

Higher net sales but steep rises in raw materials costs



Peter Schaub (left) and Peter Schildknecht

Dear shareholder, dear reader,

The CPH Group is active in three industrial business sectors that were affected by the coronavirus pandemic in 2021 in highly differing ways. The Packaging Division, which had reported record earnings for the previous year, saw more modest demand for its films from the pharmaceutical markets. The Chemistry Division, by contrast, posted a record earnings result for the year following a strong increase in demand for its molecular sieves as the global economy recovered. Demand for paper also picked up in 2021; but shortages of recovered paper prompted an unprecedented rise in the price of this key raw material and prevented the Paper Division from reporting a positive EBIT result.

CPH pursues a differentiation strategy in its Chemistry and Packaging divisions. Both divisions focus on developing high-value products and expanding their distribution, and each holds a strong global market position. The Chemistry Division is a leader in the production and supply of molecular sieves for concentrating oxygen, while the Packaging Division holds a similar lead position in providing high-barrier packaging films to the pharmaceutical industry. Both divisions have substantially expanded internationally over the past few years, and now maintain operations in Europe, Asia and the Americas. In putting its new coating plant in Brazil into operation in 2022, the Packaging Division will reach a milestone in its international expansion, and will then focus more strongly on further developing its product portfolio. The blister packs in

extensive use today feature both plastic and aluminium films which are difficult to separate in any recycling process. In view of this, the Packaging Division is working on developing halogen-free films and blister packs in which plastic is used for both the base and the lidding film.

The Paper Division pursues a volume-based strategy with the aim of ensuring its sustainable long-term cost leadership in the diminishing and correspondingly fiercely contested European paper market. Sizeable production capacities were withdrawn from this market in 2021, and supply and demand are currently broadly balanced. While this will prompt paper prices to rise in 2022, no medium-term easing of the general market pressures is presently in sight. In view of this, the CPH Group has reassessed the value of its fixed assets in this business segment, and has consequently effected a one-time CHF 150 million non-cash-relevant impairment to the assets at its Perlen paper production site. Despite this action, CPH's equity ratio remains sound at over 55%. The Paper Division also holds key competitive advantages which should help it further expand its market position in the longer term. Thanks to its advanced paper machines, the division's paper production is highly cost-efficient and almost carbon-neutral.

Global economy swift to recover

The rollout of COVID-19 vaccination programmes in the course of 2021 enabled the coronavirus pandemic to be stemmed to such an extent that economic and social life returned increasingly to normal in many parts of the world. The CPH Group consistently maintained its protection programmes for employees at its various operating

locations. The Perlen site was an early participant in a pilot periodic mass COVID testing project of Canton Lucerne, and subsequently opened a testing and vaccination centre for employees and their family members. Thanks to the actions taken, the CPH Group was able to maintain both its production and its supplier capabilities. The growing proportions of vaccinated individuals also spurred renewed economic activity worldwide. But the resulting catch-up effect following the economic slump of 2020 did lead to supply shortages in numerous sectors, especially for energy, transport and various raw materials. These also affected the CPH Group.

According to the International Monetary Fund (IMF), global economic growth in 2021 amounted to 5.9%. The highest growth rates were seen in India (9.0%) and China (8.1%), but the industrialized countries also achieved average growth rates of some 5%. The euro exchange rate against the Swiss franc had declined to CHF 1.0360 by year-end. While tangible progress has been made in reducing its impact, the euro rate remains significant for the CPH Group: some 55% of the Group's 2021 net sales were generated in the eurozone, while around 34% of its costs were incurred in Swiss francs.

CPH Group raises net sales in all three divisions

All three of the CPH Group's business divisions raised their net sales in 2021, most substantially the Chemistry Division with a year-on-year increase of 29.8%. The CPH Group as a whole raised its net sales 11.6% to CHF 496.7 million, and thus largely recouped the net sales decline seen in 2020. Excluding currency factors, group net sales were 12.6% above their prior-year level. The CPH Group made no major acquisitions in the year under review.

The Chemistry and Packaging divisions' shares of overall net sales were further increased, in line with group strategy. Chemistry and Packaging jointly accounted for 54% of the total, while Paper contributed 46%. The Group generated 66% of its net sales in Europe, its prime sales region.

Chemistry Division tangibly increases earnings

The catch-up effect had a positive impact on every product segment in the Chemistry Division, and demand was up for the molecular sieves used in the industrial, the energy and the pharmaceutical sectors. Production facilities were well utilized, and the division resolved to invest in expanding the capacities at its sites in the USA, China, Bosnia and Herzegovina and Switzerland. Net sales were raised 29.8% to CHF 95.1 million, and EBIT margin improved to a new record high of 16.1%.

High waste paper and low paper prices depress Paper results

Having declined more than 20% the previous year largely as a result of the coronavirus pandemic, the demand in Western Europe for press and printing papers remained broadly stable in 2021. Paper prices suffered further falls, however, and reached new lows. The Paper Division sold

Net sales in CHF million

496.7

(prior year: 445.2)

EBITDA in CHF million

25.7

(prior year: 55.2)

EBIT* in CHF million

-2.7

(prior year: 24.7)

Investments in CHF million

23.0

(prior year: 17.5)

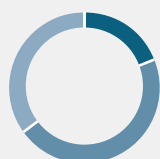
Equity ratio

55.4%

(prior year: 67.0%)

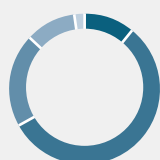
* before impairment

CPH Group net sales by division



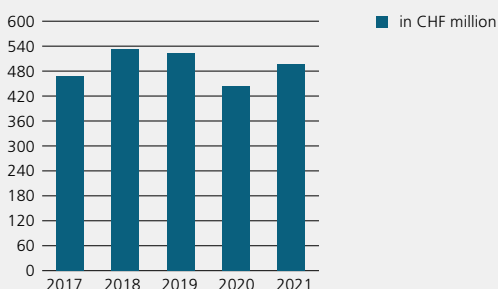
■ 19% Chemistry
■ 46% Paper
■ 35% Packaging

CPH Group net sales by region



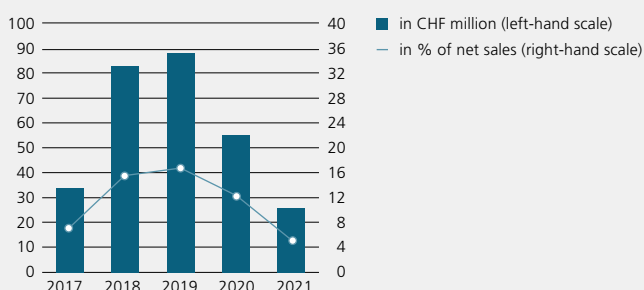
■ 11% Switzerland
■ 56% Rest of Europe
■ 20% The Americas
■ 11% Asia
■ 2% Rest of the world

CPH Group net sales trends



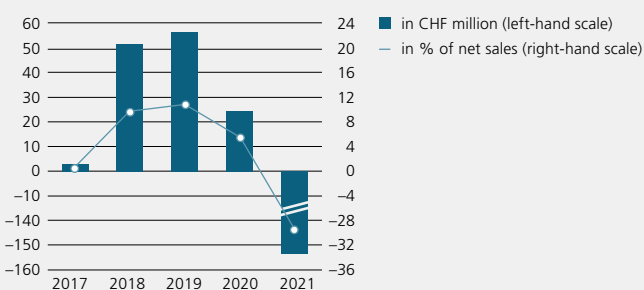
■ in CHF million

CPH Group EBITDA trends



■ in CHF million (left-hand scale)
— in % of net sales (right-hand scale)

CPH Group EBIT trends



■ in CHF million (left-hand scale)
— in % of net sales (right-hand scale)

505 000 tonnes of paper in 2021, some 15.0% more than in the prior year, and further increased its market share. Net sales were raised 10.2% to CHF 230.9 million. Raw materials prices increased steeply in the course of the year. Waste paper in particular was in extremely short supply, and recovered paper prices reached historic new highs. The poor availability of such recovered paper prevented the division's paper machines from being fully utilized all year. Despite rigorous cost-saving measures and additional income from sales of carbon credits, EBIT for the year before impairments declined to CHF –24.9 million.

Packaging Division sees decline in European demand

With the protection measures taken in response to the coronavirus pandemic substantially reducing the transmission of other infections, too, the year brought declines in demand in Europe for over-the-counter medicines and thus also for blister films. The Packaging Division further increased the proportion of higher-value items in its product portfolio and also raised prices. As a result, despite lower sales volumes, net sales for 2021 were 5.1% up on the previous year at CHF 170.7 million. The division's strategic focus on emerging markets also reaped rewards, with double-digit growth rates recorded in Latin America and Asia. But steep rises in raw materials costs depressed the EBIT result, which declined from the CHF 21.6 million of 2020 to CHF 5.7 million.

Investments in expanding capacities

The CPH Group invested CHF 23.0 million in tangible fixed assets in 2021. Some of this investment was in further improving existing plant and processes, while some was spent on expanding capacities in the Chemistry and Packaging divisions. The CPH Group generated a cash flow of CHF 16.7 million and a free cash flow of CHF –3.4 million. The steep increases in the prices of certain raw materials such as recovered paper and plastics raised the cost of materials as a proportion of production-generated group sales from 48% to 62%. Personnel numbers totalled 1 104, a slight rise on the 1 098 of 2020.

One-time impairment depresses net result

The steep rises in raw materials costs negatively impacted EBITDA, which declined 53.4% to CHF 25.7 million. After ordinary depreciation and amortization of CHF 28.4 million, consolidated EBIT before impairment amounted to CHF –2.7 million. EBIT after one-time impairment amounted to CHF –152.7 million. The financial result was improved year-on-year to CHF –3.9 million. Non-operating income was generated of CHF 7.3 million, primarily through the sales of land not required for business operations. The net result after taxes amounted to CHF –151.4 million.

Proposed dividend of CHF 1.30 per share

The Board of Directors will recommend to the Ordinary General Meeting of 17 March 2022 that, in line with the company's consistent dividend policy, a dividend again be paid for the 2021 business year despite the negative net result, and that this dividend distribution should amount to CHF 1.30 per share.

Changes in Group Executive Management

Gerold Brütsch assumes the function of CFO of the CPH Group on 1 January 2022. He succeeds Richard Unterhuber, who leaves the CPH Group after five years. We thank Richard Unterhuber for all his commitment and successes. Gerold Brütsch was CFO of the Starrag Group for the past 20 years, and brings extensive experience in the financial management of an internationally active stock exchange-listed company to his new position.

Marc Haller takes over as Head of the Packaging Division on 1 April 2022. He succeeds Wolfgang Grimm, who is retiring after 24 years at the Perlen Packaging helm. Marc Haller was most recently General Manager of Sulzer Mixpac AG and its 1 100 personnel. We offer Wolfgang Grimm our sincere thanks for his many years of dedicated service and for his sizeable achievements in the successful further development of the Packaging Division.

A positive outlook for 2022

The IMF forecasts global economic growth of 4.4% for 2022. The CPH Group expects to achieve higher net sales in all three divisions. But concrete developments in each will be heavily influenced by the pandemic's further course and by the extent to which the higher raw materials prices can be passed on to the market. The present shortages of some raw materials such as recovered paper should ease over the next few months, and this should have a positive impact on costs. The Paper Division expects a sizeable improvement in profitability and a double-digit-million EBIT, while the Packaging Division also expects to report a much-improved operating result. Group EBIT and the net group result should both be in the mid-double-digit millions. Investments in tangible fixed assets of some CHF 50 million are planned which should both better align production capacities to rising demand and further enhance the efficiency of existing installations.

Sincere thanks

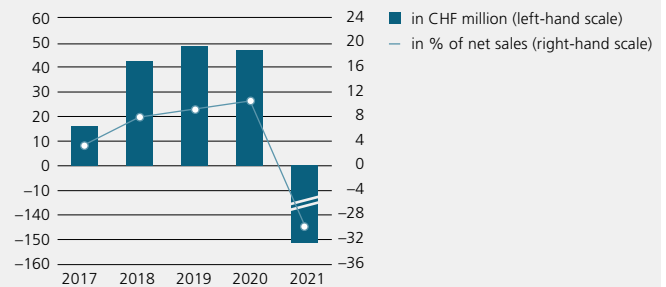
The CPH Group was the subject of a cyber attack in January 2022. Thanks to its employees' exceptional response, the Group was able to swiftly restore its IT systems with its own resources and external cybersecurity specialists and resume operations. We thank our employees for all their endeavours and our business partners for their loyalty to our company. And we thank you, our shareholders, for the confidence and trust that you continue to place in the people, the Executive Management and the Board of Directors of the CPH Group.



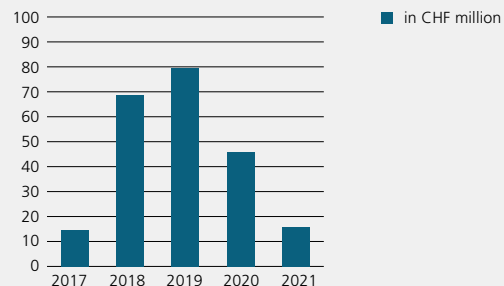
Peter Schaub
Chairman of the Board

Peter Schildknecht
Group CEO

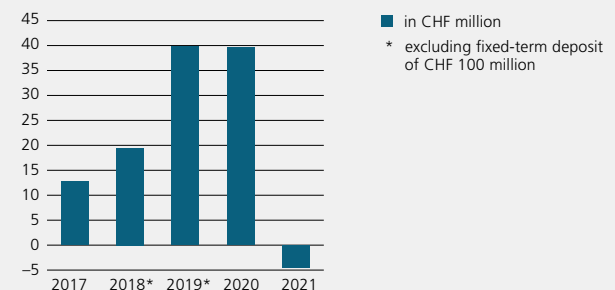
CPH Group net result trends



CPH Group cash flow trends



CPH Group free cash flow trends



CPH Group investments in tangible fixed assets

