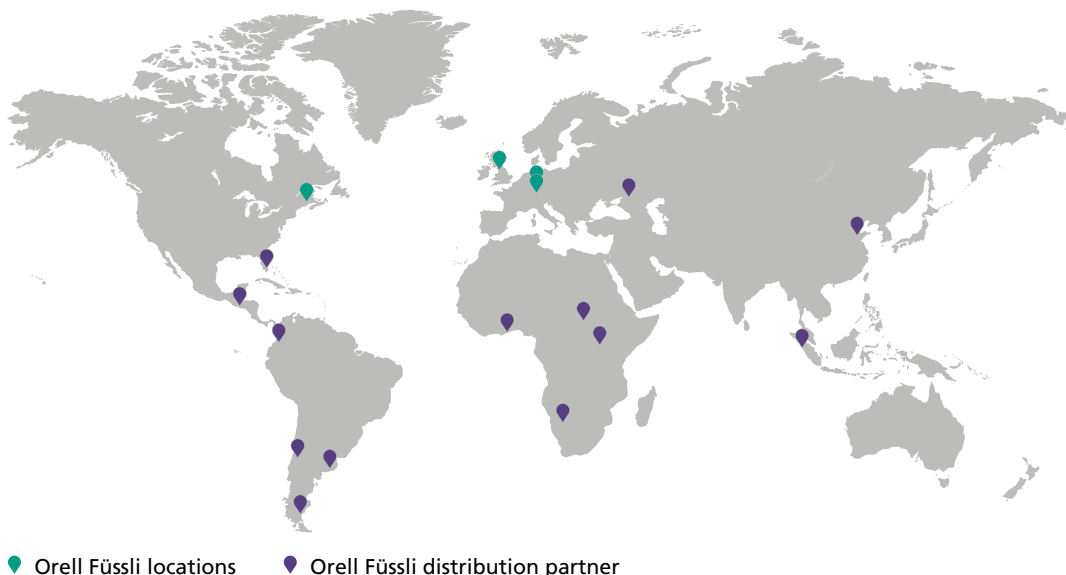
Orell Füssli’s business activities are described in detail in the Annual Report in the chapters “Course of business” and “Growth strategy 2028”.

The 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 (<https://www.orellfuessli.com/en/investors>).

Measures to strengthen the company’s core business, which is organised in four business segments, Security Printing, Industrial Systems, Book Retailing and Other business areas, with the publishing houses and the digital business fields are being pursued systematically through focus, a great deal of initiative and targeted acquisitions. The figure below illustrates the business areas. The focus is on the megatrends of security and education.

Security Printing	Industrial Systems	Book Retailing	Other Business areas	Not allocated
Orell Füssli AG (OFS)	Zeiser GmbH Zeiser Inc. Zeiser Ltd. Zeiser SRL	Orell Füssli Buchhandlungs AG Orell Füssli Thalia AG Delivros Orell Füssli AG Lehmans Media AG	Orell Füssli AG, Verlage (OFV) hep Verlag AG Procivis AG izit AG	Orell Füssli AG, Konzernfunktionen (OFC)

Although the geographical focus in the education sector is clearly on Switzerland, Orell Füssli has global operations with its components, security products and services.



3. Year (2025)

Target achievement defined by corporate strategy

- Expansion of initiatives and projects
- Expansion of data collection
- Expansion of the Report

Joint venture Orell Füssli Thalia AG has a management team independent of Orell Füssli's management. The Orell Füssli Group exercises its influence via a seat on the Board of Directors and the exercise of shareholder rights. Orell Füssli Thalia AG draws up its own policies and regulations. However, the basic focus does not deviate from the group policies to any significant degree. Information is provided below to which documents a statement refers. Unless explicitly stated otherwise, the statements refer to Orell Füssli AG and its majority shareholdings. As in the Annual Report, the figures reported include the consolidated figures of the Group, with the figures for Orell Füssli Thalia AG proportionately consolidated; i. e. exactly half are taken into account. If the calculation method differs, an explicit note is included to this effect.

ESG management

In accordance with the roadmap for the design of systematic sustainability management, Orell Füssli developed a four-year plan with responsibilities allocated clearly to the Board of Directors and the Executive Board. The CFO is assigned responsibility for sustainability management and the corresponding reporting. The Audit Committee of the Board of Directors is responsible for supervision of ESG activities.

Three members of the Board of Directors have already completed sustainability training. Other members deal with sustainability topics as part of their mandates or operational activities.

Overview of the roles of the Board of Directors and the Executive Board

	2022	2023	2024	2025+
Board of Directors	Commissioning of development of a sustainability strategy	Finalisation and approval of the sustainability strategy	Monitoring of the implementation of the sustainability strategy, external audit of sustainability reporting	Review of the updated sustainability strategy, monitoring of implementation External audit of sustainability reporting
Executive Board	Development of the sustainability strategy	Implementation of the sustainability strategy	Implementation of the sustainability strategy	Further development of the sustainability strategy and implementation
Sustainability management	Collection of information and initial data, report design, establishment of reporting system	Data monitoring	Performance measurement, reporting and implementing initiatives	Performance measurement, reporting and implementing initiatives

Figure: Four-year plan, including responsibilities for ESG management

2. Dealing with stakeholders

Orell Füssli works with a large number of clients, suppliers and other stakeholders. These range from public authorities to central banks, machinery manufacturers, libraries and law firms to end users who buy a book in a bookshop or online. Both physical and digital channels are used to interact with stakeholders.

Individual and face-to-face contact is common practice with industrial clients or in the project business, and Orell Füssli maintains dialogue with clients in the Book Retailing sector, both at points of sale and via customer service. Client contact is also cultivated at trade fairs and professional events.

The supplier structure within Orell Füssli is very diverse due to the different business models of the group companies. Book Retailing obtains its books primarily through supply channels such as Schweizer Buchzentrum, and as a retailer cannot exert any influence over the book production process. The publishing houses offer a range of products tailored to suit different target groups, from learning media to legal publications and selected children's books. In the publication business, Orell Füssli is involved in book production and selects the paper suppliers and printers itself. In the Security Printing niche, Orell Füssli works with a small number of highly specialised suppliers. In addition, the colours, substrates and security features to be used are usually specified by the client. The Industrial Systems business segment gives more room for manoeuvre in terms of the choice of suppliers.

Irrespective of the sector and product group, Orell Füssli expects suppliers and employees to show integrity in accordance with the Orell Füssli Code of Conduct. At Orell Füssli AG, employees are required to submit an annual extract from the criminal record and debt enforcement register to the HR department. Suppliers relevant to security in the banknote printing segment have to sign an additional Code of Conduct. ISO 14001 certification can be used as a supplementary selection criterion. Every three years, supplier audits are carried out at key suppliers by the Quality Officer and the Head of Purchasing.

Orell Füssli has been listed on the Swiss Stock Exchange since 1897 (see Corporate Governance Report, page 50). Orell Füssli shareholders receive first-hand information at the Annual General Meeting, which is held as a face-to-face event whenever possible. Orell Füssli also communicates relevant information on the course of business and its strategy in press releases, the Annual Report and analysts' conferences. This ensures that all shareholders have the same level of information at all times.

Orell Füssli's employees work at a large number of locations and in different time zones. At the same time, each professional group has different interests and needs. In order to provide all employees with the necessary information at the same time and promptly, Orell Füssli uses various communication channels in parallel. The aim is to maintain the necessary proximity in order that employees can ask questions to help them better understand decisions. In addition to video messages from the CEO, video conferences and an internal communication platform (intranet), the company also uses personal information events organised by local management teams or direct written communication in the form of email and letters (e. g. amendment of regulations).

Commitment via memberships and involvement in political processes

Orell Füssli is actively involved in political processes. An example is the planned implementation of an e-ID in Switzerland. The commitment does not take the form of lobbying, but rather involves an active contribution of knowledge and experience in the consultation process. Orell Füssli maintains contact with the public administration via interest groups. Memberships of associations are valuable for Orell Füssli as they promote the mutual transfer of knowledge. However, Orell Füssli is not politically active and does not make any donations to political parties.

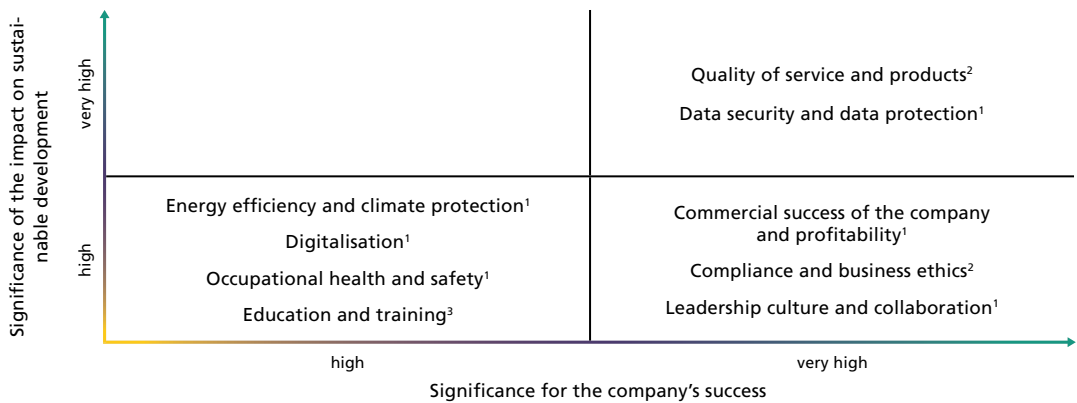
Valuable memberships include:

- Swiss Retail Federation
- Intergraf
- International Currency Association (ICA)
- Banknote Ethics Initiative (BnEI)
- Energy Agency of the Swiss Private Sector (EnAW)

3. Topics identified as material





Orell Füssli’s business activities can have positive and negative impacts on the economy, society and the environment. At the same time, Orell Füssli is exposed to the opportunities and risks arising from global trends. The gradual establishment of environmental, social and governance aspects as a firm component of the company’s strategy, objectives, organisation and processes is broad-based. The identification of material topics as the basis for Orell Füssli’s systematic sustainability management helps to minimise negative impacts, strengthen positive effects and identify future trends and challenges at an early stage.

In the materiality analysis conducted in the summer of 2022, the CEO, CFO, quality and risk managers, and representatives from all relevant business segments and specialist units, assessed about 26 potentially material topics in terms of the significance of their impact on Orell Füssli and the effects on the business environment (concept of dual materiality). Based on this process, the prioritised topics were mapped in a matrix. The materiality assessment was validated by the Board of Directors in a workshop in order to determine the topics material for Orell Füssli.



1 Material for the entire Orell Füssli Group
 2 Material for Security Printing and Industrial Systems
 3 Material for Book Retailing and Publishers

The following topics were considered to be of greatest significance in terms of Orell Füssli's effect on the business environment ("inside-out") and the success of the company itself ("outside-in"):

	Economy	<ul style="list-style-type: none"> - Quality of service and products - Economic success and profitability of the company - Digitalisation
	Environment	<ul style="list-style-type: none"> - Energy efficiency and climate protection
	Social affairs and society	<ul style="list-style-type: none"> - Leadership culture and collaboration - Occupational health and safety - Education and training
	Governance	<ul style="list-style-type: none"> - Compliance and business ethics

About this ESG Report

Orell Füssli publishes its first Sustainability Report in accordance with the requirements set out in the GRI Standards 2021 for the 2022 financial year as part of the Annual Report. The ESG Report covers all companies consolidated in the Annual Report. The report was approved by the Board of Directors.

Non-financial reporting is published once a year as part of the Annual Report. This publication will be released on 10 March 2023. Any enquiries should be addressed to investors@orellfuessli.com.

Commitment to sustainability

1. Economy

The Orell Füssli strategy is based on its long-term expertise in business areas that build on the trends of security and education. Thanks to digitalisation, the company is able to offer new and innovative products.

Economic success and profitability of the company

Orell Füssli strives for profitable long-term growth, which naturally means a contribution to the Swiss economy. By expanding its digital business areas and implementing a wide range of teaching and learning media, the company should achieve its sales targets.

Detailed explanations on financial management can be found in the shareholder letter on page 4. Key figures for the operating result are shown in the financial report on page 66. At the Capital Markets Day event (the investor presentation can be accessed on Orell Füssli's investor page at <https://www.orellfuessli.com/en/investors>), Orell Füssli communicated its growth ambitions and associated expansion strategies and provided an overview of its financial figures.

Quality of service and products

In order to meet the demands of its customers, the Orell Füssli brand defines itself by its range of products and services with the highest quality features, which is also the basis of the Group's long-standing success as a business.

Continuous development of quality management system and quality controls

In its quality policy, Security Printing sets out the principles for ensuring and continuously improving quality performance in a measurable way. This commitment necessitates maintaining and developing the quality management system. In the event of a deviation from quality standards, quick action must be taken.

Internal key figures (e. g. complaints per product, number of process faults) are determined to use for quality monitoring purposes. Zeiser and Security Printing operate a quality management system in accordance with ISO 9001, which guarantees comprehensive evaluation and continuous improvement of processes, thus ensuring product and service quality. Orell Füssli conducts on-site customer visits to gain an in-depth understanding of customer quality requirements. In addition to quality control via appropriate technical aids, physical control carried out by experienced employees helps to ensure high quality security documents and components. External auditing bodies complete Orell Füssli's quality controls. In the book retailing segment, service quality is ensured through personal advice provided by employees with a good knowledge of German, given in the shop or through the call centre.

Digitalisation

For Orell Füssli, the digitalisation megatrend represents an opportunity to further develop existing business areas and to establish new ones. The Group offers technology in the areas of digitalisation, learning material, documents and security solutions (Digital Trust Services). It is also pushing forward to digitalise internal work processes. One of the main risks of this is inadequate data protection (see section "data security and data protection").

Digital Committee

The Board of Directors designates a Digital Committee; this is a committee of the Board of Directors comprising three members. The Head of Corporate Development of the Orell Füssli Group also attends the meetings. The committee meets at least twice per year and focuses on the management and further development of the digital business areas. Line managers are supported by the Head of IT in digitalisation of internal business processes and their external interfaces.

Development of innovative products

Thanks to the integration of Procvivis AG, Orell Füssli is able to offer digital solutions in the field of identity management and the digital driving licence. The product range has been expanded through various collaborations. A highlight in this area is the development of the DUAL[®] connected banknote, which won an industry award ("Advancement of Digital Currency"). Orell Füssli also sees great potential for new digital solutions in the field of education in the acquisition of hep Verlag, including the mySkillbox digital learning platform, which will be expanded.

Data security and data protection

Data security and data protection is understood holistically at Orell Füssli and encompasses the security of all information, regardless of whether the data is recorded physically or digitally. 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 value and identity documents. Data loss, identity theft and damage to systems result in additional costs and reputational damage, which is why IT security is of central importance at all process levels.

Management of data security and data protection

Discretion and the handling of highly sensitive data are an inherent part of Orell Füssli's business operations. Orell Füssli has thus a code of conduct for its employees and sets explicit guidelines for cooperation with partners. Employees are sensitised and trained in the relevant issues. The effectiveness of the processes is regularly reviewed, both internally and by independent bodies. The Security Printing division is certified in accordance with ISO 14298. During the reporting period, no complaints were received regarding breaches of client data protection or loss.

In the digital business areas, the Orell Füssli companies act as intermediaries. This means that Orell Füssli provides the technical solution. However, personal data is not accessible to Orell Füssli and remains with the user or the authorities at all times.

Promotion of employee awareness of data protection

The way in which employees handle the IT infrastructure, emails and company data has an impact on IT security. Gaps that open up due to careless behaviour can lead to cyber attacks with serious consequences. The Orell Füssli Group requires all employees to comply with its IT security policy. Orell Füssli's IT security policy is intended to support employees by providing instructions on conduct in terms of IT security and compliance with legal obligations.

The key principles are:

- Protection of computers from unauthorised use and theft
- Responsible handling of emails
- Responsible use of the internet

Additional measures to support information security are set out in the operating regulations. Compliance with these guidelines is checked regularly by external partners, evaluated and used as a basis for improvement measures.

**SDG 9: industry, innovation and infrastructure**

By offering new digital technologies with the highest quality standards and taking into account data protection, Orell Füssli creates innovative products for a wide range of areas of life.

2. Environment

Orell Füssli has been addressing environmental issues in a structured and professional manner for almost 20 years. In 2006, an environmental management system in accordance with ISO 14001 was introduced in key areas within the Group and has been continuously developed since then. Employees are given sensitisation training on how to act in an environmentally friendly manner. As stated in the Code of Conduct, environmental considerations are taken into account in any decision-making process in order to continuously improve the Group's environmental performance and help it to achieve a high level of eco-friendliness.

The greatest environmental effects occur in the extraction of raw materials, the choice of raw materials used, the processing of raw materials into intermediate products and transport in upstream supply chains.

In the context of sustainability reporting, Orell Füssli focuses on energy efficiency and climate protection, which has been identified as a material topic since the use of energy has an important impact on the Group. Moreover, the company also has a significant influence in these areas. In contrast, Orell Füssli has only limited influence on the selection of suppliers and raw materials – such as the materials to be used – due to specific customer requirements, although the company is able to influence, for example, the processes and quantities of electricity used or the use of waste heat in its own operations.

Energy efficiency and climate protection

Orell Füssli has little influence on the emissions associated with the manufacture of raw materials such as paper or steel. On the other hand, targeted energy-saving measures can be implemented in the company's own operations. Orell Füssli contributes to climate protection through responsible energy consumption and thus lower operational CO₂ emissions, and the conscious selection of transport and, wherever possible, ecologically managed suppliers. Environmentally friendly production helps not only to meet future regulatory requirements, but also the demands of customers and other stakeholders and to strengthen the Group's reputation. In the wake of the sharp rise in energy costs, energy-saving measures are also becoming increasingly important from a business perspective (see 3.4 Other operating expenses "Energy"; page 74).

Emissions reduction in the supply chain

The use of renewable or efficient energy sources is at the centre of Orell Füssli's environmental protection efforts. Orell Füssli gives preference to renewable or regenerative energy sources and also places great importance on a low carbon footprint in the supply chain wherever possible. For example, in Security Printing, Orell Füssli's Code of Conduct for Suppliers stipulates an active contribution to environmental protection. For online orders, customers are given the option to collect the goods from the shop, which reduces transport and save emissions.

Responsibilities in the Group companies

In terms of responsibilities – for example, in Security Printing, which also manages the building at the head office in Zurich – the division management bears overall responsibility for implementation of the environmental policy. In addition, Security Printing maintains an "environmental goals implementation programme". This is based on the environmental relevance matrix drawn up within the framework of ISO 14001 and contains concrete measures for improving environmental performance in various areas, including the reduction of fossil fuels and the increase of energy efficiency. Above all, environmental protection calls for the conscious commitment of all employees. Employees are obliged to contribute to the further development of the environmental management system. Environmentally relevant regulations must be observed, environmental damage must be avoided and processes must be optimised with regard to environmental compatibility. The individual companies (e. g. Zeiser GmbH and Orell Füssli Thalia AG) have their own responsibilities.

Location-specific climate protection

As a member of the Energy Agency of the Swiss Private Sector (EnAW), Orell Füssli AG is committed to measurable targets in terms of saving energy and reducing CO₂ emissions at its Zurich site. The energy model group's voluntary target agreement envisaged an increase in energy efficiency of at least 7% from 2013 to 2022, with a simultaneous reduction of CO₂ emissions by at least 23%. These goals were achieved. At the time of preparation of this ESG Report, new targets were under development by the EnAW.

Since 2019, the Zurich location has relied exclusively on electricity generated by hydropower. At the newly built Zeiser location in Emmingen, the Group relies on state-of-the-art building technology, use of waste heat from the production facilities, the connection of a biogas plant to the local district heating network and electricity generation via its own photovoltaic system. At other locations, the spatial planning requirements imposed for the protection of the site's character or by a listed building status pose an obstacle to energy optimisation. In addition, Orell Füssli has a limited influence as a tenant on the building technology.

Material use and transport

When manufacturing customised products, the room for manoeuvre in the choice of environmentally friendly materials and transport is limited, as the selection of materials and semi-finished products to be used is specified by the customer. These can often be obtained only from individual, predefined suppliers. In order to meet customer requirements in terms of safety or delivery deadlines, air transport is sometimes unavoidable.

Bookstores should offer as comprehensive an assortment of products as possible. Some books are packaged by the manufacturer in plastic film and do not necessarily have an environmentally friendly cover; as Orell Füssli is merely a retailer, it cannot influence such packaging materials. On the other hand, FSC-certified products are used in the publishing house whenever possible.

Orell Füssli is also committed to ensuring environmentally friendly transport options for its employees; for example, Orell Füssli AG contributes towards the cost of public transport season tickets for any employees who wish to take advantage of this option. Electric charging stations have been installed at the Zeiser location and a lease-bike initiative has been implemented to promote cycling as a mode of transport.

Additional information

Orell Füssli has determined and calculated the key figures on energy and greenhouse gases shown below.

GREENHOUSE GAS EMISSIONS AND TOTAL ENERGY CONSUMPTION

	Unit	2022	2021
CO ₂ -emissions, total	tCO ₂ eq	400	563
Energy consumption, total	MWh	6,974,088	7,189,769

ENERGY**Heating**

	Unit	2022	2021
Heating oil	MWh	–	333
Natural gas	MWh	1,935,028	2,812,996
Diesel	MWh	–	–
Wood chips	MWh	–	–
District heating	MWh	–	–

Electricity

	Unit	2022	2021
of which renewable	MWh	4,818,926	4,376,324
of which not renewable	MWh	–	–

Fuel consumption

	Unit	2022	2021
Petrol	MWh	–	–
Diesel	MWh	134.1	115.9

GREENHOUSE GAS EMISSIONS**Direct greenhouse gas emissions (Scope 1)**

	Unit	2022	2021
Scope 1 emissions, total	tCO ₂ eq	332.7	550.9
Fossil fuels	tCO ₂ eq	296.8	519.9
Refrigerant	tCO ₂ eq	–	–
Transport/fuel	tCO ₂ eq	35.8	31.0

Indirect, energy-related greenhouse gas emissions (Scope 2)

	Unit	2022	2021
Scope 2 emissions, total	tCO ₂ eq	45.7	–
Electricity	tCO ₂ eq	–	–
Other (district heating)	tCO ₂ eq	45.7	–

Other indirect greenhouse gas emissions (Scope 3)

	Unit	2022	2021
Waste	tCO ₂ eq	21.4	12.0

Intensity of greenhouse gas emissions

	Unit	2022	2021
tCO ₂ per TCHF revenue	tCO ₂ eq	0.0018	0.0027



SDG 13: climate action

Orell Füssli contributes to climate protection through low operational CO₂ emissions, by taking into account environmental issues when procuring materials and by offering a range of products and services with a moderate environmental impact.



SDG 7: affordable and clean energy

Orell Füssli determines its own energy consumption as part of its environmental management system, uses only renewable electricity from hydroelectric power at its Zurich location and uses energy-efficient solutions in its buildings wherever possible.

3. Social affairs and society

Orell Füssli is aware that its employees are key to the company's long-term success, and so the Group endeavours to offer employment models and working conditions that are as up to date and attractive as possible, and to support the development of each person's capabilities.

Leadership culture and collaboration

For Orell Füssli, leadership culture and collaboration means endeavouring to create a value-oriented corporate culture and to exhibit responsible leadership behaviour. The management culture influences the satisfaction and well being of employees, shapes collaboration with suppliers, customers and partners, and has a positive impact on Orell Füssli's reputation as an employer.

As mentioned above, Orell Füssli Thalia AG, which is part of the joint venture, has its own personnel policy and Code of Conduct for employees; however, this does not differ significantly in its basic orientation from the Group Code.

Leadership principles and Code of Conduct

The Orell Füssli Code of Conduct provides employees throughout the Group with guidelines on how to conduct themselves with integrity. In addition, the leadership principles form the foundation of a respectful corporate culture that leaves room to foster innovation and design. The management principles promote respectful collaboration, give employees guidance on their contribution to the company's success, motivate them to take responsibility and create transparency thanks to clearly defined processes and responsibilities. By encouraging employees to contribute their own ideas, the leadership principles promote innovation.

In order to meet both the legal and cultural requirements of the locations, management and human resource policies are adapted to each country.

Conduct guidelines for employees

Internal guidelines are set out to regulate the provisions on personal privacy, sexual harassment and bullying. Mutual respect and regard for the dignity of each individual are essential for a pleasant working atmosphere. Bullying and abusive behaviour, unequal treatment, violent behaviour or harassment based on differences in ethnicity, nationality, religious or ideological beliefs, gender or sexual orientation will not be tolerated. The guidelines provide support for supervisors in dealing with challenging situations. Trusted employees can assist affected employees and are obliged to maintain confidentiality. An internal grievance procedure is also operated by HR management.

Employees who discover a suspected violation of the Code of Conduct are required to report this immediately to their direct superior. Alternatively, employees may contact the Human Resources Department, the Risk Officer or a law firm named in the Code of Conduct. The law firm acts as a contact point for whistleblowers. Employees are assured that they will not suffer any disadvantages as a result of a report. There were no violations of the Code of Conduct in 2022.

Regular employee surveys

Employee surveys are conducted every two to three years or as needed. A comprehensive employee survey was conducted by an independent body in 2021. The results were communicated to employees and the initial measures were implemented in the reporting year. Issue-specific surveys are carried out in the individual business areas.

Attractiveness of working conditions

Orell Füssli's working hours regulations allow employees the greatest degree of flexibility in the structure of their working hours. Employees benefit from up-to-date working time models. Orell Füssli facilitates part-time work and home office models in order to achieve a better balance between work and lifestyle and/or family model chosen by employees. Pay equity analyses are carried out every three years in order to ensure a workplace that is free from discrimination. The results of the most recent analysis are published in the Annual Report 2021 on page 33. Orell Füssli's social benefits are balanced and at least in line with the local practices customary in the industry.

Occupational health and safety

Orell Füssli is aware that working conditions and the working environment have a significant influence on employees' long-term performance, satisfaction and motivation. A safe and healthy working environment in turn has a positive impact on the economic performance of the Group.

Certified management system for occupational health and safety

Orell Füssli has clearly assigned responsibilities and implements process-specific measures to facilitate occupational health and safety. Compliance with occupational safety guidelines is of central importance in production especially. These guidelines are defined through close cooperation between employee representatives, management, safety officers, the HR department and external specialists.

Production in Switzerland maintains a certified management system for occupational health and safety in accordance with ISO 45001. The Head of Safety coordinates and monitors the implementation of the defined measures and is responsible for the proper execution of hazard identification and accident analysis. Similar processes and functions are in place for production at Zeiser GmbH.

Handling extraordinary situations

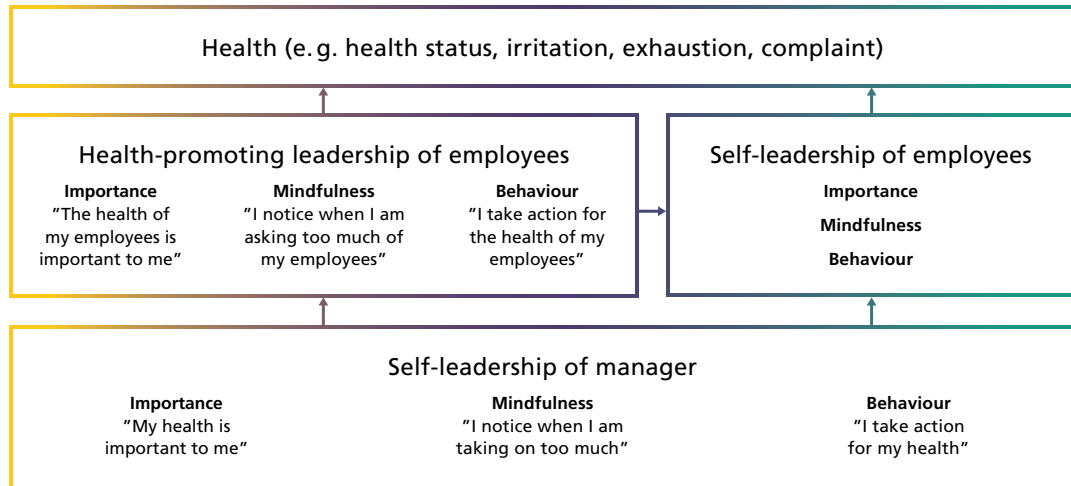
The business continuity management regulations provide the framework for development of location-specific business impact analysis and the associated recovery plans. The Orell Füssli Group's emergency and crisis management documents govern the procedure to be followed in the event of an emergency or crisis. After an incident, measures for future prevention are defined and implemented. The responsibility for this task lies with the safety officer.

Orell Füssli provides aids such as plasters or ear plugs for minor incidents or preventive measures. Defibrillators and eye showers are easily visible and accessible for medical emergencies. In addition to the legally required personal protective equipment, Orell Füssli provides employees with sanitisers and masks. Employees include trained personnel who can initiate first-aid measures in an emergency. The company offers courses to employees to improve occupational safety and to learn how to use defibrillators.

Occupational health management

Occupational health management requires managers to act as role models. Managing responsibly their own health and the health of employees is a top priority.

Security Printing’s occupational health and safety system is built on the three pillars of importance, mindfulness and behaviour.



Collective sporting events such as the ski day have a positive influence on team spirit and promote the health of employees. The bike-lease initiative at Zeiser encourages employees to exercise and enjoy the fresh air. Contributing to the cost of a transport pass for employees at the Zurich location can help to increase physical activity on the commute to work.

OCCUPATIONAL HEALTH AND SAFETY

	2022	2021
Employees covered by an occupational health and safety management system	33%	39%
Work-related injuries	12.0	6.0
Work-related illnesses	-	-

Education and training

Education and training are key issues for Orell Füssli, both in its business model and internally. Publishing and book retailing have traditionally been strongly linked to education. In 2019, the company decided to focus Orell Füssli Verlag on the education sector and, in addition to a small range of children’s books, to concentrate its services mainly on learning media and specialist legal media. Orell Füssli promotes education and training within the company. Basic vocational training is of particular importance in this regard.

Acquisition of hep Verlag makes Orell Füssli largest private Swiss publishing house for educational media

Acquisition of hep Verlag AG was made in the reporting year. It was well established as an important publishing house in the Swiss education landscape, thanks to its many years of experience and innovative spirit. Learning tools are developed in different media formats for all education levels. When designing the tools, great importance is placed on maintaining a strong dialogue with teachers and learners.

Vocational apprenticeship and further training for employee development

Orell Füssli has a strong tradition of vocational training and has always made it a top priority. It ensures the development of necessary future specialists and enlivens the company's corporate culture. At the head office in Zurich, at Zeiser in Emmingen and in the bookstores, apprenticeships are offered in technical and commercial professions and as booksellers and stationers. Orell Füssli employed a total of 51 apprentices in 2022.

Orell Füssli supports training and education within the company and promotes opportunities. Training needs that cannot be organised at the workplace or internally by supervisors are regulated through training and development guidelines. The guidelines contains the basis for financial participation in the costs and working time for professional training and continuous development.

Employee structure

The following tables show the most significant key figures relating to employees of the Orell Füssli Group (show as full-time equivalents; in each case excluding apprentices, trainees, interns and temporary workers).

EMPLOYEES BY GENDER AND BUSINESS SEGMENT

	2022			2021		
	Male	Female	Total	Male	Female	Total
Group	342.0	308.0	650.0	347.6	266.9	614.5
Security Printing	120.8	35.6	156.4	135.0	36.0	171.0
Industrial Systems	102.0	29.0	131.0	103.0	26.0	129.0
Book Retailing	79.0	193.5	272.5	79.0	175.2	254.2
Other business areas and Group functions	40.2	49.9	90.1	30.6	29.7	60.3

EMPLOYEES BY EMPLOYMENT LEVEL

	2022			2021		
	Male	Female	Total	Male	Female	Total
Full time	305.0	255.0	560.0	305.0	232.0	537.0
Part Time	37.0	53.0	90.0	42.6	34.9	77.5

EMPLOYEES BY EMPLOYMENT LEVEL AND BUSINESS SEGMENT

	2022		2021	
	Full time	Part time	Full time	Part time
Group	560.0	90.0	537.0	77.5
Security Printing	149.0	7.4	164.0	7.0
Industrial Systems	118.0	13.0	115.0	14.0
Book Retailing	248.0	24.5	222.0	32.2
Other business areas and Group functions	45.0	45.1	36.0	24.3

EMPLOYEES BY AGE AND BUSINESS SEGMENT

	2022			2021		
	< 30 years	30-50 years	> 50 years	< 30 years	30-50 years	> 50 years
Group	124.3	287.2	238.5	107.3	265.9	241.3
Security Printing	10.7	68.9	76.8	11.8	74.6	84.6
Industrial Systems	18.0	51.0	62.0	16.0	51.0	62.0
Book Retailing	82.0	118.5	72.0	75.5	108.7	70.0
Other business areas and Group functions	13.6	48.8	27.7	4.0	31.6	24.7

NEWLY HIRED EMPLOYEES AND EMPLOYEE TURNOVER

	2022	2021
Number of new employees	46.0	15.0
Rate of newly hired employees	7.2%	2.6%
Number of employees who have left the company	113.5	65.0
Employee turnover	17.7%	11.1%

PARENTAL LEAVE

	2022	2021
Employees entitled to parental leave	18.5	14.0
Employees who took parental leave	15.5	14.0
Employees who returned after parental leave	10.5	8.5
Employees who took parental leave and were still employed 12 months after their return	7.0	7.0



SDG 3: good health and well being

Orell Füssli contributes to low-accident and low-injury working conditions by raising employees' awareness of the need to comply with safety guidelines and through its certified occupational safety management system. With this system and flexible working hours models, Orell Füssli supports the different lifestyles of its employees and takes their health into consideration.



SDG 4: quality education

Orell Füssli contributes to the education of its employees and society by promoting internal training and education and through a wide range of digital and analogue learning media and book retailing.

4. Governance

Long-term successful business relationships are built on trust. Orell Füssli has established an excellent reputation as a reliable partner over the years. This reputation is an asset to the company, and the management does its utmost to meet the high demands of customers, investors, employees and other stakeholders, and to nurture its 500-year heritage. It is for this reason that Orell Füssli sets the highest standards for the compliance and conduct of its employees.

Compliance and business ethics

Orell Füssli undertakes to comply with all applicable laws and regulations and to respect human rights and social standards. Orell Füssli understands compliance to mean internal rules, management structures, processes and practices that ensure fairness, transparency and accountability, and which encourage corporate governance with integrity. This includes the prevention of anti-competitive behaviour, money laundering and corruption. For Orell Füssli, business ethics mean operating a value and people-oriented corporate culture and conducting business responsibly.

Code of Conduct for Employees

Orell Füssli has had a Group-wide Code of Conduct for Employees since 2021. It covers the principles of action relating to corporate culture, integrity and human rights, discretion, the avoidance of corruption and proper conduct in the event of a conflict of interest.

Banknote Ethics Initiative (BnEI) to promote fair competition

Orell Füssli Security Printing has been a member of the Banknote Ethics Initiative (BnEI) since 2017. The BnEI is an initiative that promotes ethical business practices with a focus on corruption prevention and antitrust compliance in the banknote industry. BnEI members are committed to ethical business practices in accordance with the BnEI code. All organisations that have signed the Code must be accredited after an audit by an external auditor. The industry association has about 15 members worldwide. More than 40 commissioning central banks support the initiative. Accreditation is reviewed regularly and is maintained on the basis of external audits.

Screening of new customers and suppliers for ethical business practices

In order to eliminate the risk of corruption in Orell Füssli's business relations as far as possible, the integrity of potential new customers is comprehensively checked. In addition to checking for compatibility with Orell Füssli's business strategy, a compliance check is also carried out by Security Printing, for which the Compliance Officer is responsible. Final approval is the responsibility of the Executive Board. Orell Füssli expects suppliers to maintain a similarly high ethical standard in their conduct and business behaviour. In Security Printing, this is ensured by obliging suppliers sign and comply with the Supplier Code of Conduct, which governs security issues and is checked in regular supplier audits. In signing the Code, suppliers also undertake to respect the human rights of their employees, to refrain from any discrimination, to guarantee fair working conditions, to ensure continuous improvement in occupational health and safety, and to improve their environmental performance. No known cases of corruption occurred in the reporting year.



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 2022.

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 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 Other business areas. Orell Füssli Thalia AG has its own Executive Board. The Executive Board of Orell Füssli AG exercises influence on the company through its seat on the Board of Directors of Orell Füssli Thalia AG and through exercise of its shareholder rights. This also applies to the subsidiary Procivis AG and hep Verlag AG, which was acquired on 1 July 2022.

The Security Printing, Zeiser and Book Retailing divisions and the Other business areas enjoy extensive autonomy in their strategic and operational management. Orell Füssli AG influences the strategic focus of the individual divisions and subsidiaries.

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 2022 amounted to CHF 162.7 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

In the reporting year, there was a significant change in the shareholder structure that required a disclosure report. At J Safra Sarasin Investment Fund, Basel (SaraSelect), the value of the investment in Orell Füssli AG fell below 5%.

All disclosure notifications can be viewed at 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 1.00, 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 2022, 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 issue 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

Members of the Board of Directors	Year of birth	Nationality	Member since
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
Johannes Schaede	1955	CH/DE	11.05.2022
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 AG. 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 10 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

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 of Spun Yarn Systems business segment
2010–2014 K.R. Pfiffner AG, CEO and Member of the Board Directors of the Pfiffner Group
2014–2016 Saurer AG, CEO Saurer Group
Since 2017 Independent Board of Directors

ADDITIONAL MANDATES

President MTEC Foundation, ETH Zurich
Chairman of the Board of Directors Hans Oetiker Holding
Board of Directors Integra Holding
Board of Directors Integra Sitek AG (100% subsidiary of Integra Holding)
Board of Directors Signal 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 Bomatec 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, Bern, certified accountant and management consultant,
From 1997 Bern site manager,
From 1998 Partner and
From 2002 Member of the Executive Board of KPMG Switzerland,
From 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

ADDITIONAL MANDATES

Member of the Board of Directors Stäubli Holding AG
Co-owner and Member of the Board of Directors EquityNova 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 of Directors Blattmann Schweiz 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

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 Ltd, MediService AG, Chief Financial Officer, Head of Sourcing and IT, Member of the Management and the Board of Directors
2006–2008 Novartis Pharma Schweiz AG, Business Planning and Analysis Manager / Deputy Head Oncology
2008–2011 Edisun Power Europe AG, Chief Financial Officer, Chief Executive Officer (09-11)
2012–2018 Qnective AG, Chief Financial Officer
2018 Jedlix B.V., Rotterdam, Netherlands, CFO (Interim)
Since 2019 SML Solutions AG, Managing Director
Since 2021 Synhelion SA, Chief Financial Officer

ADDITIONAL MANDATES

Vice Chairwoman of the Board of Directors and Chairwoman of the Audit Committee IWB, Industrielle Werke Basel
Chairwoman of the Board of Directors EWE, Energie und Wasser Erlenbach AG
Member of the Board of Directors WAZ, Werke am Zürichsee AG
Member of the Board of Directors Eniso Partners AG
Secretary of the Board of Directors of Qnective AG
Senior independent of 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, from 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

Since 2021 Visiting Professor at the Faculty of Economics and Management, University of Lucerne

ADDITIONAL MANDATES

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

ADDITIONAL MANDATES

Co-owner and Chair of the Board of Directors
KYC Spider AG

Co-owner and Chairman of the Board of Directors
Sygnum Bank AG

Chairman of the Board of Directors
Marquard Media Group AG

**MEMBER OF THE BOARD**

Member of the Board of Directors since 2022

Johannes Schaede

Swiss and German citizen, born 1955

Apprenticeship mechanic at KSB AG, Frankenthal

Studies at the ETH Zürich Abt IIIa Dipl. Ing. ETH

STATIONS

1983 Apprenticeship banknote printing at Bundesdruckerei Berlin

1984 Designer bank note printing machines Koenig & Bauer AG, Würzburg

1989–1990 Senior Manager Production bank note printing machines Egenolf Contracting, Indianapolis

1990–2001 Vice President bank note printing machines Koenig & Bauer AG, Würzburg

2001–2021 CTO Koenig & Bauer BNS SA, Lausanne

Since 2007 Teaching assignment TH OWL, Lemgo

ADDITIONAL MANDATES

None

Election and term of office

The Board of Directors consists of at least three members who are elected at 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, the Compensation Committee and the Digital Committee. The Board of Directors met six times in the reporting year. In addition, the Board of Directors met for strategy workshops with the Executive Board.

In order to assess the performance of the Board of Directors, it conducts an annual self-evaluation.

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. The duties of the Audit Committee are defined in a set of regulations. 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 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. The duties of the Compensation Committee are defined in a set of regulations. 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 in the reporting year.

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 CEO and the Head of Corporate Development of the Orell Füssli Group also attend the meetings. The

Committee met three times in the reporting year. One session served to prepare for a meeting of the Board of Directors. 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 an extraordinary meeting, all members of the Board of Directors were present at the meetings and video conferences 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 corporate policy, organisational structure and 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 of 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 in order to receive information 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 (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, three audits/reviews were conducted with a focus on Orell Füssli AG, with two audits focusing on Zeiser GmbH. Other activities took place in the risk review and coordination and in financial assurance. Further audits/reviews and assurance activities will follow at Group level and within the divisions in 2023.

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 Executive Board



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

Daniel Link

Swiss, born 1969
Graduate microtechnology engineer,
ETH Lausanne; Executive MBA in General
Management, St. Gallen

STATIONS
1994–1996 Laboratoire de Microtechnique (LMT),
research associate
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 of Orell Füssli AG

ADDITIONAL MANDATES
Vice-Chair of the Board of Directors of Orell Füssli
Thalia AG
Board of Directors of Procvivis AG
Chair of the Board of Directors of Orell Füssli
Buchhandlungs AG
Member of the Board of Directors of izit AG



CFO ORELL FÜSSLI AG
Member of the Executive Board
Orell Füssli AG

Reto Janser

Swiss, born 1971
Business economist (lic. oec. HSG University
St. Gallen)

STATIONS
1996–2000 Swiss Re, controller
2001–2003 Booz Allen & Hamilton AG,
management consultant
2003–2004 Würth Holding GmbH, controller
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

ADDITIONAL MANDATES
Chair of the Board of Directors of KXO AG
Member of the Board of Directors of Procvivis AG
Board of Directors of Orell Füssli Buchhandlungs AG
Vice-Chair Orell Füssli Stiftung



**HEAD OF CORPORATE DEVELOPMENT
ORELL FÜSSLI AG**
Member of the 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,
US, legal associate
2000–2004 Genesys, San Francisco, US, various
positions, most recently as director of business
development and strategy
2005–2019 Microsoft Switzerland, various
management functions
2019–2020 Swiss Startup Factory, CEO/Members
of the Executive Board of the Swiss Startup Group
2019–2020 Centre for Corporate Venturing
Switzerland, director
Since 1 January 2021 Head of Corporate
Development Orell Füssli AG

ADDITIONAL MANDATES
Chair of the Board of Directors of Procvivis AG
Member of the Board of Directors of hep Verlag AG
Chair of the Board of Directors of izit AG
Member of the Board of Trustees of
MTEC Stiftung ETH Zurich



MANAGING DIRECTOR OF SECURITY PRINTING
Member of the Executive Board
Orell Füssli AG

Dr Michael Kasch

German, born 1968

Studies of organic chemistry and doctorate at the Christian-Albrechts-University Kiel.

STATIONS

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

1997–1999 Consortium für elektrochemische Industrie 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 Managing Director Security Printing

ADDITIONAL MANDATES

Keine



MANAGING DIRECTOR OF ZEISER GMBH
Member of the Executive Board
Orell Füssli AG

Thorsten Tritschler

German, born 1964

Businessman, Dual Executive MBA GSBA Zurich, SUNY Albany/NY

STATIONS

1983–1986 Zeiser, planning/disposition/service

1986–1989 Gebel-Automatik, sales coordinator

1989–1992 Zeiser, key account manager

1992–2002 Atlantic Zeiser, sales manager EURASIA

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 Managing Director of Zeiser GmbH

ADDITIONAL MANDATES

None

Management of major investments and divisions

Pascal Schneebeili: CEO Orell Füssli Thalia AG

Daniel Gasteiger: CEO Procivis AG

Manuel Schär: Chair of the Board of Directors hep Verlag AG

Martina Barth: Head of Orell Füssli Verlage

Sonja Lütolf: HR Manager Orell Füssli AG

5. Shareholders' 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 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 invitation to tender for the mandate and at the request of the Board of Directors, the external audit of Orell Füssli AG and its consolidated financial statements was again awarded 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 2022. 2022 financial year. In the 2022 reporting year, audit fees charged by PricewaterhouseCoopers in the amount of CHF 196,973 (2021: CHF 289,220) were incurred. In the 2022 reporting year, PricewaterhouseCoopers invoiced total additional fees of CHF 8,253 (2021: CHF 29,500).

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 and discusses 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.

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 in accordance with Art. 53 CISG. Interested parties can subscribe to the publications (www.orellfuessli.com/en/subscription-for-press-releases).

8. Information policy

In 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 (www.orellfuessli.com/en/investors).

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 2022.

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 found on the Orell Füssli homepage under Corporate Governance (<https://www.orellfuessli.com/en/investors>).

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 and 18e 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 variable component is designed to allow the members of the Executive Board to participate in the success of the company depending on their contribution and the achievement of the financial targets. The variable component is based on the bonus regulations as approved by the Board of Directors. The compensation model as described in the following entered into force as of 1 January 2022. Members of the Executive Board are allocated two-thirds of their bonus in cash (short-term performance-related compensation) and one-third in the form of entitlements to employee shares (long-term performance-related compensation). 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 or the equivalent cash amount. If the employee leaves the firm before the end of the vesting period, any entitlement to employee shares is usually extinguished. Usually, the cash bonus is paid out and the employee shares are allocated as part of the salary for the month of May of the following year.

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 the CEO's 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 and LTI (long-term incentive) regulations as approved by the Board of Directors. The maximum value of the variable component (for achieving or overachieving all of the set goals) is determined individually and amounts to between 40% and 60% of the basic salary. It is calculated according to a predefined formula based on the EBIT as well as the achievement of the agreed annual goals (weightings: EBIT 70% and individual goals 30%). The goals can be exceeded; the maximum bonus is 125% of the target bonus. The Executive Board members are assessed against the EBIT and the group's or division's results. The three to five individually determined goals, 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. The proposed objectives are then submitted to the Compensation Committee of the Board of Directors for approval. The bonus regulations also provide for individual cash bonus payments to be made at the discretion of the Executive Board and the Board of Directors to employees of the Orell Füssli Group as a reward for exceptional performance.

The LTI (long-term incentive) regulations govern the calculation and conversion of the share entitlements that are allocated. The goal of the LTI plan is to enable participation in the future long-term success of the company. All members of the Executive Board participate in the plan. The allocated share entitlements are subject to a vesting period of three years from the date they are allocated. At the end of the vesting period, the participants in the plan can decide either to convert the entitlements into shares or to request a cash payment. The LTI is

reported in the compensation report in the year in which the allocation takes place; however, the participant can only freely dispose of the shares after a share transfer has taken place.

Compensation 2022

(audited from this point until the end of page 63 by the external auditor)

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 2022 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 2022 FINANCIAL YEAR

in CHF	Fixed com- pensation	Functional supplemen- tary allowance ²⁾	Other payments		Total 2022
	in cash	in cash	Special allowances	Social security expenses	
Dr Martin Folini, Chairman, Compensation Committee (Chairman)	170,004	–	–	12,689	182,693
Dieter Widmer, Vice Chairman, Audit Committee (Chairman)	65,000	13,333	–	5,797	84,130
Dr Thomas Moser, Compensation Committee (Member), Digital Committee (Member)	58,333	6,667	–	4,810	69,810
Mirjana Blume, Audit Committee (Member), Digital Committee (Member) ¹⁾	60,000	13,333	–	–	73,333
Dr Luka Müller, Digital Committee (Chairman) ¹⁾	58,333	13,333	–	–	71,666
Johannes Schaeede, Member of the Board of Directors	58,333	–	–	2,731	61,064
Total	470,003	46,666	–	26,027	542,696

1) Payout by invoice without VAT

2) Compensation for members of the Audit Committee and the Digital Committee

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 security 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, Vice Chairman, 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) Member of the Board of Directors until 11.05.2021 - payment by invoice without VAT

2) Payout by invoice without VAT

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 2022 FINANCIAL YEAR

in CHF	Fixed com- pensation	Short-term performan- ce-based compensa- tion	Long-term performan- ce-based compensa- tion	Premium allowances	Other pay- ments	Social security and pension fund ex- penses	Total 2022
	in cash	in cash	in shares	in cash			
Daniel Link, CEO Orell Füssli Group ¹⁾	408,000	177,888	88,944	–	1,055	139,323	815,210
Other members of the Executive Board ¹⁾	1,012,267	292,308	146,153	–	29,897	273,886	1,754,511
Total	1,420,267	470,196	235,097	–	30,952	413,209	2,569,721

1) The Executive Board consisted of five members as of 31 December 2022 (incl. the CEO).

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

in CHF	Fixed com- pensation	Short-term variable compensation incl. bonus share plan ³⁾	Long-term variable compensa- tion (vested benefits)	Other pay- ments	Social security and pension fund ex- penses	Total 2021
	in cash	in cash	in shares	in shares		
Daniel Link, CEO Orell Füssli Group ¹⁾	408,000	204,000	–	–	1,055	739,756
Other members of the Executive Board ^{1), 2)}	999,197	344,780	–	–	32,678	1,614,871
Total	1,407,197	548,780	–	–	33,733	2,354,627

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

2) Changes in the Executive Board members took place as of 1 June 2021. The compensation of the members is included on a pro rata basis.

3) The variable compensation is payable in cash in the following year. The equity bonus plan was not used in 2021.

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 2022 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 2022, no such loan receivables were disclosed on the balance sheet.

Further disclosures

The Orell Füssli Group did not make any payments to current or former members of the Board of Directors, the Executive Board or any related parties thereof, beyond the information disclosed in the Compensation Report. The Orell Füssli Group also did not waive any claims against such persons.

Report of the statutory auditor on the compensation report

Report of the statutory auditor

to the General Meeting of Orell Füssli AG

Zürich

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of Orell Füssli AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the tables marked 'audited by external auditor' on pages 62 to 63 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 62 to 63) complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report 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 a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to

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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 SA-CH 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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG

Thomas Ebinger
Licensed audit expert
Auditor in charge

Dario Gassmann
Licensed audit expert

Zürich, 8 March 2023



Financial Report

1 Financial statements of the Orell Füssli Group

1.1 CONSOLIDATED INCOME STATEMENT

in CHF thousand	Notes	2022	2021
Revenue from sales to customers	3.1/3.2	217,277	210,375
Other operating income	3.2	4,425	3,941
Changes in inventories of semi-finished and finished products, capitalised costs	3.2	1,423	-1,995
Operating income	3.2	223,125	212,321
Cost of materials		-82,212	-78,609
External production costs		-9,612	-12,066
Personnel expenses	3.3	-61,500	-55,877
Other operating expenses	3.4	-43,939	-40,330
Depreciation and impairment on tangible assets	4.6	-10,086	-9,191
Depreciation and impairment on intangible assets	4.7	-853	-819
Earnings before interest and taxes (EBIT)	3.1	14,923	15,429
Financial income		257	15
Financial expenses		-923	-1,546
Financial result	3.5	-666	-1,531
Ordinary result		14,257	13,898
Income tax expenses	3.6	-2,588	-1,800
Net income for the period		11,669	12,098
Attributable to the shareholders of Orell Füssli AG		8,490	9,388
Attributable to minority interests		3,179	2,710
in CHF		2022	2021
Undiluted earnings per share	5.2	4.33	4.79
Diluted earnings per share	5.2	4.33	4.79

The disclosures on pages 70 to 96 form an integral part of the financial report.

1.2 CONSOLIDATED BALANCE SHEET

in CHF thousand	Notes	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents	4.1	62,538	75,706
Marketable securities and derivative financial instruments	4.2	105	12
Trade accounts receivable	4.3	11,331	16,090
Other receivables	4.4	8,897	6,008
Inventories	4.5	24,384	14,971
Accrued income and deferred expenses		4,455	2,919
Total current assets		111,710	115,706
Tangible assets	4.6	55,648	58,303
Intangible assets	4.7	2,589	2,320
Non-current financial assets	4.8	7,698	7,419
Deferred tax assets	4.13	1,729	2,169
Total non-current assets		67,664	70,211
Total assets		179,374	185,917
Liabilities and equity			
Trade payables		7,957	5,369
Other current liabilities	4.9	14,095	13,638
Accrued expenses and deferred income	4.10	16,796	14,175
Current financial liabilities	4.11	1,862	2,156
Current provisions	4.12	926	2,865
Total current liabilities		41,636	38,203
Other non-current liabilities	7.5	1,030	3,516
Non-current financial liabilities	4.11	1,864	4,030
Non-current provisions	4.12	309	248
Deferred tax liabilities	4.13	831	1,072
Total non-current liabilities		4,034	8,866
Share capital		1,960	1,960
Capital reserves		4,183	4,167
Own shares	5.2	-60	-60
Retained earnings		122,301	125,216
Exchange differences		-6,192	-5,232
Total equity before minority interests		122,192	126,051
Minority interests		11,512	12,797
Total equity		133,704	138,848
Total liabilities and equity		179,374	185,917

The disclosures on pages 70 to 96 form an integral part of the financial report.

1.3 CONSOLIDATED CASH FLOW STATEMENT

in CHF thousand	Notes	2022	2021
Net income for the period		11,669	12,098
Change in employee equity incentive plans		16	17
Depreciation		10,518	9,833
Impairment and amortisation		421	177
Share of loss applicable to equity method		–	381
Other non-cash related income and expenses		–291	349
Change in trade accounts receivable		6,150	2,528
Change in inventories		–6,809	4,840
Change in other receivables		–2,820	18,119
Change in accrued income and deferred expenses		–866	6,050
Change in trade payables		2,312	–6,153
Change in other liabilities		–385	–14,278
Change in accrued expenses and deferred income		1,971	–1,267
Change in provisions and deferred income tax		–2,345	–6,323
Cash flow from operating activities		19,541	26,371
Purchase of tangible assets	4.6	–8,545	–14,554
Proceeds from disposals of tangible assets		1,917	766
Purchase of intangible assets	4.7	–1,301	–897
Investments in financial assets		–11,434	–10,531
Disposal of financial assets		42	83
Cash flow from investing activities		–19,321	–25,133
Increase of financial liabilities	4.11	–	4,326
Repayment of financial liabilities		–2,293	–338
Dividends paid to minorities		–3,869	–
Dividends paid	5.2	–6,662	–5,879
Cash flow from financing activities		–12,824	–1,891
Exchange differences		–564	–639
Change in cash and cash equivalents		–13,168	–1,292
Cash and cash equivalents at 1 January		75,706	76,998
Cash and cash equivalents at 31 December		62,538	75,706

The disclosures on pages 70 to 96 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 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
Equity at 1 January 2022	1,960	4,167	-60	168,788	-43,572	-5,232	126,051	12,797	138,848
Change in scope of consolidation	-	-	-	-	-	-	-	-138	-138
Dividends paid	-	-	-	-6,662	-	-	-6,662	-3,869	-10,531
Offsetting goodwill against equity	-	-	-	-	-4,743	-	-4,743	-457	-5,200
Employee equity incentive plans	-	16	-	-	-	-	16	-	16
Currency translation effects	-	-	-	-	-	-960	-960	-	-960
Net income for the period	-	-	-	8,490	-	-	8,490	3,179	11,669
Total equity at 31 December 2022	1,960	4,183	-60	170,616	-48,315	-6,192	122,192	11,512	133,704

The share capital as at 31 December 2022 and 31 December 2021 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 4,122k (2021: CHF 7,041k).

The disclosures on pages 70 to 96 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 hep Verlag AG as of 1 July 2022, the publishing business expanded in the field of learning media. As of this date, the company was fully consolidated in the accounts of the Orell Füssli Group.

Zeiser GmbH moved into its new production and administration building in January 2022. The surplus-to-requirements building at the same location was sold in February 2022.

To simplify the organisation in the Industrial Systems Division, the two US units, Zeiser Inc. and Inspectron Inc., were merged as of 1 April 2022.

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 Systemes	Book Retailing	Other business areas	Unallocated
Orell Füssli AG (OFS)	Zeiser GmbH Zeiser Inc. Zeiser Ltd. Zeiser SRL	Orell Füssli Buchhandlungs AG Orell Füssli Thalia AG Delivros Orell Füssli AG Lehmanns Media AG	Orell Füssli AG, Verlage (OFV) hep Verlag AG Procivis AG izit AG	Orell Füssli AG, Group functions (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 46 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, the balance sheet and the statement of change in equity of the Orell Füssli Thalia AG joint venture.

Other business areas

This segment primarily relates to the group's publishing business. In addition, since the third quarter of 2021, it includes the digital identities business segment (Procivis AG and izit AG).

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 2022

in CHF thousand	Security Printing	Industrial systems	Book Retailing	Other business areas	Total segment	Not assigned	Total Group
Revenues from segment sales	70,439	20,802	112,174	13,612	217,027	250	217,277
Inter-segment sales		146	–	90	236	–236	–
Revenue from sales to customers	70,439	20,948	112,174	13,702	217,263	14	217,277
Earnings before interest and taxes (EBIT)	9,669	925	9,254	–868	18,980	–4,057	14,923

SEGMENT RESULTS 2021

in CHF thousand	Security Printing	Industrial systems	Book Retailing	Other	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

3.2 Operating income

The operating income comprises the following:

OPERATING INCOME

in CHF thousand	2022	2021
Revenue from sales to customers		
Sales of goods and products	215,750	209,326
Revenue from services rendered	497	163
Revenue from license fees	1,030	886
Total revenue from sales to customers	217,277	210,375
Other operating income		
Rental income from operating leases	352	371
Gain from sales of non-current assets	1,067	765
Other income	3,006	2,805
Total other operating income	4,425	3,941
Changes in inventories of semi-finished and finished products, capitalised costs		
Changes in inventories of semi-finished and finished products	1,352	–1,995
Capitalised costs	71	–
Total changes in inventories of semi-finished and finished products, capitalised costs	1,423	–1,995
Total operating income	223,125	212,321

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 50,001k (2021: CHF 55,666k). The gain from the sale of non-current assets relates to the sale of the surplus-to-requirements Zeiser GmbH building.

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

SALES OF GOODS AND SERVICES BY REGION

in CHF thousand	2022	2021
Switzerland	174,059	175,672
Germany	3,846	5,255
The rest of Europe and Africa	13,673	10,238
North and South America	11,985	8,118
Asia and Oceania	13,714	11,092
Total revenue from sales to customers by region	217,277	210,375

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.

3.3 Personnel expenses

The personnel expenses was composed as follows:

PERSONNEL EXPENSES

in CHF thousand	Notes	2022	2021
Wages and salaries		51,813	46,681
Social security costs		3,906	3,874
Pension costs	6.1	4,119	3,909
Other personnel expenditure		1,662	1,413
Total personnel expenses		61,500	55,877

The wages and salaries line item of the Book Retailing Division in the 2022 financial year no longer includes compensation for short-time work (2021: CHF 790k).

Employee equity incentive plans

The compensation model for the Executive Board, which came into force on 1 January 2022, provides for one third of the variable component of compensation to be allocated as entitlements to shares in Orell Füssli AG. The variable component of the Executive Board's compensation is based on the bonus and LTI regulations (long-term incentive) as approved by the Board of Directors.

All members of the Executive Board participate in the plan. The allocated share entitlements are subject to a vesting period of three years from the date they are allocated. At the end of the vesting period, the participants in the plan can decide either to convert the entitlements into shares or to request a cash payment. If the employee leaves the firm before the end of the vesting period, any entitlement to employee shares is usually extinguished.

The personnel expenses of to the employee equity incentive plans amount to CHF 95k (2021: CHF 17k). For the 2022 financial year, 2,870 share entitlements were allocated (2021: none).

Accounting policies

The share entitlements are valued as at the date they are allocated and thereafter annually as at the balance sheet date. The valuation is made on the basis of the option value and taking into account the likelihood that the employee remains with the company until the end of the vesting period. The corresponding personnel expenses are recorded under accrued expenses and taken to profit or loss for the period. 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.

3.4 Other operating expenses

OTHER OPERATING EXPENSES

in CHF thousand	Notes	2022	2021
Marketing and distribution expenses		13,522	12,604
Operating lease expenses	4.6	8,707	8,157
Repair and maintenance		3,760	3,741
Administration expenses		5,990	5,816
Losses on bad debts		1,793	-4
Losses from disposal of fixed assets		17	37
Share of loss applicable to equity method		-	381
Energy		2,116	1,688
IT		2,960	2,619
Other operating expenses		5,074	5,291
Total other operating expenses		43,939	40,330

3.5 Financial result

FINANCIAL RESULT

in CHF thousand at 31 December	Expenses	Income	Balance 2022	Expenses	Income	Balance 2021
Interest result						
Interest expenses and income	-178	39	-139	-313	13	-300
Financial leasing	-8	-	-8	-8	-	-8
Total interest result	-186	39	-147	-321	13	-308
Other financial income and expense						
Foreign exchange result	-555	217	-338	-1,042	-	-1,042
Bank charges and other financial results	-182	1	-181	-183	2	-181
Other financial results	-737	218	-519	-1,225	2	-1,223
Total financial result	-923	257	-666	-1,546	15	-1,531

3.6 Income taxes

INCOME TAXES

in CHF thousand at 31 December	2022	2021
Current income tax	2,879	2,140
Deferred income tax	-291	-340
Total income tax expenses	2,588	1,800

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	2022	2021
Earnings before income taxes	14,257	13,898
Weighted average group tax rate	20.7%	22.2%
Expected income tax	2,946	3,090
Tax-exempt earnings	-428	-300
Effect of tax loss carry-forwards not capitalised	475	265
Capitalisation and use of previously unrecognised loss carry-forwards	-180	-1,257
Effects from derecognition of goodwill and currency differences	180	-
Tax effects relating to other periods and other tax effects	-405	2
Effective income tax expense	2,588	1,800

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

in CHF thousand at 31 December	Notes	2022	2021
Cash in bank accounts and in hand		62,538	75,706
Advance payments PoC / from customers	4.9	- 11,456	- 11,710
Other financial assets / liabilities	4.4/4.11	- 3,726	- 6,186
Cash and cash equivalents net		47,356	57,810
Thereof assigned to other shareholders		16,721	20,495
Freely available cash and cash equivalents		30,635	37,315

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 99k (2021: CHF 12k) and securities of CHF 6k (2021: CHF 0) as of 31 December 2022, there are outstanding foreign exchange forwards used for currency hedging of future cash flows in the amount of CHF 3,583k, which are not included in the balance sheet. As at the balance sheet date, there is an off-balance-sheet amount of CHF 47k (2021: CHF 0). The total notional amount of foreign currencies that are hedged is CHF 6,273 (2021: CHF 2,319k).

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	2022	2021
Trade accounts receivable gross	12,667	16,266
./. provisions for doubtful trade accounts receivable	-1,336	-176
Total trade accounts receivable net	11,331	16,090

The increase in provisions for doubtful trade accounts receivable is mainly due to a probable payment default by a customer of Zeiser GmbH.

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	2022	2021
Construction contracts gross	5,136	2,320
./. deductible customer advances received	-917	-932
Total construction contracts net	4,219	1,388
Advance payments to suppliers	2,607	2,694
Other receivables	2,071	1,926
Total other receivables	8,897	6,008

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	2022	2021
Raw materials, auxiliary materials and supplies	9,100	4,605
Semi-finished and finished products	5,908	5,030
Trading goods	11,346	8,179
Work in progress	94	71
Total inventories gross	26,448	17,885
./. allowance on inventories	-2,064	-2,914
Total inventories net	24,384	14,971

The increase in inventories is largely explained by the takeover of the trading goods inventory of hep Verlag AG in the amount of CHF 2,667k, a change in the procurement of raw and auxiliary materials for a major customer at Zeiser GmbH and the fact that higher inventory safety buffers have been built up in response to supply chain disruptions.

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 2022

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	57,815	47	–	116,591	19,212	3,314	196,979
Additions	2,171	–	–	3,847	1,896	795	8,709
Disposals	–3,533	–45	–	–1,052	–657	–	–5,287
Reclassification	31	–	–	3,071	282	–3,209	175
Exchange differences	–514	–2	–	–256	–186	–2	–960
Cost at 31 December	55,970	–	–	122,201	20,547	898	199,616
Accumulated depreciation and impairment at 1 January	–35,230	–	–	–89,840	–13,606	–	–138,676
Depreciation on disposals	2,732	–	–	955	646	–	4,333
Depreciation	–2,465	–	–	–5,590	–1,610	–	–9,665
Impairment	–160	–	–	–217	–44	–	–421
Exchange differences	136	–	–	200	125	–	461
Accumulated depreciation and impairment at 31 December	–34,987	–	–	–94,492	–14,489	–	–143,968
Net carrying amount at 1 January	22,585	47	–	26,751	5,606	3,314	58,303
Net carrying amount at 31 December	20,983	–	–	27,709	6,058	898	55,648
Net carrying amount of tangible assets under finance lease	–	–	–	309	–	–	309

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

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

ACQUISITION COSTS OF OTHER TANGIBLE ASSETS

in CHF thousand at 31 December	2022	2021
Cost at furniture and fixtures	13,955	13,350
Cost at IT systems (hardware)	6,290	5,558
Cost at vehicle	302	304
Total cost at other tangible assets	20,547	19,212

As of 31 December 2022, commitments entered into for the purchase of tangible assets amount to CHF 1,548k (2022: CHF 5,026k), 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 8,364k (2021: CHF 7,848k) and for other leased tangible assets in the amount of CHF 344k (2021: CHF 334k).

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
Buildings	30–40
Fixed facilities and renovations	10–20
Machinery and technical installations	5–10
Movable properties, leasehold improvements, vehicles	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 2022

in CHF thousand	Software and developments	Rights and licenses	Other intangible assets	Total
Cost at 1 January	10,847	1,501	893	13,241
Additions	1,192	–	109	1,301
Disposals	–250	–137	–	–387
Reclassification	141	–	–316	–175
Exchange differences	–105	6	–24	–123
Cost at 31 December	11,825	1,370	662	13,857
Accumulated depreciation and impairment at 1 January	–9,146	–1,226	–549	–10,921
Depreciation on disposals	249	138	–	387
Depreciation	–779	–74	–	–853
Exchange differences	102	–6	23	119
Accumulated depreciation and impairment at 31 December	–9,574	–1,168	–526	–11,268
Net carrying amount at 1 January	1,701	275	344	2,320
Net carrying amount at 31 December	2,251	202	136	2,589

MOVEMENTS IN INTANGIBLE ASSETS 2021

in CHF thousand	Software and developments	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

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	2022	2021
Participations in associated companies		925	975
Long-term securities		107	107
Loan assets		340	340
Long-term deposits		2,178	2,278
Pension fund assets	6.1	4,048	3,622
Other non-current financial assets		100	97
Total financial assets		7,698	7,419

The loan in relation to the state support programme for energy-efficient buildings taken out by Zeiser GmbH in the 2021 financial year 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	2022	2021
Advance payments from customers on construction contracts gross	3,585	4,056
./. deductible customer advances received	-917	-932
Prepayments from customers on construction contracts net	2,668	3,124
Advance payments from customers	8,788	8,586
Liabilities to employees	271	295
VAT and similar taxes payable	533	507
Dividends payable	4	4
Other current payables	1,831	1,122
Total other current payables	14,095	13,638

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	2022	2021
Accrued expenses and deferred income for cost of materials	5,094	3,719
Accrued expenses and deferred income for personnel expenditure	4,453	4,166
Accrued expenses and deferred income for current income tax liabilities	2,522	2,084
Other accrued expenses and deferred income	4,727	4,206
Total accrued expenses and deferred income	16,796	14,175

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 2022	From borrowings	Liabilities from finance lease	Total 2021
Current financial liabilities	1,782	80	1,862	2,071	85	2,156
Non-current financial liabilities	1,635	229	1,864	3,706	324	4,030
Total financial liabilities	3,417	309	3,726	5,777	409	6,186

Non-current financial liabilities from external financing include an interest-free, non-refundable loan in the amount of CHF 1,635k to a related party, which will be converted into equity at a later date. The building loan taken out by Zeiser GmbH amounts to CHF 1,782k (2021: CHF 4,142k) and will be repaid by the end of 2023.

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 2022

in CHF thousand	Personnel	Provisions for restructuring	Warranty provisions	Other provisions	Total
At 1 January	510	416	107	2,080	3,113
Additions (charged to income statement)	272	–	–	597	869
Reversals (charged to income statement)	–21	–302	–15	–286	–624
Utilisation during the year	–211	–103	–	–1,794	–2,108
Exchange differences	–	–11	–4	–	–15
At 31 December	550	–	88	597	1,235
Provisions maturing within 12 months	264	–	88	574	926
Provisions maturing over 1 year	286	–	–	23	309

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

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

Personnel provisions include entitlements to long-service awards and provisions for staff restructuring.

The remaining restructuring provisions of CHF 353k, which relate to the relocation of Zeiser GmbH to the new building, were completely reversed in 2022.

Other provisions relate to the costs for a license of Zeiser GmbH that can no longer be passed on. The rework on a production order from prior year was completed and the provision created in previous years was reversed.

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 2022	Deferred tax assets	Deferred tax liabilities	Balance 2021
At 1 January	2,169	-1,072	1,097	2,005	-1,168	837
Change in scope of consolidation	-	-612	-612	-	-	-
Change recognized in profit or loss	-363	853	490	244	96	340
Exchange differences	-77	-	-77	-80	-	-80
At 31 December	1,729	-831	898	2,169	-1,072	1,097

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 CARRY-FORWARDS

in CHF thousand at 31 December	2022	2021
Deferred income tax assets on loss carry-forwards gross	10,088	14,444
./. allowance on inventories	-8,359	-12,275
Deferred income tax assets on loss carry-forwards net	1,729	2,169

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 39,089k (2021: CHF 51,801k). 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	2022	2021
Available lines of credit	61,701	65,463
./. Secured guarantees by banks (without prepayment guarantees)	-2,779	-2,579
./. Lines of credit used	-1,782	-4,142
Total unused lines of credit	57,140	58,742

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

As well as the lines of credit, sufficient funds will continue to 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 2022, Orell Füssli AG held 508 of its own shares (2021: 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 and in the prior year, the company did not issue any of its own shares in connection with share-based compensation.

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 former equity participation plan.

EARNINGS PER SHARE

At 31 December	2022	2021
Net income for the period in CHF thousand	8,490	9,388
Weighted average numbers of shares in issue (in thousands)	1,959	1,959
Undiluted earnings per share in CHF	4.33	4.79
Diluted earnings per share in CHF	4.33	4.79

Dividend per share

In the current financial year, a dividend for the 2021 financial year in the amount of CHF 6,664k (CHF 3.40 per share) was paid out. The theoretical dividend from the company's own shares of CHF 2k (CHF 3.40 per share) is included in the retained earnings carried forward.

At the Ordinary General Meeting held on 10 May 2023, 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	2022	2021
Cost at 1 January	15,852	3,473
Inflow due to change in the scope of consolidation	6,973	12,379
Disposals from revaluation earn-out payments	-1,773	-
Cost at 31 December	21,052	15,852
Accumulated depreciation and impairment at 1 January	-2,279	-549
Depreciation and impairment	-3,917	-1,730
Accumulated depreciation and impairment at 31 December	-6,196	-2,279
Theoretical net book value at 1 January	13,573	2,924
Theoretical net book value at 31 December	14,856	13,573

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

The additions to theoretical goodwill come from the purchase of hep Verlag AG and from an asset deal in the Book retailing segment.

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	2022	2021
Earnings before interest and taxes (EBIT) according to consolidated income statement	14,923	15,429
Goodwill amortisation	-3,917	-1,730
Theoretical earnings before interest and taxes (EBIT) including goodwill amortisation	11,006	13,699
Net income for the period after minority interests	8,490	9,388
Goodwill amortisation	-3,805	-1,710
Net income for the period after minority interests including goodwill amortisation	4,685	7,678

THEORETICAL IMPACT ON EQUITY

in CHF thousand at 31 December	2022	2021
Equity before minority interests according to the consolidated balance sheet	122,192	126,051
Theoretical capitalisation of goodwill (net book value)	14,856	13,573
Theoretical equity before minority interests including goodwill (net book value)	137,048	139,624

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	Balance Sheet	Additions/ Reversals	Balance Sheet	Additions (charged to income statement)	Additions (charged to income statement)
	31.12.2022	2022	2022	31.12.2022	2022	31.12.2021	2022	2021
Pension schemes without funding surplus/deficit (Switzerland)	4,048	-	-	4,048	426	3,622	205	-

The Additions/Reversals line item includes an entry of CHF 631k from the purchase of hep Verlag. In addition, CHF 205k was used for contribution reductions at Orell Füssli AG.

The Orell Füssli Foundation has used the 2020 BVG (OPA) mortality table since 2021 to calculate pension obligations. The actuarial interest rate is 1.50% (2021: 1.25%).

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
	31.12.2022	31.12.2022	31.12.2021	2022	2022	2022	2022	2021
Pension schemes without funding surplus/deficit (Switzerland)	-	-	-	-	-	3,489	3,489	3,264
Funded pension schemes (abroad)	-	-	-	-	-	630	630	645
Total	-	-	-	-	-	4,119	4,119	3,909

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	2022	2021
No later than 1 year	8,106	6,587
Later than 1 year and no later than 5 years	22,752	17,858
Later than 5 years	5,780	5,174
Total future aggregate minimum lease payments	36,638	29,619

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 2022 and 2021.

RELATED PARTY TRANSACTIONS

in CHF thousand	with associated entities and joint ventures	with shareholders	with other related parties	Total 2022	with associated entities and joint ventures	with shareholders	with other related parties	Total 2021
Revenue from sales to customers	276	37,031	–	37,307	254	46,922	–	47,176
Other operating income	372	–	–	372	322	–	–	322
Cost of materials	–	–	4,572	4,572	–	–	5,304	5,304
Other operating expenses	8	–	260	268	197	–	260	457

in CHF thousand at 31 December	with associated entities and joint ventures	with shareholders	with other related parties	Total 2022	with associated entities and joint ventures	with shareholders	with other related parties	Total 2021
Revenue from sales to customers	6	–	–	6	7	–	–	7
Other receivables	1	–	–	1	–	–	681	681
Non-current financial assets	925	–	–	925	975	–	–	975
Trade payables	3	–	1,150	1,153	3	–	–	3
Other liabilities	–	2,879	–	2,879	–	3,365	–	3,365
Financial liabilities	1,635	–	–	1,635	1,635	–	–	1,635

In the 2022 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 60 to 64 of this annual report), there were no other transactions with members of the Board of Directors or the Executive Board in 2022 and 2021.

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 2022 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 Buchhandlungs 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 Buchhandlungs 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 accumulated 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 2022 and 2021 financial years:

APPLIED EXCHANGE RATES

	Market rate		Annual average rate	
	31.12.2022	31.12.2021	2022	2021
EUR at a rate of CHF	0.9899	1.0356	1.0052	1.0814
USD at a rate of CHF	0.9246	0.9129	0.9548	0.9141
GBP at a rate of CHF	1.1184	1.2336	1.1798	1.2577

7.3 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 8 March 2023. 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 8 March 2023.

7.4 Changes in the scope of consolidation

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: 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.

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 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 Inc. 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.

7.5 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	
hep Verlag AG	Bern, CH	CHF	542	100	
Procivis AG	Zurich, CH	CHF	277	77	
izit AG	Zurich, CH	CHF	100	100	
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
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		80
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

Zurich

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 2022, the consolidated balance sheet as at 31 December 2022, consolidated cash flow 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 66 to 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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 Standards on Auditing (SA-CH). 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 2,100,000
	<p>We concluded full scope audit work and selected audit procedures at three Group companies in two countries.</p> <p>Our audit scope addressed 91% of the Group's revenue from sales 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 (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.

On the basis of 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 2,100,000
Benchmark used	Revenue from sales to customers
Rationale for the materiality benchmark applied	We chose revenue from sales 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 limited statutory examinations and analyses of significant changes.

Key audit matters

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 of Orell Füssli AG using the percentage-of-completion (PoC) method.

Key audit matter	How our audit addressed the key audit matter
<p>As can be seen in note 3.2 of the annual report, revenue from production orders accounted for using the percentage-of-completion (PoC) method amounted to CHF 50 million in the 2022 financial year (prior year: CHF 55.7 million). This represents about 26% (prior year: 27%) of revenue from sales to customers.</p> <p>Long-term production orders with a timeframe of at least three months and representing a significant volume are recorded using the PoC method. This involves measuring the stage of completion of the total production order in percentage terms in order to determine what share of it should be attributed to total revenue in the reporting period. To do this, Management and the Board of Directors, by reference to the production processes that have been completed, make assumptions regarding the stage of completion and the cost rates to be used. If losses on production orders are forecast, further estimates are necessary to assess</p>	<p>We tested the appropriateness of the Group's financial reporting in relation to revenue recognition relating to long-term production orders using the PoC method, including the accounting policies for the determination of the stage of completion and the cost rates used.</p> <p>In order to test how Management and the Board of Directors made estimates regarding revenue recognition, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We gained an understanding of the process and controls for accounting for long-term production orders. • We inspected and critically assessed selected Management memoranda on the recognition of revenue in



their extent. Owing to the size of revenue from sales to customers accounted for using the PoC method and the significant scope for judgement by Management and the Board of Directors involved in recognising revenue in the appropriate period, we consider revenue recognition in this area as a key audit matter.

the appropriate period for certain components of revenue and on the assessment of the recognition of revenue in the appropriate period for these components.

- We selected various long-term production orders and inspected the underlying contracts and reconciled the relevant contractual elements with the actual calculation.
- For selected long-term production orders, we physically examined the stage of completion as at the balance sheet date.
- For selected long-term production orders, we analysed and critically assessed the underlying cost rates used.

We consider the methods used to be an appropriate basis for revenue recognition relating to long-term production orders using the PoC method. The results of our audit support the data and assumptions applied by Group Management and the Board of Directors.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 SA-CH 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.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and significant audit findings

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and other regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger
Licensed audit expert
Auditor in charge

Dario Gassmann
Licensed audit expert

Zurich, 8 March 2023



8 Financial statements of Orell Füssli AG

8.1 INCOME STATEMENT

in CHF thousand	Notes	2022	2021
Revenue from sales to customers	9.4	78,461	81,856
Other operating expenses		1,640	1,626
Changes in inventories of semi-finished and finished products		290	-1,269
Operating income		80,391	82,213
Cost of materials		-24,360	-29,078
Personnel expenses		-28,508	-28,324
Other operating expenses		-13,221	-13,590
Depreciation and impairment		-8,258	-7,609
Earnings before interest and taxes (EBIT)		6,044	3,612
Financial income		280	467
Financial expenses		-972	-175
Financial result	9.6	-692	292
Ordinary result		5,352	3,904
Extraordinary income		-	238
Extraordinary result	9.7	-	238
Earnings before income taxes (EBT)		5,352	4,142
Income tax expenses		-751	2
Net income for the period		4,601	4,144

8.2 BALANCE SHEET

in CHF thousand	Notes	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents		26,575	26,996
Trade accounts receivable		2,401	6,134
Trade accounts receivable to Group companies		9	8
Advance payments to suppliers		1,541	2,507
Other current receivables		780	163
Other current receivables to Group companies	9.14	687	500
Inventories	9.10	9,400	6,286
Construction contracts	9.11	4,219	1,388
Accrued income and deferred expenses		1,031	987
Total current assets		46,643	44,969
Loans to consolidated companies	9.14	19,798	27,992
Participations in consolidated companies	9.14	34,173	21,830
Participations in related companies	9.14	–	50
Tangible assets	9.15	38,364	40,448
Intangible assets	9.16	1,306	1,248
Total non-current assets		93,641	91,568
Total assets		140,284	136,537
Liabilities and equity			
Trade payables to third parties		2,290	986
Trade payables to related parties		1,150	–
Trade payables to Group companies		–	10
Current interest-bearing liabilities to Group companies	9.14	8,521	2,634
Other current payables to third parties		682	326
Advance payments from customers	9.12	4,752	5,732
Accrued expenses and deferred income		4,888	4,787
Current provisions	9.13	80	2,080
Total current liabilities		22,363	16,555
Share capital		1,960	1,960
./. Own shares	9.17	–60	–60
Legal profit reserve		11,113	11,113
Retained earnings		100,307	102,825
Net income for the period		4,601	4,144
Total equity		117,921	119,982
Total liabilities and equity		140,284	136,537

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 2022 the company employed 221 full-time equivalents (prior year: 225).

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 2022 financial year, revenue from sales to customers includes revenue from production orders recognised using the PoC method in the amount of CHF 50,001k (prior year: CHF 55,666k).

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 (see section 9.11).

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 146k (prior year: CHF 11k).

9.6 Financial result

Financial income mainly includes interest income in the amount of CHF 233k (prior year: CHF 282k) from intragroup loans. Financial expenses mainly include foreign currency losses on loans to Orell Füssli Group companies and interest expenses of CHF 87k (prior year: CHF 158k).

9.7 Extraordinary result

No extraordinary result was realised in 2022. In the prior year, provisions for special allowances to pensioners of CHF 238k were reversed.

9.8 Liquidation of hidden reserves

No hidden reserves were released in the year under review (prior year: CHF 238k).

9.9 Trade accounts receivables and other receivables

Trade receivables and other receivables are recognised at their nominal value. Significant doubtful accounts receivable are individually valued and adjusted as of the balance sheet date. The other receivables are adjusted applying a flat-rate allowance based on actual experience.

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 4,752k (2021: CHF 5,732k) include advance payments from shareholders of CHF 2,879k (2021: CHF 3,365k) for production orders and payments in the amount of CHF 917k, 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 include costs of underdeliveries and delivery delays in relation to production orders. In the prior year, costs for rework on production orders were included.

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.

INVESTMENTS

at 31 December		2022		2021	
		in CHF thousand	Capital held	in CHF thousand	Capital held
Zeiser GmbH	Emmingen, DE	8,891	100.0%	8,891	100.0%
hep Verlag AG	Bern, CH	12,243	100.0%	–	0.0%
izit AG	Zurich, CH	100	100.0%	–	0.0%
Procivis AG	Zurich, CH	12,888	76.7%	12,888	76.7%
Orell Füssli Buchhandlungs AG	Zurich, CH	51	51.0%	51	51.0%
Total Group companies		34,173		21,830	
Orell Füssli Kartographie AG	Zurich, CH	–	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	

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

9.15 Tangible assets

MOVEMENTS IN TANGIBLE ASSETS 2022

in CHF thousand at 31 December	Developed property and buildings	Machinery and equipment	Furniture and fixtures	Vehicles	IT systems (hardware)	Assets under construction	Total
Cost at 1 January	36,286	110,914	2,107	59	4,681	3,173	157,220
Additions	813	3,398	152	–	720	616	5,699
Disposals	–613	–1,028	–292	–	–172	–	–2,105
Reclassification	–2	3,071	–	–	206	–3,081	194
Cost at 31 December	36,484	116,355	1,967	59	5,435	708	161,008
Accumulated depreciation and impairment at 1 January	–26,109	–85,383	–1,632	–59	–3,589	–	–116,772
Depreciation on disposals	613	941	292	–	171	–	2,017
Depreciation	–1,635	–5,264	–90	–	–478	–	–7,467
Impairment	–160	–218	–44	–	–	–	–422
Accumulated depreciation and impairment at 31 December	–27,291	–89,924	–1,474	–59	–3,896	–	–122,644
Net carrying amount at 1 January	10,177	25,531	475	–	1,092	3,173	40,448
Net carrying amount at 31 December	9,193	26,431	493	–	1,539	708	38,364

MOVEMENTS IN TANGIBLE ASSETS 2021

in CHF thousand at 31 December	Developed property and buildings	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

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
Buildings	30–40
Fixed facilities and renovations	10–20
Machinery and equipment	5–10
Movable properties, vehicles	4–10
IT systems (hardware)	3–5

9.16 Intangible assets

MOVEMENTS IN INTANGIBLE ASSETS 2022

in CHF thousand at 31 December	Software and developments	Rights and licenses	Intangible assets in the course of development	Total
Cost at 1 January	5,898	156	296	6,350
Additions	588	–	34	622
Disposals	–244	–	–	–244
Reclassification	102	–	–296	–194
Cost at 31 December	6,344	156	34	6,534
Accumulated depreciation and impairment at 1 January	–4,951	–151	–	–5,102
Depreciation on disposals	243	–	–	243
Depreciation	–366	–3	–	–369
Accumulated depreciation and impairment at 31 December	–5,074	–154	–	–5,228
Net carrying amount at 1 January	947	5	296	1,248
Net carrying amount at 31 December	1,270	2	34	1,306

MOVEMENTS IN INTANGIBLE ASSETS 2021

in CHF thousand at 31 December	Software and developments	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

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 2022, Orell Füssli AG held 508 of its own shares (2021: 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 (2021: 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	2022		2021	
	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 Martin Folini	500	500	–	–
Dieter Widmer	–	–	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	2022		2021	
	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
Daniel Link	500	500	–	–
Dr Michael Kasch	494	494	494	494
Thorsten Tritschler	100	100	100	100

9.19 Major shareholders

at 31 December 2022	Total registered shares	Participation
Swiss National Bank (SNB), Berne (CH)	653,460	33.3%
Dieter Meier, Hong Kong (HK) (held by Campdem Development SA)	258,101	13.2%
Fam. Siegert, Meerbusch (DE)	167,892	8.6%

9.20 Contingent liabilities

There are no contingent liabilities as at 31 December 2022, nor were there any in the prior year.

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 634k. Payments will be made over the next two years.

9.22 Events after the balance sheet date

The financial statements were approved and released for publication by the Board of Directors on 8 March 2023. 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 8 March 2023.

Proposed appropriation of retained earnings and unrestricted reserves

The Board of Director's proposes to the Annual General Meeting on 10 May 2023 the payment of a dividend of CHF 3.40 per share.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND UNRESTRICTED RESERVES

in CHF thousand	2022
Retained earnings	100,307
Net income for the period	4,601
Retained earnings available to the Annual General Meeting	104,908
Dividend of CHF 3.40 per share	-6,664
Carried forward	98,244

Report of the statutory auditor on the financial statements

Report of the statutory auditor

to the General Meeting of Orell Füssli AG

Zurich

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 2022, the balance sheet as at 31 December 2022 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 102 to 110) 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 Standards on Auditing (SA-CH). 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 784,000



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 of Orell Füssli AG using the percentage-of-completion (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.

On the basis of 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 784,000
Benchmark used	Revenue from sales to customers
Rationale for the materiality benchmark applied	We chose revenue from sales 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.

Key audit matters

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 of Orell Füssli AG using the percentage-of-completion (PoC) method.

Key audit matter	How our audit addressed the key audit matter
<p>As can be seen in note 9.4 of the annual report, revenue from production orders accounted for using the percentage-of-completion (PoC) method amounted to CHF 50 million in the 2022 financial year (prior year: CHF 55.7 million). This represents about 64% (prior year: 68%) of revenue from sales to customers.</p> <p>Long-term production orders with a timeframe of at least three months and representing a significant volume are recorded using the PoC method. This involves measuring the stage of completion of the total production order in percentage terms in order to determine what share of it should be attributed to total revenue in the reporting period. To do this, Management and the Board of Directors, by reference to the production processes that have been completed, make assumptions regarding the stage of completion and the cost rates to be used. If losses on production orders are forecast, further estimates are necessary to assess their extent. Owing to the size of revenue from sales to customers accounted for using the PoC method and the significant scope for judgement by Management and the Board of Directors involved in recognising revenue in the</p>	<p>We tested the appropriateness of the Group's financial reporting in relation to revenue recognition relating to long-term production orders using the PoC method, including the accounting policies for the determination of the stage of completion and the cost rates used.</p> <p>In order to test how Management and the Board of Directors made estimates regarding revenue recognition, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We gained an understanding of the process and controls for accounting for long-term production orders. • We inspected and critically assessed selected Management memoranda on the recognition of revenue in the appropriate period for certain components of revenue and on the assessment of the recognition of revenue in the appropriate period for these components. • We selected various long-term production orders and inspected the underlying contracts and reconciled the

appropriate period, we consider revenue recognition in this area as a key audit matter.

relevant contractual elements with the actual calculation.

- For selected long-term production orders, we physically examined the stage of completion as at the balance sheet date.
- For selected long-term production orders, we analysed and critically assessed the underlying cost rates used.

We consider the methods used to be an appropriate basis for revenue recognition relating to long-term production orders using the PoC method. The results of our audit support the data and assumptions applied by Group Management and the Board of Directors.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 intends either 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 SA-CH 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.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Should we come to the conclusion that material uncertainties exist, we are obligated to refer in our report to the relevant information in the financial statements or, in the event that such information is not appropriate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the company being unable to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and other regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 retained 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 Ebinger
Licensed audit expert
Auditor in charge

Dario Gassmann
Licensed audit expert

Zurich, 8 March 2023



Orell Füssli AG | Report of the statutory auditor to the General Meeting

GRI Content index

Orell Füssli reports in accordance with the GRI Standards for the period from January 1, 2022 to December 31, 2022.

UNIVERSAL STANDARDS

GRI 1 GRI 1: Foundation 2021

GRI Standard	Disclosure	Reference / Information	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
The organization and its reporting practices			
GRI2: General Disclosures 2021	2-1 Organizational details	P. 33, 34, 50	
	2-2 Entities included in the organization's sustainability reporting	P. 37	
	2-3 Reporting period, frequency and contact point	P. 37	
	2-4 Restatements of information	P. 37	
	2-5 External assurance	none	
Activities and workers			
GRI2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	P. 33, 34	
	2-7 Employees	P. 46, 47	
	2-8 Workers who are not employees	not collected	not available. Systematic recording in the future
Governance			
GRI2: General Disclosures 2021	2-9 Governance structure and composition	P. 34, 51-53	
	2-10 Nomination and selection of the highest governance body	P. 54	
	2-11 Chair of the highest governance body	P. 52	
	2-12 Role of the highest governance body in overseeing the management of impacts	P. 34	
	2-13 Delegation of responsibility for managing impacts	P. 34	
	2-14 Role of the highest governance body in sustainability reporting	P. 37	
	2-15 Conflicts of interest	P. 48, no reports of conflicts of interest	
	2-16 Communication of critical concerns	P. 43, 44	
	2-17 Collective knowledge of the highest governance body	P. 34	
	2-18 Evaluation of the performance of the highest governance body	P. 54	
	2-19 Remuneration policies	P. 60-64	
2-20 Process to determine remuneration	P. 60-64		
2-21 Annual total compensation ratio	not collected	not communicated due to confidentiality	
Strategy, policies and practices			
GRI2: General Disclosures 2021	2-22 Statement on sustainable development strategy	P. 34	
	2-23 Policy commitments	P. 35, 43	
	2-24 Embedding policy commitments	P. 35, 43	
	2-25 Processes to remediate negative impacts	Risk management, internal control system	
	2-26 Mechanisms for seeking advice and raising concerns	P. 43, 44	
	2-27 Compliance with laws and regulations	no significant	
	2-28 Membership associations	P. 36	
	Stakeholder engagement		
GRI2: General Disclosures 2021	2-29 Approach to stakeholder engagement	P. 35	
	2-30 Collective bargaining agreements	none	

THEME-SPECIFIC STANDARDS

GRI Standard	Disclosure	Reference / Information	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
MATERIAL TOPICS			
Materiality analysis and list of material topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	P. 36	
	3-2 List of material topics	P. 36, 37	
Economy			
Economics success and profitability of the company			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 38	
GRI 201: 2016 Economic Performance	201-1 Direct economic value generated and distributed	P. 66	
Quality of service and products			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 38	
Digitalisation			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 39	
Data security and data protection			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 39, 40	
Environment			
Energy efficiency and climate protection			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 40, 41	
GRI 302: 2016 Energy	302-1 Energy consumption within the organization	P. 42	
	302-4 Reduction of energy consumption	P. 42	
GRI 305: 2016 Emissions	305-1 Direct (Scope 1) GHG emissions	P. 42	
	305-2 Energy indirect (Scope 2) GHG emissions	P. 42	
	305-4 GHG emissions intensity	P. 42	
	305-5 Reduction of GHG emissions	P. 42	
Social affairs and society			
Leadership culture and collaboration			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 43, 44	
GRI 403: 2018 Occupational Health and Safety	401-1 New employee hires and employee turnover	P. 47	
	401-3 Parental leave	P. 47	
Occupational health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 44, 45	
GRI 403: 2018 Occupational Health and Safety	403-1 Occupational health and safety management system	P. 45	
	403-2 Hazard identification, risk assessment, and incident investigation	P. 44	
	403-3 Occupational health services	P. 45	
	403-5 Worker training on occupational health and safety	P. 45	
	403-6 Promotion of worker health	P. 45	
	403-9 Work-related injuries	P. 45	
	403-10 Work-related ill health	P. 45	
Education and training			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 45, 46	
Governance			
Compliance and business ethics			
GRI 3: Material Topics 2021	3-3 Management of material topics	P. 48	
GRI 205: 2016 Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	P. 48	
	205-3 Confirmed incidents of corruption and actions taken	P. 48	

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.

LEGAL NOTICE

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