

# Annual Report

2022



# Key figures

in CHF millions	2022	2021	2020	2019	2018
<b>Net sales</b>	725	497	445	525	534
<b>Gross profit</b>	294	161	190	227	222
Gross profit margin	40.6%	32.3%	42.8%	43.2%	41.7%
EBITDA Chemistry	19	20	9	9	11
EBITDA Paper	81	-8	17	55	51
EBITDA Packaging	31	12	28	24	22
EBITDA Other/Consolidation	-	2	1	-	-1
<b>EBITDA</b>	<b>131</b>	<b>26</b>	<b>55</b>	<b>88</b>	<b>83</b>
EBITDA margin	18.1%	5.2%	12.4%	16.8%	15.6%
<b>EBIT</b>	<b>112</b>	<b>-3<sup>1</sup></b>	<b>25</b>	<b>57</b>	<b>52</b>
EBIT margin	15.5%	-0.5%	5.5%	10.8%	9.7%
<b>Net result</b>	<b>101</b>	<b>-151</b>	<b>47</b>	<b>48</b>	<b>42</b>
Return on equity ROE	28.5%	-38.7%	10.3%	11.4%	10.5%
<b>Cash flow<sup>2</sup></b>	<b>129</b>	<b>17</b>	<b>46</b>	<b>80</b>	<b>69</b>
Cash flow from operating activities	98	16	55	61	64
Capital expenditures for fixed assets	34	25	19	23	24
<b>Free cash flow</b>	<b>68</b>	<b>-3</b>	<b>40</b>	<b>40</b>	<b>20</b>
Total assets	666	560	704	703	800
Shareholders' equity	400	310	472	441	407
<b>Equity ratio</b>	<b>60.0%</b>	<b>55.4%</b>	<b>67.0%</b>	<b>62.8%</b>	<b>50.9%</b>
<b>Net cash</b>	<b>45</b>	<b>-15</b>	<b>-2</b>	<b>-30</b>	<b>-57</b>
Net debt to EBITDA ratio	n.a.	0.6	0.0	0.3	0.7
Capital employed	344	319	468	477	470
Net operating profit after tax (NOPAT)	97	-2	20	49	44
<b>Return on capital employed (ROCE)</b>	<b>29.2%</b>	<b>-0.6%</b>	<b>4.3%</b>	<b>10.3%</b>	<b>9.3%</b>
<b>Headcount (FTE)</b>	<b>1 181</b>	<b>1 104</b>	<b>1 098</b>	<b>1 086</b>	<b>1 081</b>

<sup>1</sup> before impairment

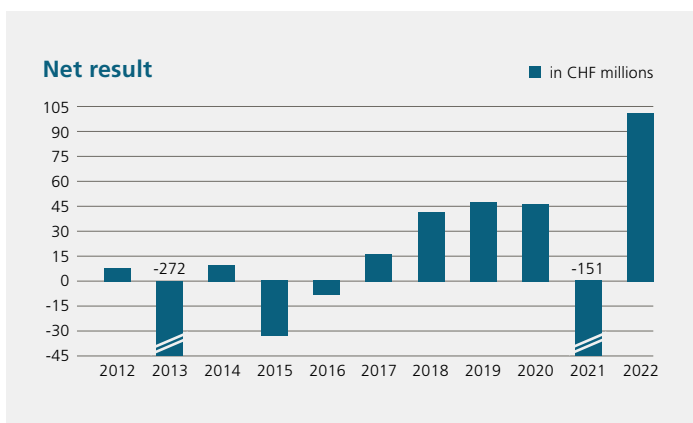
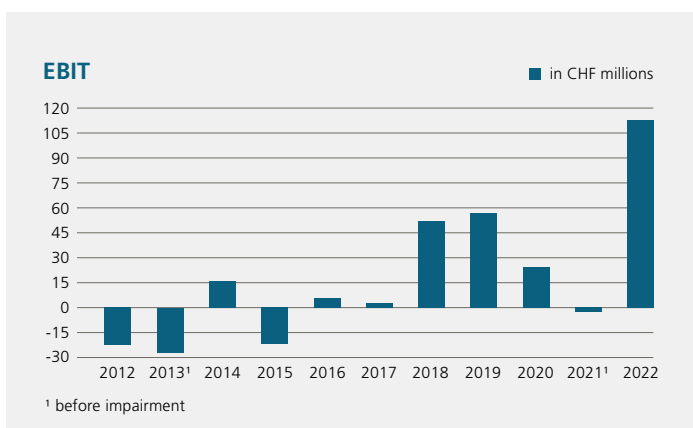
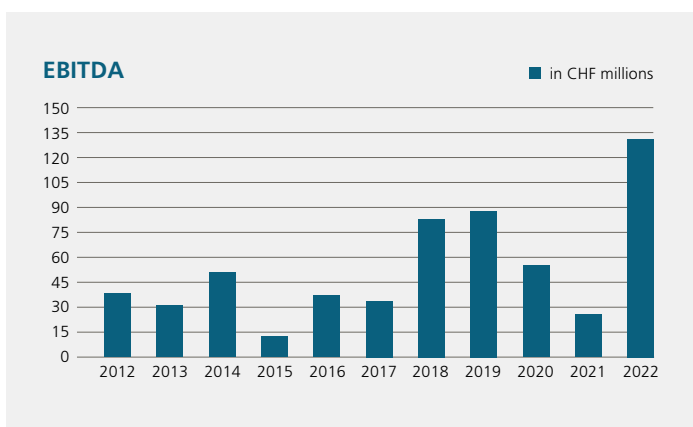
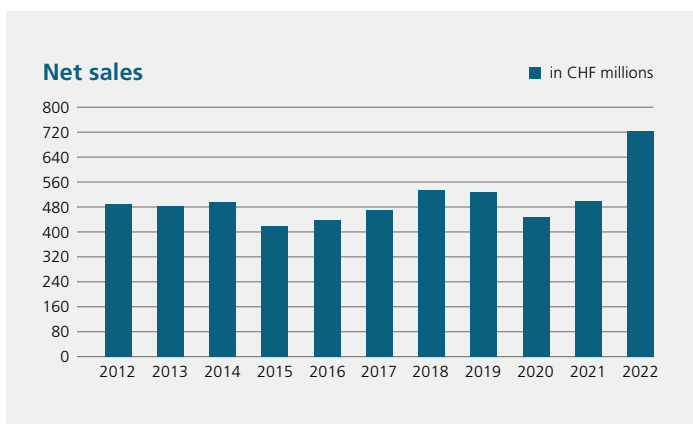
<sup>2</sup> before change in non-financial net working capital

## Share information

in CHF	2022	2021	2020	2019	2018
<b>Share price as at 31 December</b>	<b>78.00</b>	<b>61.00</b>	<b>72.60</b>	<b>79.20</b>	<b>82.50</b>
<b>Price-earnings ratio as at 31 December</b>	<b>4.6</b>	<b>-2.4</b>	<b>9.3</b>	<b>9.8</b>	<b>11.7</b>
<b>Earnings per share</b>	<b>16.83</b>	<b>-25.26</b>	<b>7.82</b>	<b>8.06</b>	<b>7.05</b>
Dividend per share	4.50 <sup>1</sup>	1.30	1.80	1.80	1.80
<b>Dividend yield</b>	<b>5.8%</b>	<b>2.1%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>2.2%</b>
<b>Market capitalization (in CHF millions)</b>	<b>468</b>	<b>366</b>	<b>436</b>	<b>475</b>	<b>495</b>

<sup>1</sup> Board of Directors' proposal to Annual General Meeting of 14 March 2023

# At a glance



## The CPH Group

### Business in 2022

- Double-digit net sales growth for all three divisions
- Net sales and net result at new record levels
- Investments in capacity expansions
- Triple-digit-million net result for the year
- Dividend of CHF 4.50 per share

in CHF millions	2022	2021
Net sales	725	497
EBITDA	131	26
EBIT	112	-3 <sup>1</sup>

<sup>1</sup> before impairment

### Portrait

The CPH Group is active in three separate industrial segments developing, manufacturing and distributing chemicals, printing paper and pharmaceutical packaging films. The stock exchange-listed group is headquartered in Switzerland and has production facilities at 11 locations in six countries in Europe, Asia and North and South America. The CPH Group can look back on more than 200 years of industrial tradition.



## Chemistry

### Business in 2022

- Facilities well utilized and order volumes encouragingly high
- Net sales raised and market share gained
- EBIT maintained at high level
- Investments in new facilities in Louisville, Donghai, Zvornik and Rüti
- New service building opened in the USA

in CHF millions	2022	2021
Net sales	110	95
EBITDA	19	20
EBIT	14	15

### Portrait

The Chemistry Division is a world-leading supplier in the silicate chemistry field. Trading under the 'Zeochem' brand, the division manufactures molecular sieves for industrial and medical applications, high-value chromatography gels for the pharmaceutical sector and deuterated products for analytics, pharmaceuticals and OLED displays. Zeochem maintains production facilities in China, the USA, Bosnia & Herzegovina and Switzerland.



## Paper

- Net sales increased through higher sales prices on lower sales volumes
- Annual EBIT at record new level
- Structural change continues: paper demand in Europe still falling and capacities removed from market
- Steep rises in materials and energy costs

in CHF millions	2022	2021
Net sales	384	231
EBITDA	81	-8
EBIT	75	-25 <sup>1</sup>

<sup>1</sup> before impairment

The Paper Division is Switzerland's sole manufacturer of newsprint and magazine paper and its biggest recycler of domestically recovered paper. The papers produced are primarily exported to the Eurozone. The products, which are sold under the 'Perlen Papier' brand and have been well established in the market for decades, are made from recovered paper and waste wood from sawmill and forest management operations.



## Packaging

- Net sales raised as higher raw materials costs passed on
- EBIT margin returned to double digits
- Order volumes substantially high
- Facilities working at limits of capacity
- New coating plant begins operations in Brazil

in CHF millions	2022	2021
Net sales	231	171
EBITDA	31	12
EBIT	24	6

The Packaging Division aligns its business primarily to the requirements of the pharmaceutical industry, and is one of the world's three biggest suppliers of coated plastic films. The division's products, which are manufactured at locations in Switzerland, Germany, China, the USA and Brazil, are marketed under the 'Perlen Packaging' brand and are used mainly in blister packs to protect the medicines these contain.

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## Cover picture

The coating plants of Perlen Packaging produce films for pharmaceutical blister packs under the most rigorous GMP conditions.

# Net sales and net result raised to new record highs



Peter Schaub (left) and Peter Schildknecht

## Dear shareholder, dear reader,

The demands for transparency in business and financial reporting continue to rise. It is a prime aim of ours to keep you fully informed about the strategy of the CPH Group, our implementation of this and our Group's positioning in the relevant markets. To these ends, you will find a new 'Business profile' section in this Annual Report from Page 24 onwards in which we elucidate the present megatrends, our strategy, our products and their uses and applications in our various target markets, and on further key aspects of our Group's overall alignment, direction and thrust.

Sustainability is a further key CPH concern. Combating climate change and shifting our energy provision increasingly towards renewable energies have gained even more in importance through the war in Ukraine. We have restructured our sustainability report (from Page 46 onwards) accordingly, adding further key figures to offer you an even keener insight into our endeavours to reduce carbon emissions, better meet the demands of the circular economy and more. As you will see from our report, the CPH Group takes in substantially more waste (in the form of recovered paper and waste wood) and processes this into new products than it causes through its production processes. In this

sense, the Group helps to reduce overall waste volumes. It is thus a vital recycler of organic materials, and offers an ecofriendly alternative to thermal utilization.

The CPH Group sets itself high ethical standards which are enshrined in the Codes of Conduct of its three divisions. These also extend to the items specified in Switzerland's recent Corporate Responsibility Initiative: CPH will not accept child labour at any of its suppliers, and will not use any critical metals in its raw materials.

### Supply chains under pressure

With the exception of China, which continued to adhere to a strict zero-COVID policy, the restrictions imposed in response to the coronavirus pandemic were lifted worldwide in the first quarter of 2022. The global economic recovery, which had begun with the success of the vaccination programmes in 2021, was slowed in 2022 by the new hostilities in Ukraine. An already strained supply chain situation came under further pressure as a result, and shortages were experienced of numerous raw materials and components, including at the CPH Group.

Russia's cessation of gas supplies to Europe prompted massive energy shortages. Many countries faced the prospect of inadequate energy supplies in winter 2022-2023, and energy prices soared.

### Energy provision a crucial concern

The CPH Group's paper production at its Perlen site is energy-intensive. But thanks to its structured procurement of electricity on the liberalized market up to four years in advance, the Group had its electricity needs largely covered for the whole of 2022. The on-site Renergia waste incinerator facility is a major energy source, supplying steam for Perlen Papier along with warmth to the local area via a district heating network. Perlen Papier also operates a biomass power plant and two smaller hydro power stations.

### Global economy dampened by inflation

With inflation rising to double-digit levels, the central banks in the USA and Europe felt compelled to raise interest rates. This impacted negatively on global economic growth, for which projections for the year were repeatedly downgraded. According to the International Monetary Fund (IMF), the global economy grew by 3.4%. The euro exchange rate, which is of key importance to the CPH Group, had declined to CHF 0.9870 by the end of the year. The Group earned 65.0% of its net sales in the Eurozone in 2022, while 34.5% of its costs were incurred in Swiss francs.

### Higher net sales in all three divisions

All three business divisions raised their net sales in 2022, and achieved double-digit growth that was primarily attributable to higher sales prices. The CHF 725 million total net sales for the year represented all-organic year-on-year growth of 46.0% , or 50.4% at constant currency.

### Chemistry Division continues to expand

The Chemistry Division raised its net sales 15.9% to CHF 110 million and gained further market share, especially in the USA. Deuterated products, molecular sieve powders, molecular sieves for purifying natural gas and ethanol and lithium-based products for concentrating industrial oxygen all saw high order volumes, while the easing of the coronavirus pandemic prompted demand from the medical field to return to more normal levels. The division expanded its capacities at all its operating sites. Despite rising input costs, the EBIT for the year of CHF 14 million was virtually unchanged from its record prior-year level.

### Net sales for the Paper Division raised by higher paper prices

In a market with declining demand, the Paper Division's total sales volumes for the year of 473 500 tonnes were slightly below their 2021 levels. Substantial reductions were seen in Western European paper production, however, with capacities withdrawn and one competitor's factories beset by strike action. Steep rises in the prices of recovered paper and other raw materials had to be offset by raising sale prices; and, as a result, net sales increased CHF 153 million to CHF 384 million and EBIT was improved from the CHF -25 million (before impairment) of 2021 to CHF 75 million.

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### Net sales in CHF millions

# 725

(prior year: 497)

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### EBITDA in CHF millions

# 131

(prior year: 26)

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### EBIT in CHF millions

# 112

(prior year: -3<sup>1</sup>)

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### Investments in CHF millions

# 34

(prior year: 25)

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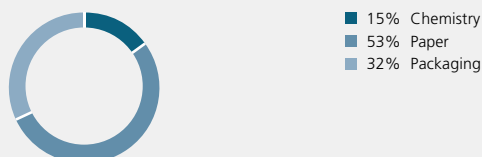
### Equity ratio

# 60%

(prior year: 55%)

<sup>1</sup> before impairment

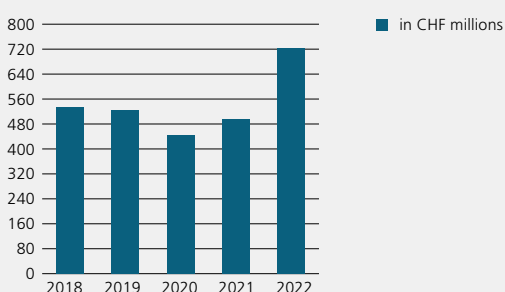
### CPH Group net sales by division



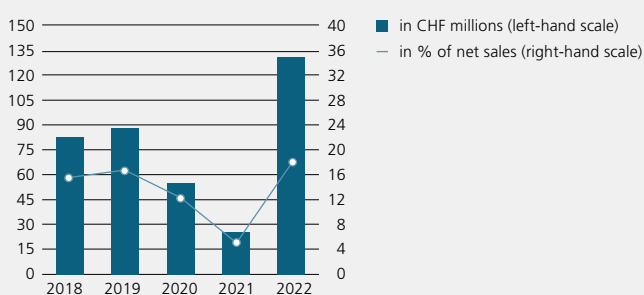
### CPH Group net sales by region



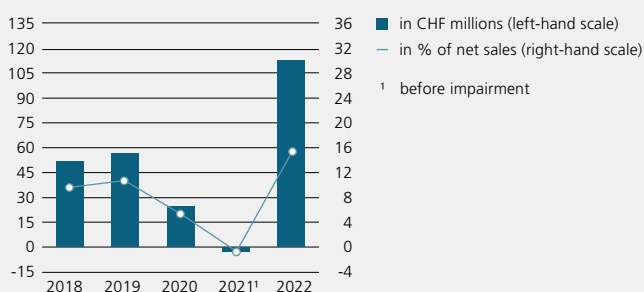
### CPH Group net sales



### CPH Group EBITDA



### CPH Group EBIT



### Order volumes higher than ever in the Packaging Division

The production facilities of the Packaging Division were very well utilized, operating almost at capacity. Order volumes also reached new record highs. The new coating plant in Brazil commenced operations in the fourth quarter of 2022, and will provide further production capacities. Total sales volumes were up on 2021; but the 35.1% increase in net sales for the year to CHF 231 million was primarily attributable to the greater proportion of higher-value products in the sales mix and to the price increases effected. The situation on the procurement markets remained tight into the fourth-quarter period. But the division was largely able to pass on the higher raw materials and transport costs to the market, and EBIT for the year was quadrupled to a new record high of CHF 24 million.

### Investments in facilities at Chemistry and Packaging

The CPH Group invested CHF 34 million in its fixed assets in 2022 to raise the capacities in its Chemistry and Packaging divisions and further enhance the production efficiency of the Paper Division's facilities. Cash flow was raised from CHF 17 million to CHF 129 million, while free cash flow rose from CHF -3 million to CHF 68 million. Despite high materials prices, the cost of materials as a percentage of group sales declined from 62% to 55%, while personnel cost as a percentage of group sales was reduced from 19% to 14%. With capacities expanded (above all in Brazil), year-end personnel numbers rose from 1 104 to 1 181 employees.

### Net result increased to CHF 101 million

With a large part of the increased expense successfully passed on to the markets, EBITDA for the year was raised CHF 105 million to CHF 131 million. After ordinary depreciation and amortization of CHF 19 million, the operating result (EBIT) amounted to CHF 112 million, a CHF 115 million improvement on the prior-year EBIT (before impairment). The financial result was unchanged from the prior year at CHF -4 million. The non-operating result amounted to CHF -8 million, and is attributable primarily to new findings on the scope and the costs of the environmental measures required. The net result after taxes amounted to CHF 101 million. With an equity ratio of 60% the CPH Group remains in sound financial health. It eliminated all its net debt in 2022, and held year-end net liquid assets of CHF 45 million.

### Proposed dividend of CHF 4.50 per share

The Board of Directors will recommend to the Annual General Meeting of 14 March 2023 that a dividend of CHF 4.50 per share be distributed for the 2022 business year.

### Many uncertainties in the outlook for 2023

The IMF currently forecasts global economic growth of 2.9% for 2023. Following the steep increases in interest rates in response to recent inflation, it is far from easy to determine at present whether local economies in various countries will cool, and if so to what extent.



The CPH Group expects to see further net sales growth in 2023. But business performance within its three divisions will be heavily contingent on the availability of raw materials and energy supplies, on further pricing trends and on the extent to which higher costs can be passed on to the market.

In view of the present economic uncertainties, a reliable business forecast is almost impossible to make. The Paper Division expects its profitability and thus its EBIT result to fall short of their 2022 levels. EBIT for the Chemistry Division is likely to be broadly at its prior-year level, while the Packaging Division is confident of achieving a further profitability improvement. Both group EBIT and the net group result for 2023 are likely to be in the mid-to-higher double-digit-million range. Investments of some CHF 42 million in tangible fixed assets are planned, to further expand capacities and further enhance efficiencies.

### Sincere thanks

We would like to extend our warmest thanks to all our customers who count on CPH and its products, and also to our business partners, who can always rely on us. We thank our employees, too, for all their invaluable contributions and all their commitment to the CPH Group. And we thank you, our shareholders, for the confidence and trust that you continue to place in our employees, our management and our Board of Directors.

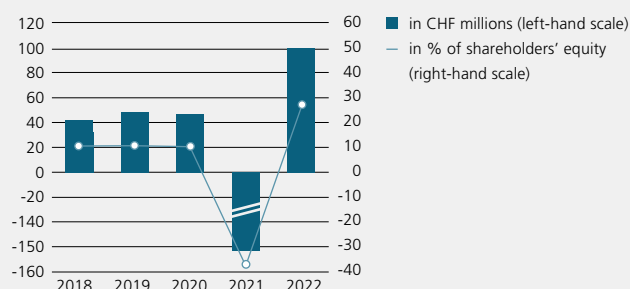


Peter Schaub  
Chairman of the Board of Directors

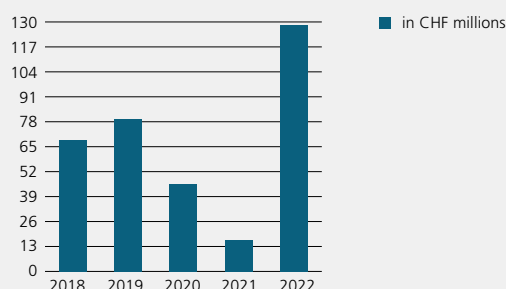


Peter Schildknecht  
Group CEO

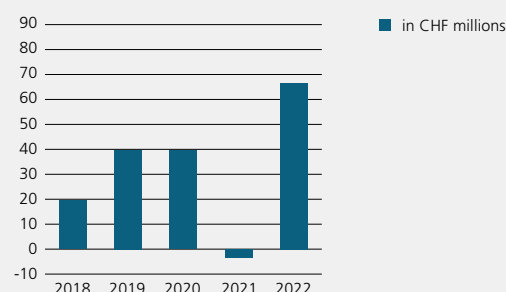
### CPH Group net result



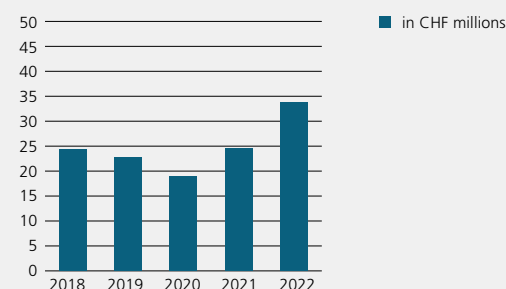
### CPH Group cash flow



### CPH Group free cash flow



### CPH Group investment



# Innovation born of motivation

**Constantly improving product, process and service quality to create and supply high-quality products and thereby maintain a strong competitive position in its target markets is a core competence of the CPH Group.**

Innovation, within the CPH Group, means developing new products and services to meet customers' needs and ensuring that replicable industrial-scale high-level quality is consistently maintained. In doing so the Group can draw on decades of experience in mastering and optimizing complex industrial processes, and abides by ISO and GMP quality standards in all its work activities. The Paper Division, to take one example, was able to maintain its viability between 2010 and 2020 – a period which saw product prices halved on the paper market – by raising its productivity, enhancing its processes and reducing its fixed and input costs.

For more than 20 years now, a Continuous Improvement Process (CIP) has been successfully serving as a key innovation and quality management tool within all three of the Group's divisions. The CIP is based on the principle of Kaizen, from the Japanese kai ('change') and zen ('for the better').

The CIP enables process enhancements and cost savings to be identified and achieved which improve the quality of products and services and raise satisfaction among both customers and employees. Every contribution is valued which helps to optimize processes, save energy, ease pressures on the environment or resources, enhance safety and improve the working atmosphere.

It is CPH's employees who are the bedrock of its CIP, submitting hundreds of improvement ideas every year either individually or in teams. All such submissions are evaluated under a clearly structured procedure. And experience shows that around half of them will result in concrete practical actions.

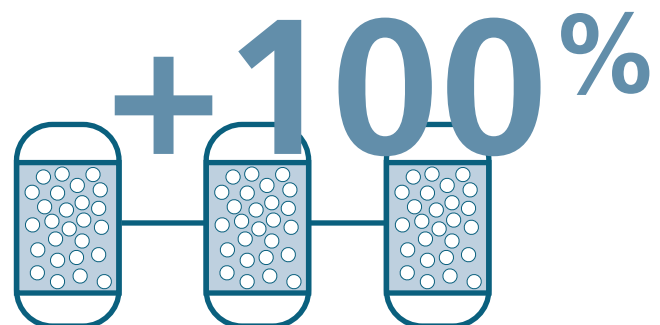
In 2022 the Paper Division established a new database accessible to all employees in which all CIP suggestions are systematically processed.

## Three reactors connected – production doubled

Three reactors are used in the manufacture of Methanol D4 at the Chemistry Division's Rüti site. One of these automatically mixes the reaction gas; with the others, the gas must be manually mixed before every production batch.



Dzemilj Abdiji releases the Methanol D4 at the end of each reaction. And he had the idea of connecting the three reactors. So the automated reactor now provides all three facilities with the gas mix required. The result: doubled production volumes and more consistent quality, too.

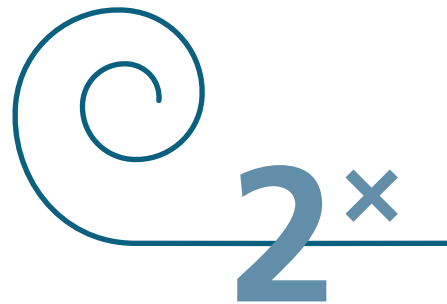


## Double-rolling makes better use of container capacity

Some of the coated PVC films which are manufactured in Suzhou, China are transported to Perlen on pallets, as what are known as mother reels. But since only a limited number of pallets will fit into a transport container, and such reels cannot be stacked, less than optimal use can be made of the container's volume capacity.



Philipp Gamma had the idea of doubling the length of the film on each mother reel. The new approach takes up less storage space and makes better use of transport container capacity. And it has reduced the associated transport costs by 15 to 20 per cent.



## Additional sorter cuts energy consumption by 30%

The wood pulp produced from waste wood in Perlen Papier's thermomechanical facility is subsequently separated in two main sorters from the wood fibres that cannot be immediately used as they need to be further ground. But these two main sorters were repeatedly operating at their capacity limits.



Sopi Gezim hit upon the idea of converting an existing secondary sorter into a further main sorter. With three main sorters, higher pulp volumes can now be processed at lower running levels. This has reduced the energy required per tonne of sorted pulp by 30%. The innovation has not only lowered costs: it benefits the environment, and has raised pulp quality, too.



# Good order volumes and earnings strengthen market position



**The Chemistry Division reported strong order volumes and net sales which were up 15.9% at CHF 110 million. EBIT margin was slightly below its record prior-year level at 12.5%.**

## Strategy

The Chemistry Division develops, manufactures and supplies a wide range of products in growing markets such as the energy and the healthcare sectors. Molecular sieves for purifying natural gas and ethanol in the energy sector were in particularly strong demand in 2022. The production of oxygen for industrial and medical applications is also of key strategic importance to the division, and made a substantial contribution to its sales and earnings for the year. The division further extended its leading market position in providing high-quality products in Europe and the USA, and expanded capacities at all its operating sites.

The division's products are manufactured at four locations and distributed worldwide. High-value molecular sieves are produced in the USA, standard molecular sieves in China, molecular sieve powders, chromatography gels and special zeolites in Bosnia and Herzegovina and deuterated products in Switzerland. In addition to organic growth, acquisitions may also be made in future to further expand business and operations.

## Market environment

With the easing of the coronavirus pandemic and the milder illnesses caused by the latest virus variants, the demand for medical oxygen declined. At the same time, increases were seen in the demand for oxygen in the steel and glassmaking industries and for use in fish farms. The lithium which the Chemistry Division uses to manufacture the associated products increased substantially in price, as it is also used in the batteries for the growing numbers of electric cars which are now being built to help combat climate change.

For the energy sector, the war in Ukraine was particularly disruptive to Europe's gas supplies. With Russian natural gas delivery halted, other suppliers such as Norway and the USA made up for the shortfall. The USA became the world's biggest exporter of liquid gas. And a correspondingly strong increase was seen in demand for the molecular sieves used in natural gas purification. At the same time, the steep rises in energy prices made many countries more aware of their dependence on fossil fuels and prompted various resolutions to promote renewable energies. India passed corresponding legislation, and molecular sieves for purifying ethanol saw a leap in demand.

In the deuterated compound product segment, the market remained buoyant for the use of such products in OLED displays, in the pharmaceutical sector and in analytical procedures.

### Business development

Almost all the Chemistry Division's product segments reported encouraging growth. Deuterated products, molecular sieves for purifying natural gas and ethanol and the lithium-based products for concentrating industrial oxygen all attracted high order volumes, while demand from the medical sector remained at still-favourable levels as the coronavirus pandemic eased. At the Louisville site in the USA, the capacities for manufacturing lithium products were expanded and the new service building was formally inaugurated towards year-end. Demand for molecular sieve powders also increased. These are used in today's multi-pane insulated glass windows, where they are integrated directly into the plastic spacers separating the panes to prevent internal misting. The division also opened an additional calcining facility for the production of molecular sieve powders at its Zvornik site. A further facility for the manufacture of deuterated products used in OLED displays commenced operations in Rütli; and the automation of a production line at the Donghai site added further capacities. All in all, the division invested CHF 18 million in its fixed assets in 2022.

The division raised its net sales for the year 15.9% to CHF 110 million and also gained further market share, especially in the USA. At constant currency, net sales were 11.8% up on their prior-year level. Capacity utilization was high and order volumes were encouraging. The raw materials, energy and transport capacities required were in short supply, however, and steep rises were seen in their costs, the bulk of which could be passed on to the market. EBITDA declined 6.4% to CHF 19 million, and EBIT declined 9.8% to CHF 14 million. EBIT margin amounted to 12.5%, slightly below the record level of the prior year. The division employed 296 personnel at the end of 2022, compared to 291 the year before.

### Outlook

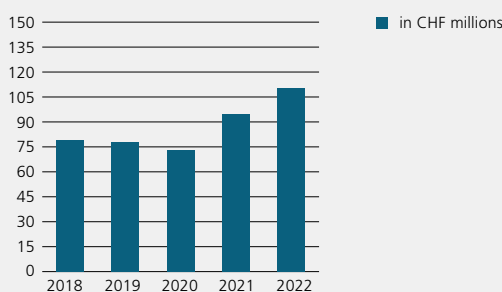
The economic outlook is uncertain, and a recession with falling demand cannot be ruled out for certain markets. The division expects continued rises in the costs of raw materials and energy and increased pricing pressures. Depending on the extent to which the higher raw materials costs can be passed on to the market, net sales may well increase in 2023. EBIT for the year is likely to be broadly in line with its 2022 level.

The division plans investments in fixed assets of CHF 14 million in 2023, to further expand the infrastructure at its Chinese operating site and to establish a new lithium recycling operation in the USA.

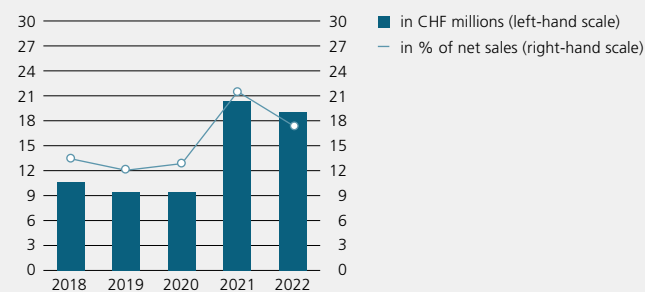
### Chemistry net sales by region



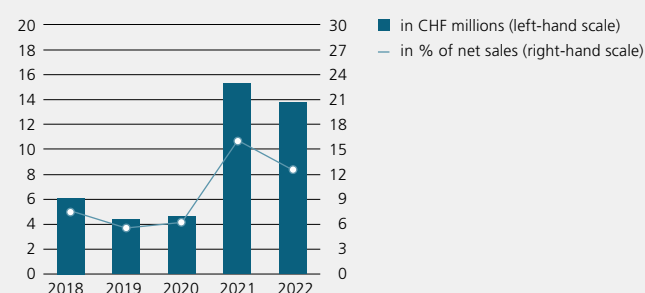
### Chemistry net sales



### Chemistry EBITDA



### Chemistry EBIT





The R&D team in their new Louisville laboratory

## A new centre of innovation

**The new service building at the US site provides an innovation centre for molecular sieves and numerous further workplaces, all in a highly collaborative environment.**

The Chemistry Division's Louisville (USA) operation moved into a new building in summer 2022 that brings all its production, R&D, quality management and sales staff and all its management personnel under one roof. The result: shorter communications channels and a collaborative working environment which features both teamwork and quiet areas for the employees concerned.

The new Molecular Sieve Innovation Center is home to seven employees working to enhance existing products and develop new ones for a wide range of applications from drying natural gas and ethanol to removing impurities from gases and liquids and concentrating ambient oxygen. The Louisville R&D team brings around half a

dozen new and modified products to market maturity every year, including customer-specific applications that are developed to meet particular performance demands.

Creative and motivated employees with strong technical expertise and an innovative working environment are vital to maintaining and further sharpening the division's competitive edge. Products newly launched within the previous five years accounted for 10.3% of the Chemistry Division's total net sales in 2022.



The Louisville production plant for lithium molecular sieves



The newly-automated Donghai production line



The new calcining plant at the Zvornik site

## Investing in new production facilities

The demand for molecular sieves for concentrating medical and industrial oxygen has risen steeply over the past few years. These complex high-performance lithium-based products are used in medicine to treat respiratory disorders. 2022 saw the entry into service of a new production facility at the Chemistry Division's US site which has raised the manufacturing capacities for such lithium-based products by around 40%.

The capacities for manufacturing molecular sieves for use in purifying ethanol and concentrating industrial oxygen were also raised by 40% at the division's Donghai site in China, by automating a previously manual production line.

Windows are a further rapidly growing application for the Chemistry Division's products. A new technology has been gradually gaining ground over the past few years which is designed to prevent misting within multi-pane windows. In the past, the spacers between such panes were usually of hollow metal filled with molecular sieve beads. Today's spacers, by contrast, are made of thermally optimized plastic into which the molecular sieve has already been incorporated in powder form. To meet the high demand for such molecular sieve powders, the division's Zvornik operation in Bosnia and Herzegovina has put a new calcining plant into service which has doubled previous capacities.

## Deuterated products help make medicines easier to take

The Chemistry Division produces various deuterated molecules for research and development projects within the pharmaceutical industry and for production ventures. In view of the industry's growing interest in such deuterated molecules, the division is now intensifying its focus on introducing new products in the field.

Adding deuterium to a carbon chemical compound helps to slow the release of an active agent – in a medicine, for example. This is due to the kinetic isotope effect, which strengthens the bonding between the deuterium and the carbon. The benefit to patients: lower dosages required and better tolerance of the medicine concerned.



# Net sales and earnings show highly encouraging developments



**While paper sales volumes were slightly down, higher sale prices helped raise the Paper Division's net sales a substantial 66.5% to CHF 384 million. Despite steep increases in the costs of energy and raw materials, EBIT margin amounted to 19.5%.**

## Strategy

Digitalization has brought structural change to Europe's printing paper market. The sizes and circulations of print newspapers have been diminishing for years as digital news distribution expands. As a result, the demand for graphic paper products has been falling since 2008. Suppliers have responded only belatedly by reducing capacities; and, as a consequence, the markets have seen fierce pricing competition. In response to these developments, the Paper Division has pursued a cost leadership strategy. The division possesses two advanced and high-performance paper machines. Paper production is also dependent on stable energy supplies. So the division structures its energy procurement, acquiring the electricity it needs on the liberalized market up to four years in advance, with the future volumes secured declining with the increasing futurity of the periods concerned.

Perlen Papier is now Switzerland's only domestic recycler of waste paper. So sustainability has also become a key differentiator for the division. The paper is produced in Perlen with a carbon footprint which, according to the Ten Toes model of CEPI, Europe's paper industry federation, is only a quarter the size of those of its European

competitors. The division's customers have also been offered totally carbon-neutral paper products since the beginning of 2021.

## Market environment

Western European demand for paper declined in 2022, too. This was partially attributable to the continuing structural change described above. But it was also due to reductions in the sizes of printed products, as numerous publishing houses responded to the high paper prices with cost economies. Demand for newsprint in Western Europe declined 4.5% in 2022 to 3.1 million tonnes, while demand for coated magazine paper fell 18.2% to 2.2 million tonnes. Some 0.7 million tonnes of production capacity were withdrawn from the market in the course of the year. In addition, a months-long strike prompted a major production loss at one competitor at the beginning of the year, and put pressure on supplies of magazine paper in particular. A second competitor announced the sale of four of its five European paper factories, the first of which had changed owners by year-end. A further competitor also sold three of its European paper production plants. Some of the facilities sold may be reconfigured by their new owners to packaging paper production.



The situation on the recovered paper market remained highly challenging in 2022. With paper production still declining, less waste paper was fed back into the cycle; and with the popularity of online shopping continuing to grow, demand for recovered paper from the packaging industry remained constantly high, and volumes of waste graphic printing paper were redirected straight into the packaging cycle. The prices of recovered paper reached new historic highs in late summer 2022, and only started to fall again towards year-end. Meanwhile, energy prices continued to rise, and electricity costs multiplied. The prices of auxiliary materials and chemicals saw similarly steep increases.

### Business development

The Paper Division sold 473 500 tonnes of printing papers in 2022, a volume slightly short of its prior-year level. Of this, 327 400 tonnes were of newsprint and 146 100 tonnes were of magazine papers. With market overcapacities reduced and with higher raw materials costs, paper prices had to be raised, and the division's net sales for 2022 of CHF 384 million were a 66.5% improvement on the prior year, or 74.8% at constant currency. Perlen Papier's share of the Western European paper sales market showed further slight year-on-year increases on both the newsprint and the magazine paper fronts, and now stands at around 10%.

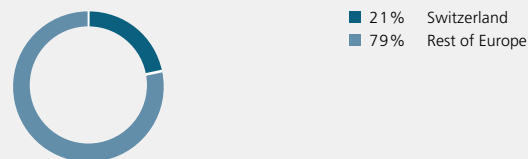
As already mentioned, recovered paper, which is the division's most important raw material, remained in short supply. Electricity costs were kept within reasonable bounds, thanks to the division's structured procurement of its energy supplies over several years in advance. The division also achieved comprehensive optimizations and cost savings, and raised its EBITDA CHF 89 million to CHF 81 million. EBIT for the year amounted to CHF 75 million, after being substantially negative for the prior year following a one-time asset impairment. Some CHF 8 million was invested in the course of 2022 in renewing machinery and improving plant efficiencies. Year-end personnel numbers increased from the 357 of 2021 to 371.

### Outlook

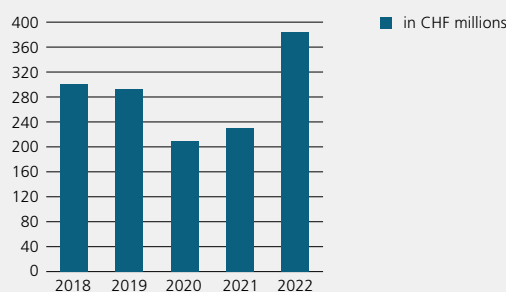
Industry associations expect to see a further decline in the demand for graphic printing papers in Western Europe in 2023. On the production side, the consolidation pressures remain. The Paper Division plans to invest some CHF 14 million in the course of the year in further enhancing its processes. The costs of energy and recovered paper are likely to remain high, with a corresponding impact on EBIT margin.

Under current expectations, the division's net sales and EBIT for 2023 will fall short of their very high prior-year levels.

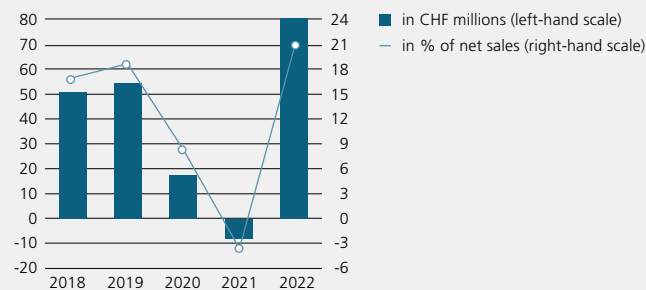
### Paper net sales by region



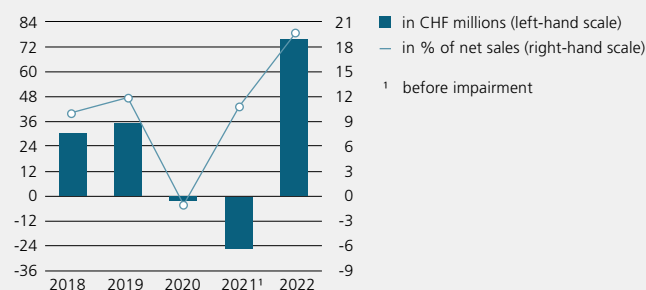
### Paper net sales



### Paper EBITDA



### Paper EBIT



# Label backing papers from waste paper and waste wood

As a more ecofriendly alternative to the pulp which is generally used to make the backing strips for adhesive labels, Perlen Papier is developing a backing paper that is based on waste paper and waste wood. The new product can help suppliers of such release liners to reduce their carbon footprint.



Dr. Jens Besser, Perlen Papier's Head of Technology & Development (left) and David Faust, PM 4 paper machine technician



Labels offer a practical means of marking letters, parcels and many other objects: just peel it off and stick it on. But if the label is to separate freely from its backing strip, this strip or 'release liner' must fulfil some demanding requirements. Paper and polyethylene are the most important release liners. While polyethylene is most commonly used in the USA, around three quarters of Europe's release liners are made of paper. Papers of various qualities are used for this, with clay-coated kraft or CCK a particularly widespread choice. CCK is a coated paper of the kind which is also produced in Perlen for use in magazines. For release liner applications, the finished CCK is given a further coating of silicone to ensure that, despite its adhesive, the label is still easily separable from its backing.

The backing papers used as release liners today are based on pulp. But with sustainability aspirations continuing to rise both within the industry and among its customers, the makers of such release liners are increasingly seeking more ecofriendly alternatives. "The coated papers which are manufactured in Perlen are a pure recycling product made from recovered paper and waste wood, and make excellent label backings," says Jens Besser, Perlen Papier's Head of Technology & Development. To meet the specifications for applying an additional silicone coating to the backing papers concerned, numerous adjustments have to be made to the factory's PM 4 paper machine, particularly in terms of its coating formulation. So further trials have already been planned. "We're in close contact with a partner company in the siliconization sector which is giving us a lot of support in developing our product and bringing it to market," Jens Besser adds.

The new and more sustainably produced backing papers will enable the suppliers of release liners to substantially reduce their carbon footprint compared to the footprint they would generate using standard backing paper products.



# EBIT margin back in double digits



**The Packaging Division was able to pass the bulk of its increased raw materials and transport costs on to the market, and raised its net sales 35.1% to CHF 231 million. EBIT for the year was quadrupled to CHF 24 million.**

## Strategy

The Packaging Division pursues two strategic thrusts. The first of these is to ensure effective geographical coverage of the most important pharmaceutical markets in Europe, Asia and Latin America. The leading players in the pharmaceutical industry are all globally active and maintain production facilities on various continents. To offer these and more locally-based pharmaceutical companies local solutions for their packaging needs, Perlen Packaging has invested in coating and slitting plants in Europe, China and North and South America over recent years. With the entry into operation of the new coating plant in Brazil in the fourth quarter of 2022, the division has expanded its capacities by a further 20%, and will be able to provide the markets in Latin America directly with locally produced mono and coated films. The division is now well equipped with its own capacities in the 'pharmerging markets', and is thus well positioned to share in their stronger-than-average growth.

The second strategic thrust is a clear focus on films with high-barrier properties within the product range. The active ingredients used in medicines are becoming ever more complex, and the medicines concerned are increasingly marketed globally in all climate zones. To

ensure that the tablets and capsules contained in blister packs are optimally protected from external influences such as water vapour and oxygen, the packaging films used in them feature multiple layers. Perlen Packaging offers a full range of PVC and PVdC films for the pharmaceutical industry, and is a market leader in today's high-barrier film segment.

Most blister packs consist of two components: a coated plastic film which is thermoformed to accommodate the individual medicines, and an aluminium cover film through which the medicine is pushed. The combination of plastic and metal makes such blister packs harder to recycle than all-plastic packs would be. In view of this, Perlen Packaging is currently developing recyclable alternatives.

## Market environment

Demand for pharmaceutical packaging was high in the year under review. The coronavirus pandemic and the war in Ukraine prompted a rethink among industry customers, especially in Europe. While short order and delivery times had previously been the norm, many clients feared further supply disruption as a result of shortages of raw materials or transport capacities. In response, the pharmaceutical

manufacturers opted to build up their inventories of packaging films, and also secured future deliveries well in advance. The markets in Asia showed below-average growth. The COVID-19 measures taken by the government in China dampened the local economic mood and prompted delivery delays.

The situation in the procurement markets remained very tight up to the late summer months. Raw materials such as PVC, PVdC, adhesives and other auxiliary materials were declared subject to 'force majeure' and rationed by their suppliers, which made the timely manufacture of products ordered a challenging undertaking. Transport and energy costs also rose to ever-new record highs. Only in the fourth quarter of the year could a slight easing be seen.

### Business development

Perlen Packaging's production facilities were very well utilized, and were operated at the limits of their capacities. The new coating plant in Brazil came into operation in the fourth-quarter period, and will now provide further production capacity. The division also concluded a new exclusive PVC mono film supply agreement with local Brazil-based film manufacturer Cipatex in the course of the year.

Total sales volumes for the year were up on 2021; but the 35.1% rise in net sales to CHF 231 million was primarily attributable to the greater share of higher-value products in the sales mix and to the price increases effected. Net sales increased 39.0% at constant currency. Double-digit net sales growth was achieved in all regions except Asia.

The division was largely able to pass on the increased raw materials and transport costs to the market, and EBITDA was raised CHF 19 million to CHF 31 million. EBIT was quadrupled to CHF 24 million, and EBIT margin recovered to 10.3%. The division invested CHF 8 million in its fixed assets in 2022, most of it in the new Brazilian production facility. Personnel numbers rose from 449 to 507 – also largely as a result of the expansion in Brazil, where 49 employees had joined the payroll by year-end.

### Outlook

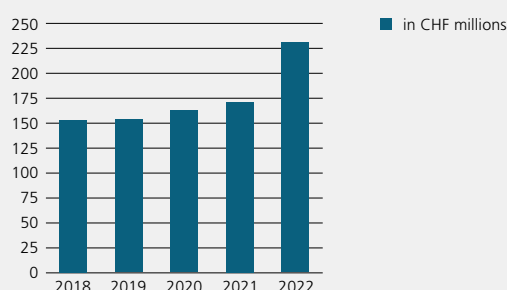
The IQVIA research company expects the global pharmaceutical blister pack market to grow in value by between 3% and 6% a year over the next few years. The Packaging Division plans to invest some CHF 14 million in 2023 in further expanding its slitting and packaging capacities in Europe and North and South America.

The division aims to achieve above-market growth in 2023, and expects to report higher net sales for the year in constant-currency terms. Provided higher raw materials prices can continue to be passed on to the market, EBIT should correspondingly improve.

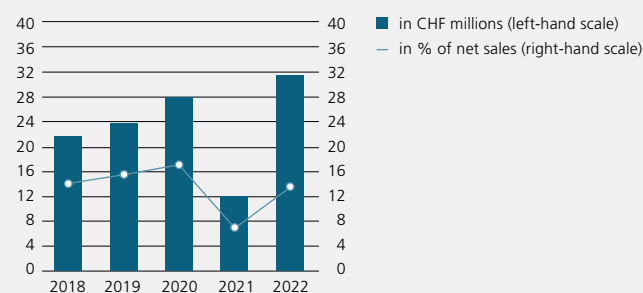
### Packaging net sales by region



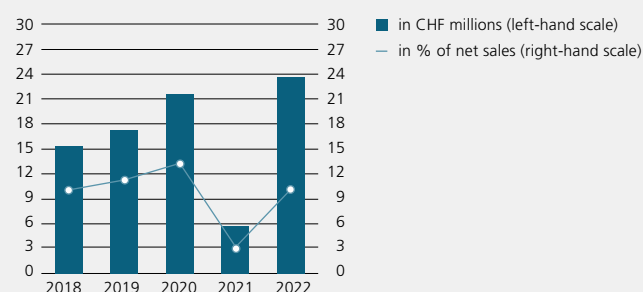
### Packaging net sales



### Packaging EBITDA



### Packaging EBIT



# Recyclable PVC mono blister developed

The Packaging Division has developed a sustainable blister pack system in which both the tray film and the lidding film are made of plastic. This makes the packaging system far easier to recycle than the traditional blister pack combination of plastic and aluminium films.



Above: With the new PVC mono blister, the tray film and the lidding film are both made of plastic.

Left: Discussion at the Perlen Packaging stand at the 2022 'K' trade fair in Düsseldorf.



The new PERLALUX PVC Mono Blister is the Packaging Division's first response to the growing demand within the pharmaceutical industry for recyclable packaging solutions that meet the requirements of today's circular economy. PVC is the most extensively researched plastic for pharmaceutical packagings with outstanding processing properties. And to complement its existing thermoformable PVC tray films which accommodate the medicinal contents, the division has now developed a new transparent PVC lidding film with excellent push-through credentials. The new product was also honoured at the 2022 'K' plastics and rubber trade fair in Düsseldorf, Germany, where it received the three-yearly global Inovyn Gold Award in the Circularity category.

"This distinction confirms to us that we are on the right track," says Dr. Michael Nedelcu, Head of Research & Development at Perlen

Packaging. "In developing this PVC push-through film, we've decisively expanded our skills and our expertise in the lidding film field. The latest development tests at machine manufacturers and our customers are now encouraging us to take the next development steps. And our new PVC Mono Blister will provide us with a vital platform for these further innovations."

Mono blisters are an attractive option for the food supplement and OTC markets with their lower barrier requirements. At the same time, these transparent packaging solutions are well suited for use in standard pharmaceutical blister packs: they offer a full view of the tablets or capsules they contain; and as a recyclable system with a low carbon footprint, they can effectively complement the traditional PVC-and-aluminium blister pack combination.



# New coating plant commences production in Brazil

**The Packaging Division's new coating plant in Anápolis in Brazil came into operation in the fourth quarter of 2022. Thanks to an exclusive agreement with Cipatex, a local Brazil-based supplier of PVC mono films, Perlen Packaging can offer a full range of film products from mono to high-barrier films to the rapidly growing Latin American market.**

The coronavirus pandemic and global logistical problems posed the biggest challenges to bringing this demanding project to fruition. Delays and deferments were experienced as early as at the manufacturer of the coating machine. "To speed up the project process, it was decided not to assemble and test the machine at the manufacturer's, dismantle it and then ship it and reassemble it here," recalls Cristiano Bueno, Head of Operations at Perlen Packaging Anápolis Indústria e Comércio Ltda. "We decided to conduct the running tests here on-site instead."

Thirty-four containers arrived from overseas in summer 2022. And over the following months, in a multi-phase programme, the new coating machine was assembled, the infrastructure was established to supply the new factory with electricity and liquid gas and the laboratory and the warehouse were repurposed accordingly.

After extensive tests, the new facility was formally approved for production in autumn, and was also subjected to an external audit process.



# Diversified. Leading. Innovative.

**The CPH Group is a diversified industrial concern which provides innovative and sustainable solutions that create value for its customers. Which it has been doing since 1818.**

## 1 Vision

The CPH Group is a stable, diversified and profitable industrial concern whose business divisions operate independently in their various markets. With its technology leadership and its innovative products, the Group provides its customers with clear added value and, by doing so, occupies a leading position in its chosen market segments.

## 2 Strategy

The CPH Group comprises the three business divisions of Chemistry, Paper and Packaging, each of which operates independently in its specific markets, in each of which it seeks to achieve and maintain either market or cost leadership. The three business divisions pursue differing business models in their separate target markets, which helps partly smooth out the fluctuations in the various market cycles.

Economic sustainability is the bedrock of the CPH Group's activities, with a prime focus on continuous long-term development. The Group's sustainability strategy is part of its overall corporate strategy, and has provided a vital foundation for its more than 200 years of business and industrial success. Its sustainable alignment and approach are reflected among other things in its carbon intensity, which, through various actions, has been reduced from 179 to 25 tonnes of carbon dioxide emissions per CHF million of net sales in the past ten years. Further information on the CPH Group's sustainability endeavours will be found in the sustainability report from Page 46 onwards.

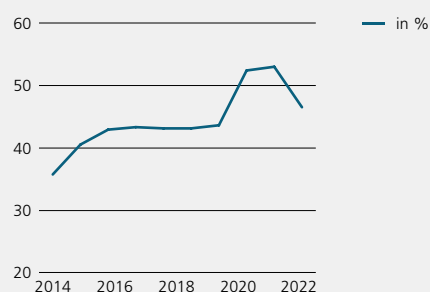
### 2.1 Strategic thrusts

The European market for wood-based graphic printing paper is in decline. The Paper Division essentially pursues a policy of making maximum use of its paper manufacturing capacities without further expanding its existing production facilities. One key element of the overall CPH Group strategy is to reduce the proportionate contribution of the Paper Division to the Group's overall business by expanding the Chemistry and Packaging divisions, to ensure that they make a great aggregate contribution to total Group sales and thereby become divisions of equal revenue weight.

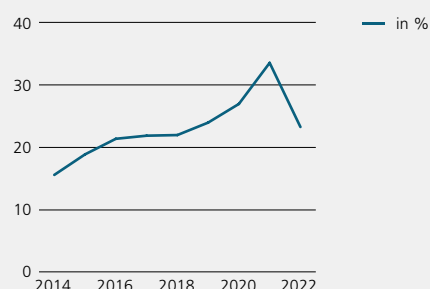
With European sales markets largely saturated, the CPH Group is further increasing its market share in the growth markets outside Europe and in emerging economies. By developing new production capacities outside Switzerland, the Group has also substantially reduced its previously high exposure to Swiss-franc currency movements over the past few years. By pursuing these actions, the share of total Group costs incurred in Swiss francs should continue to

## Key strategic thrusts

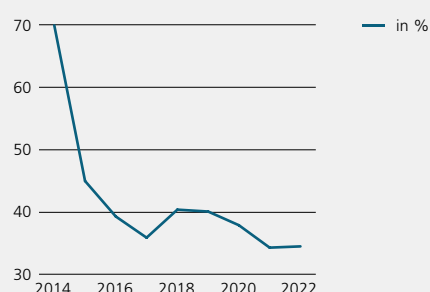
### Raise Chemistry and Packaging's share of net sales



### Raise share of net sales from outside Europe



### Lower proportion of costs in Swiss francs





decline, and with it the corresponding exchange-rate exposure. The progress achieved in these three strategic directions is presented in graph form on Page 24.

Chemistry is the smallest of the CPH Group's three business divisions. In addition to the mid-single-digit percentage growth in its annual net sales, various strategic options are being considered to effect the division's further expansion. The Packaging Division seeks to achieve higher single-digit-percent organic net sales growth by expanding its presence in the international pharmaceuticals market. The Chemistry and Packaging divisions pursue a differentiation strategy, further developing their product ranges with a clear focus on high-value products and services. They both plan further strategic investments in their production and distribution to strengthen their position in the growth markets of Asia and Latin America.

The Paper Division pursues a strategy of cost leadership in its Western European regional sales market, to ensure that it can survive and thrive in the longer term among the market's predatory competition. With its almost carbon-neutral production, the division has positioned itself as a sustainable supplier of publication paper. The division is also a major recycler of waste wood from Swiss sawmill and forest management operations.

## 2.2 Strategic success factors

The CPH Group's prime strategic success factors include:

- its leading position in its chosen sales markets
- its diversification into various markets and business models
- its focus on markets with above-average growth prospects and potential
- its constant product innovations to maintain its competitive edge
- its own production facilities in Europe, Asia and North and South America
- its sustainable corporate management with a stable management team
- its lean organization and skilled and experienced personnel
- its strong anchor shareholders among the descendants of the founding families.

## 3 Markets

### 3.1 Megatrends

The CPH Group aligns its business activities to sectors with above-average growth prospects and potential. Its key value drivers are the long-term megatrends of healthcare, energy and the circular economy.

#### Healthcare

The world's population is growing by some 80 million people a year. The growth is primarily attributable to increasing longevity, and average life expectancy is projected to further rise to over 77 in the next 30 years. One of the reasons for this is rising living standards, and the concomitant greater value attached to healthcare among the

population. Thanks to medical advances, treatments and medications are available today for many illnesses which offered few prospects of recovery not too long ago. Verified Market Research expects the global healthcare market to continue to grow by some 9% a year to a total volume of USD 665 billion between 2021 and 2028. The more developed an economy is, the more it will tend to spend on health. In industrialized countries, healthcare accounts for 10% or more of gross domestic product.

The pharmaceutical industry plays a vital role in healthcare provision. For the CPH Group, healthcare is a prime value driver, and the pharmaceutical industry is a key sales market. The Packaging Division is aligned exclusively to the pharmaceuticals market, and many of the products of the Chemistry Division are also destined for the healthcare sector.

#### Energy

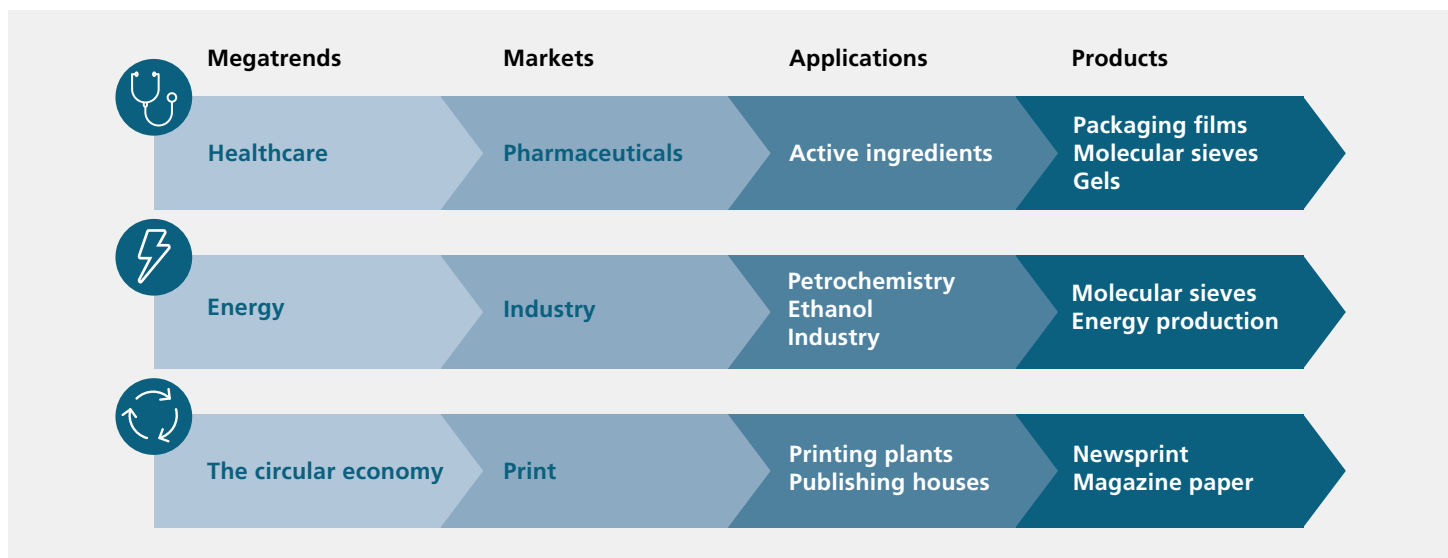
Providing its growing population with energy is one of the greatest challenges the world will face in the next few decades. According to the US Energy Information Administration's International Energy Outlook for 2021, global energy needs could rise a further 50% between now and 2050. To achieve the climate goals set by the United Nations and limit global warming, sustainable energy sources such as biomass, geothermal, hydro, solar and wind energy must be further developed. But despite the substantial growth in such sustainable energy supplies, fossil fuels such as natural gas, oil and coal will remain the prime sources of energy worldwide in the short and the medium-term future.

Any gases which are to be used in industrial processes must first be cleaned and freed of any impurities such as water or sulphur. Adsorbents supplied by CPH's Chemistry Division ensure that such unwanted elements are removed from natural gas, ethanol, methane and other gaseous substances.

At the CPH Group's Perlen location, a biomass power plant thermally processes on-site the paper sludge and wood waste produced by business operations. The Perlen site also accommodates a hydro power plant which generates electricity for CPH's use. And the local Renergia waste incineration facility, in which the CPH Group holds a 10% equity interest, incorporates a large power plant that provides energy for the local region and supplies the Paper Division's production plant with carbon dioxide-free steam.

#### The circular economy

The Earth's resources are finite. And there is already a sizeable awareness among many of its people that waste should be minimized, sorted and re-used as much as possible. Items such as metals, glass, plastic, cardboard and paper are consistently collected separately and recycled in numerous countries. The European Union also approved a Circular Economy Action Plan in 2020 which should help make Europe



cleaner and more competitive under the broader European Green Deal agenda. The CPH Group also plays its part in the circular economy through the products it manufactures and provides.

The CPH Group recycles some 500 000 tonnes of recovered household waste paper into new newsprint and magazine papers every year. Waste paper can be collected, reprocessed and turned into new publication paper around seven times. After this the remaining fibres are too short and need to be replaced. The fresh fibres added to this end come largely from around 90 000 tonnes of waste sawmill wood that is processed into wood pulp every year at the Perlen factory.

The molecular sieves manufactured by the Chemistry Division are of mineral origin. They can be regenerated by heating multiple times, and therefore offer customers sustainable and long-lasting solutions for purifying and concentrating gaseous substances.

The Packaging Division primarily manufactures PVC films which are combined with aluminium to make pharmaceutical blister packs. The division is working on developing alternatives to these with smaller carbon footprints.

### 3.2 Leading market positions

The Chemistry Division is active in the molecular sieve, special zeolite, chromatography gel and deuterated solvent product segments. In its largest such segment – molecular sieves for industrial applications – the division is one of the world's top three suppliers, and is the market leader in providing such products for the demanding process of concentrating medical oxygen. On the molecular sieve front, UOP, Arkema and Grace are among CPH's biggest competitors.

The Paper Division has raised its share of the Western European graphic printing paper market to around 10% over the past few years. For logistical reasons, the sales market here tends to be restricted geographically to a radius of some 700 kilometres from the Perlen manufacturing site. In Switzerland the Paper Division is the clear number-one supplier of graphic printing paper, accounting for about half the total market volume. The division's competitors include UPM, Norske Skog and Palm.

The Packaging Division is the only provider of packaging films in the world that focuses solely on the pharmaceutical industry. The division is one of the world's top three suppliers of coated barrier films for pharmaceutical applications and the leader in the provision of films with high-barrier properties. Its competitors include KP Klöckner Pentaplast and Liveo.

### 3.3 Three market segments

The CPH Group aims its products primarily at the pharmaceutical, industry and print markets.

#### Pharmaceuticals

The pharmaceutical industry plays a key role in ensuring and maintaining human health, and is almost entirely independent of economic fluctuations. The IQVIA institute expects the global medicines market to grow by 3% to 6% a year between now and 2026, or by as much as 7% to 10% in the emerging economies. The CPH Group produces PVC-based films for use in the pharmaceutical industry's blister packs. With the exception of the USA, where medicines are primarily supplied in bottles, blister packs are the preferred packaging form for tablets and capsules today. With production sites in Europe, Asia and North and South America, the CPH Group has a local presence in all the key pharmaceutical markets, and offers a wide range of film products ranging from mono films to coated films that meet the highest

barrier demands. The Group also manufactures molecular sieves for concentrating medical oxygen and gels for separating complex pharmaceutical agents.

### Industry

Many of the processes in the petrochemical, chemical and manufacturing industries such as steelmaking involve the use of gaseous substances, particularly oxygen, hydrogen, natural gas, ethanol and olefin. The CPH Group manufactures molecular sieves which purify or concentrate these gases on an industrial scale. Molecular sieves are also used as industrial desiccants, such as in car braking systems or to prevent misting between the panes of multipane windows. The CPH Group manufactures a wide range of high-quality molecular sieves and special zeolites at its production plants in Europe, Asia and the USA. Thanks to its strong innovation credentials, the Group is a global leader in the manufacture and provision of complex lithium-based molecular sieves that are used to concentrate oxygen, a field in which it has shown particular excellence in developing new products in close collaborations with its key customers.

### Print

The CPH Group manufactures and distributes newsprint and magazine paper – graphic printing papers of the kind supplied to printing works and publishing houses, where they are used to produce newspapers, magazines and advertising supplements. The demand for graphic printing papers has been declining since 2010 as a result of fundamental structural change: the increasing replacement of printed products by electronic media.

The demand for printing paper is likely to continue to decline in the next few years ahead. But since print products still hold numerous advantages over digital formats, the CPH Group remains confident that supply and demand in the segment will balance out again in the medium term, albeit at a lower volume level. Thanks to its advanced manufacturing machinery, its efficient production processes and its sustainable and almost carbon-neutral quality paper products, the CPH Group has established itself as a reliable partner within the paper market.

### 3.4 Global presence

With eleven of its own production sites, the CPH Group has a presence in Europe, Asia and North and South America. The broad geographical spread enables full use to be made of locational advantages within the countries concerned, while also lowering currency movement risks.

The international customers of the CPH Group attach great value to the local links and assistance that such geographical distribution provides, and also appreciate the shorter and more direct communications channels. Maintaining such a local presence is essential if the Group is to swiftly and effectively respond to customer wishes and needs. The resulting shorter transport journeys also help tangibly reduce the environmental impact of business operations. A local presence further lays a firm foundation for lasting customer relations that are based on trust and respect. In addition to its experienced local distribution and service specialists in its main markets, who are well familiar with local customs and culture, the CPH Group can also draw on a comprehensive network of distribution partners in all its target markets.

### 3.5 A consistent branding policy

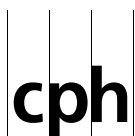
#### Corporate brands

The CPH Group pursues a clear branding policy. At the corporate level the Group maintains five brands, which are aimed at differing markets and target groups. CPH Chemie + Papier Holding ('CPH'), the Group's holding company, is not operationally active, but serves as the industrial conglomerate's umbrella brand towards its various stakeholders.

The Group's three business divisions operate under their trademarked corporate brands of 'Zeochem', 'Perlen Papier AG', 'Perlen Packaging' and 'APS Altpapier Service Schweiz AG'. The Group's corporate brands enjoy outstanding acceptance and high familiarity in their target markets, where they are bywords for both innovation and tradition. Perlen Papier has been operating since 1873. The Packaging Division has been trading under its Perlen Packaging brand since 2010. The Zeochem brand has been used since 1979, and originated at the Chemistry Division's US operation.

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## The corporate brands of the CPH Group



ZEOCHEM®



### **Product brands**

The Group's various companies maintain a product brand architecture that uses the same prefix to identify and assign products within each division. Thus, Zeochem's product names generally begin with 'Zeo-' (such as Zeoprep), Perlen Papier's are prefixed 'Perlen-' (such as Perlentop) and Perlen Packaging's product names begin with 'Perla-' (such as Perlalux). The product names are also registered as trademarks wherever possible, to protect them from counterfeiting activities.

### **4 An over 200-year-old history**

It was back in 1818 that the Schnorf brothers started producing sulphuric acid and iron and copper sulphates in Uetikon by Lake Zurich. In 1881 the Schnorf family acquired a financial interest in the Perlen paper factory, expanding into a related field within the chemical-technical process industry. By around 1900, the Uetikon chemicals factory had become Switzerland's biggest producer of hydrochloric acid, sulphuric acid and nitric acid.

1962 saw the creation of the packaging operation in Perlen, which went on to specialize in plastic coatings. Zeochem, which makes up today's Chemistry Division, was founded in the USA in 1979.

The last 15 years have been marked by international expansion and market cultivation, with new companies founded, others acquired and production plants established in Germany, China, Bosnia and Herzegovina and Brazil, together with the closure of the original Uetikon site.

Continuity is assured through the Group's holding company's anchor shareholders, who are among the present-day descendants of the founding families. Further details on CPH's history will be found at <https://cph.ch/en/the-cph-group/history>.

### **5 Attractive to investors**

#### **Megatrends drive value**

The three business divisions of the CPH Group are all aligned to the long-term megatrends of healthcare, energy and the circular economy. The Group's business model is based on a diversification into differing industrial activities that helps partially smooth out the varying fluctuations and cycles within its target markets. The Group seeks to achieve organic volume growth over the medium term of at least 3% a year by specifically positioning itself in growth markets in both product and geographical terms.

#### **Success through constant innovation**

The CPH Group invests constantly in developing new products and solutions and further enhancing its processes, to ensure it is and remains a market leader with the activities of its Chemistry and Packaging divisions and a cost leader in its Paper Division's production. To generate further added value for its customers, the Group also operates development centres in Switzerland, Germany and the USA.

### **An outstanding track record**

The members of CPH's Board of Directors and Group Executive Board are entrepreneurially minded individuals with a broad range of skills and expertise. They can draw on many years of management and industry experience, and are well familiar with the specific cycles and challenges in the various markets of the CPH Group.

The Group is further backed by anchor shareholders from among the descendants of the founding families, who maintain a long-term outlook and perspective that strongly colours the Group's overall business approach and philosophy and who are represented by the Chairman of the Board of Directors.

### **A sound financial foundation**

With its firm focus on efficiency enhancements, its consistent alignment of its business portfolio to market needs and demand and its annual operational investments of between CHF 20 and 25 million, the CPH Group aims to achieve an annual EBITDA margin of more than 12%. With an equity ratio of over 50% and with net liquid assets, the Group is also in sound financial health.

The CPH Group maintains a consistent dividend policy with a dividend distribution – with due regard to free cash flow and consistency – of 25% to 50% of its net annual result. With one sole exception, the Group has awarded its shareholders a dividend every year since it was first listed on the Swiss Stock Exchange in 2001.

### **Sustainable success**

The CPH Group strives to achieve a positive impact on the environment with its product portfolio. More than half of its net sales are already earned through products that are of ecological benefit and that support the circular economy. The Group is constantly further improving its energy efficiency, too. It has reduced its carbon dioxide emissions by 80% over the past few years, despite the substantial international expansion of its Chemistry and Packaging divisions over the same period. The Group can also count on a diverse workforce all over the world – a diversity which is the foundation of its creativity, its innovation and its lasting success.

# Corporate Governance report

**Responsible corporate management in the interests of its customers, employees, shareholders and further interest groups is the foundation of the CPH Group's ability to sustainably create value through its business activities.**

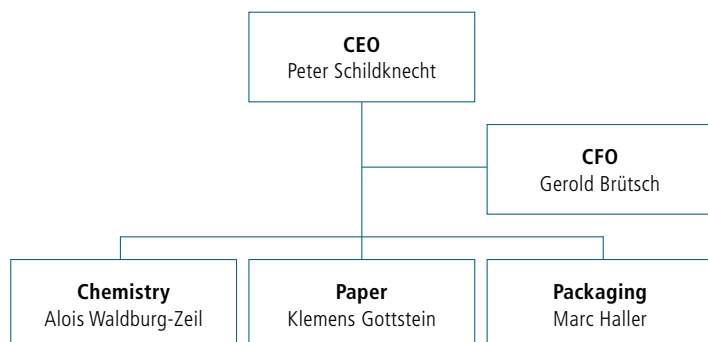
The CPH Group is internationally active in various markets and countries with various laws and regulations, all of which are rigorously observed. Impeccable business management, high ethical standards which are maintained in line with the Group's size and structure and responsible corporate governance that is aligned to the Swiss Code of Best Practices for Corporate Governance of Economiesuisse are essential to its long-term success. The foundation of its management is provided by the Guiding Principles, Articles of Incorporation and Organizational Regulations of CPH Chemie + Papier Holding AG and by the codes of conduct of the Group's constituent divisions, which are available for download at <https://cph.ch/en/investors/documentation/> under 'Articles of incorporation, regulations and descriptions of duties'.

## 1 Group structure and shareholders

### 1.1 Group structure

The CPH Group comprises the three business divisions of Chemistry, Paper and Packaging, which each act autonomously in their specific markets. The parent company CPH Chemie + Papier Holding AG is domiciled in Perlen/Root, Switzerland. A list of the subsidiaries included in the consolidated financial statements will be found in the notes thereto on Page 60. The CPH Group is headed by the Group CEO, while the divisions are headed by the Divisional CEOs. The Group Executive Board consists of the Group CEO, the Group CFO and the Divisional CEOs.

#### Organization chart as of 31.12.2022



CPH Chemie + Papier Holding AG is the only stock exchange-listed company of those consolidated. Its registered shares (securities number 162471, ISIN CH0001624714) are listed on the SIX Swiss Exchange. Its market capitalization as at 31 December 2022 amounted to CHF 468 million.

### 1.2 Significant shareholders

A total of 976 shareholders were entered in the Share Register as at 31 December 2022. These shareholders had the following numbers of shares:

Number of shareholders	31.12.2022
1 to 2 000 shares	824
2 001 to 20 000 shares	101
20 001 to 200 000 shares	48
More than 200 000 shares	3
<b>Total number of registered shareholders</b>	<b>976</b>

A total of 249 482 or 4.2% of the company's shares were not entered in the Share Register as at 31 December 2022.

The following significant shareholders with voting rights of more than 3% are known to the company:

	31.12.2022
Shareholders' group Swiss Industrial Finance AG, Zurich, Switzerland (14.8%) and Elly Schnorf-Schmid Foundation, Zurich, Switzerland (18.8%, up to 29.11.2022 Elly Schnorf-Schmid Estate, Zurich, Switzerland), represented by Peter Schaub, Uster, Switzerland	33.6%
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	6.6%

The two anchor shareholders Swiss Industrial Finance AG and the Elly Schnorf-Schmid Foundation have concluded a shareholders' agreement to ensure a stable shareholder base, and jointly hold 33.6% of all shares. Swiss Industrial Finance AG is owned by the family branch of Chairman of the Board of Directors Peter Schaub, who represents the shareholders' group.

Notifications of significant shareholders from the year under review and from previous years will be found on the website of the SIX Swiss Exchange (<https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>).

### 1.3 Cross-shareholdings

There are no cross-shareholdings with any other company.

## 2 Capital structure

### 2.1 Ordinary capital

The company's issued share capital amounts to CHF 1 200 000 and consists of 6 000 000 fully-paid-up registered shares each of CHF 0.20 nominal value.

### 2.2 Authorized and conditional capital

The CPH Group has no authorized or conditional capital outstanding.

### 2.3 Changes in capital

There were no changes in capital in the 2022 or the 2021 financial year. In the 2020 financial year the nominal value of the CPH Chemie + Papier Holding AG share was reduced from CHF 2.00 to CHF 0.20, with the reduction amount distributed to shareholders. This action reduced share capital from CHF 12 million to CHF 1.2 million.

### 2.4 Shares

The share capital of CHF 1.2 million consists of 6 000 000 fully-paid-up registered shares each of CHF 0.20 nominal value. Every voting registered share entered in the company's Share Register entitles its owner to one vote at the General Meeting. There are no transfer or voting right restrictions, except for those specified in Item 2.6 below.

### 2.5 Participation and dividend-right certificates

No participation or dividend-right certificates have been issued.

### 2.6 Limitations on transferability

Acquirers of registered shares are entered into the Share Register by the Board of Directors as shareholders with voting rights at the shareholder's request. The Board of Directors may refuse such entry if the shareholder does not expressly declare that the shares concerned have been acquired in their own name and at their own expense, or if they make any false statement. No further restrictions on share transferability are stipulated in the Articles of Incorporation.

### 2.7 Convertible bonds and options

The CPH Group has no convertible bonds outstanding and has issued no options to any persons within or outside the Group.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG comprises at least three members. No Board member is currently active with the company in an executive capacity or has been so in the last three years. As of 31 December 2022, the Board of Directors comprised six members.

	Board member since	Board function	Finance & Auditing Committee	Personnel & Compensation Committee
Peter Schaub <sup>1</sup>	1994	Chairman since 2010	Member	Member
Tim Talaat	1994	Deputy Chmn since 2015		Chair since 2020
Kaspar W. Kelterborn	2015	Member	Chair since 2015	
Claudine Mollenkopf	2021	Member		Member
Manuel Werder	2015	Member	Member	
Christian Wipf	2008	Member		Member

<sup>1</sup> Peter Schaub represents the Swiss Industrial Finance AG and Elly Schnorf-Schmid Foundation shareholders' group.

### 3.2 Professional background and other activities and functions

#### Peter Schaub

Peter Schaub, lic. iur., attorney-at-law, born in 1960 and a Swiss national, has been Chairman of the Board of Directors since 2010. He has been a partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich since 1994. He is Chairman of the Board of Directors of Scobag Privatbank AG, Basel, Chairman of the Board of Directors of Zindel Immo Holding AG, Chur, Chairman of the Board of Directors of Mobimo AG, Lucerne, Chairman of the Board of Directors of Swiss Industrial Finance AG, Zurich, Deputy Chairman of the Board of Directors of UBV Holding AG, Uetikon and a member of the Board of Directors of Rüegg Cheminée Holding AG, Zumikon. He serves as a member of the boards of directors of various further unlisted companies and as a trustee of various foundations.

He was previously a tax commissioner at the Cantonal Tax Office, Zurich (1990-1993) and a junior associate at the Schellenberg Wittmer law firm, Zurich (1987-1988).

#### Tim Talaat

Tim Talaat, MSEE and MBA, born in 1960 and a Swiss national, has been Deputy Chairman of the Board of Directors since 2015 and Chair of its Personnel & Compensation Committee since 2020. He is the majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon (which has no connection with Swiss Industrial Finance AG), Chairman of the Advisory Board of Single Group GmbH, Hochdorf (Germany) and a member of the Board of Directors of Bachofen AG, Uster.

He was previously CEO of Looser Holding AG, Arbon (2009-2015), Managing Partner at Swiss Industrial Finance AG, Pfäffikon SZ (2007-2009), CEO of SR Technics Switzerland (2003-2007) and a member of the SR Technics Group Executive Board, Zurich Airport (1996-2003).



**The Board of Directors as of 31 December 2022 (from left):** Tim Talaat, Manuel Werder, Peter Schaub, Claudine Mollenkopf, Christian Wipf and Kaspar W. Kelterborn.

#### **Kaspar W. Kelterborn**

Kaspar W. Kelterborn, lic. oec. HSG, born in 1964 and a Swiss national, has been Chair of the Finance & Auditing Committee since 2015. He is a member of the Board of Directors of Suhner Group AG, Lupfig, of RUAG International Holding AG, Bern and of Wipf Holding AG, Brugg, and is a trustee of the Conzzeta Pension Fund, Zurich.

He was previously interim CFO and a member of the Executive Committee of the dormakaba Group, Rümlang (2022), CFO and a member of the Executive Board of the Conzzeta Group, Zurich (2006-2021) and CFO and a member of the Executive Board of the Unaxis Group, Pfäffikon (2002-2005), and held various executive finance and controlling functions in and outside Switzerland for the Clariant Group, Muttenz between 1996 and 2002.

#### **Claudine Mollenkopf**

Claudine Mollenkopf, Dr. rer. nat., born in 1966 and a German and French dual national, has been Head of the Specialty Additives Division at Evonik Industries and a member of the Executive Board of Evonik Operations GmbH, Essen since 2022. She can draw on more than 25 years of experience in the chemicals industry.

She previously served as Senior Vice President and General Manager Silicas at Evonik Operations GmbH, Essen (2019-2022), as a member of the Executive Committee of Orion Engineered Carbons S.A., Luxembourg (2011-2019) and as President of Orion Engineered Carbons France SAS, Berre l'Étang (2018-2019), and she held various

further executive positions within the Evonik Group between 1996 and 2010.

#### **Manuel Werder**

Manuel Werder, lic. iur. and LL.M., attorney-at-law, born in 1974 and a Swiss national, has been a partner at the Niederer Kraft Frey AG law firm in Zurich since 2015. He is a member of the Board of Directors of UBV Holding AG, Uetikon, serves on the boards of directors of various further unlisted companies and is a trustee of several foundations.

He was previously a senior associate at Niederer Kraft Frey AG, Zurich (2010-2015), a secondee to Allende & Brea Abogados, Buenos Aires (2007-2008), an associate at Niederer Kraft Frey AG, Zurich (2004-2007) and a foreign associate at Fox Horan & Camerini LLP, New York (2002-2004).

#### **Christian Wipf**

Christian Wipf, lic. oec. HSG, born in 1957 and a Swiss national, is Chairman and Delegate of the Board of Directors of Wipf Holding AG, Brugg and chairman of the boards of directors of various subsidiaries within the Wipf Group.

He previously served as CEO of the Wipf Group, Brugg (1997-2020), as CEO of Wipf AG, Volketswil (2001-2007) and as a member of Executive Management at Seetal Schaller AG, Brugg (1991-1997), and held various executive functions at Philips AG, Zurich and at Philips Electronics Ltd, Montreal between 1982 and 1991.

### 3.3 Statutory provisions regarding the number of activities permitted under Swiss Code of Obligations Art. 626, Para. 2 (1)

Under Article 21 of the Articles of Incorporation of CPH Chemie + Papier Holding AG, members of the Board of Directors may hold up to 15 additional mandates, but no more than three such mandates may be at stock exchange-listed companies. The associated calculations do not include:

- mandates at legal entities which control or are controlled by the company;
- mandates at associations, foundations or staff welfare institutions, of which every Board member may hold up to five;
- mandates at joint ventures in which the company is involved but which it does not control, of which every Board member may hold up to five.

A mandate is regarded as any activity performed by a member of the Board of Directors in the top management or administrative bodies of legal entities that are obliged to enter themselves in the Commercial Register (or a corresponding register abroad) and that neither control nor are controlled by the company. Mandates at multiple legal entities which are under common control are regarded as one single mandate. No member of the Board of Directors holds more than the maximum number of external mandates specified in the Articles of Incorporation.

### 3.4 Election and term of office

The dates of first election of the individual Board members are stated in 3.1 above. In accordance with Article 13 of the Articles of Incorporation of CPH Chemie + Papier Holding AG, Board members are elected individually by the Annual General Meeting to serve for a one-year period. They may be re-elected. A Board member's mandate will end at the latest at the Annual General Meeting of the year in which their 70<sup>th</sup> birthday falls.

### 3.5 Internal organizational structure

The organization of the Board of Directors of CPH Chemie + Papier Holding AG is based on the law, the company's Articles of Incorporation and its Organizational Regulations. The last two of these are available (in German) on the CPH website at <https://cph.ch/en/investors/documentation/> (under "Articles of incorporation, regulations and descriptions of duties").

The Board of Directors meets as often as business demands, and at least five times a year. The Board is quorate as long as a majority of its members are present. Resolutions are passed by a simple majority of the votes cast. The chair also has a vote, and has a further casting vote in the event of a tie. The Board met eight times in 2022, for four full-day sessions, three half-day sessions and a two-day strategy meeting. Attendance was either in person or by video conference, in view of the coronavirus pandemic. All meetings were fully attended.

The Board's strategy meeting is devoted to strategic issues and the medium-term development of the Group and its divisions. The meeting is also attended by the entire Group Executive Board and – for specific topics – members of the divisional Executive Boards.

The Chairman of the Board or their deputy convenes Board meetings, chairs the discussions and ensures that appropriate minutes are kept thereof. The Chairman also represents the Board towards outside parties. The Chairman is the immediate superior of the Group CEO. Apart from the above, the Chairman has no special powers or authorities unless these are individually delegated to them by the Board of Directors or the urgency of a situation requires an immediate decision to be made.

The Board of Directors has created two permanent committees: Finance & Auditing and Personnel & Compensation. These committees each consist of at least three non-executive members of the Board of Directors. The members of the Finance & Auditing Committee meet at least three times a year, while the members of the Personnel & Compensation Committee meet at least twice a year. The committees take no decisions themselves: they primarily perform a preparatory and advisory function, in particular by helping the full Board to conduct its meetings more efficiently and to take swift and well-founded decisions.

### The Finance & Auditing Committee

The Finance & Auditing Committee consists of Kaspar W. Kelterborn (chair), Peter Schaub and Manuel Werder. The Group CEO and CFO also attend all committee meetings as permanent guests. The committee met for three half-day deliberations and conducted one telephone conference in 2022. All meetings were fully attended. The committee's tasks comprise in particular:

- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining their guidelines, quality standards and content
- monitoring the assessment of corporate risks and the Group's risk management practices
- monitoring the Group's investment and hedging policies
- monitoring the Group's Internal Control System (ICS) and assessing the effectiveness thereof
- monitoring the Group's business activities in terms of their observance and implementation of board resolutions, company policy principles and directives and the relevant legal provisions, particularly those relating to stock exchange law
- assessing the work, performance, independence and remuneration of the external group and statutory auditors and making recommendations on the election of the same to the Board of Directors and the Annual General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditors' recommendations
- monitoring the Group's real-estate strategy.



### **The Personnel & Compensation Committee**

The Personnel & Compensation Committee comprises Tim Talaat (chair), Claudine Mollenkopf, Peter Schaub (except for matters regarding his own compensation) and Christian Wipf. The committee held five half-day meetings in 2022, two of them as videoconferences. The Group CEO also attends all committee meetings as a permanent guest, unless his own compensation or other topics relating to him are being discussed. With one exception, all such meetings were attended by all committee members. The committee's tasks comprise in particular:

- devising guidelines for the CPH Group's compensation and benefit policy (in particular the compensation principles for the Board of Directors and the Group Executive Board) on behalf of the Board of Directors
- submitting proposals for the compensation of the Board of Directors to the full Board
- assessing the performance of the Group CEO and the further members of the Group Executive Board and their achievement of their annual targets, and submitting corresponding proposals for the fixed and variable compensation of the same to the full Board of Directors
- monitoring the implementation of the CPH Group's personnel and compensation policies along with groupwide salary developments
- making recommendations to the full Board of Directors on elections to its ranks and the appointment of a new Group CEO and/or further members of the Group Executive Board, and on their terms and conditions of employment.

### **3.6 Definition of areas of responsibility**

In accordance with Article 716a of the Swiss Code of Obligations, the Board of Directors has certain non-transferrable and inalienable duties. The authorities of and the collaborations between the Board of Directors, its committees and the Group Executive Board are laid down in the Organizational Regulations, which will be found (in German) at <https://cph.ch/en/investors/documentation/> under 'Articles of incorporation, regulations and descriptions of duties'. The Board of Directors has the following group-level duties:

- to determine the Guiding Principles and general corporate policy
- to determine the group structure, group policy, group objectives and general group strategy and define the strategic growth areas
- to formulate targets for operational key performance indicators, financing policy and investment returns
- to assign resources and decide on the use of funds within the Group
- to appoint the boards of directors of subsidiary companies
- to approve strategic collaboration agreements concluded by Group companies among themselves or with other companies
- to decide on entry into or withdrawal from key business segments
- to appoint and dismiss members of the Group Executive Board
- to exercise supervisory authority over the group's management, particularly with regard to the observance of laws, the Articles of Incorporation, regulations and directives and the adoption of actions resolved

- to determine the remuneration principles for and the remuneration of the members of the Group Executive Board
- to assess the risk management system and business risks.

For the business divisions, the Board of Directors has the following duties:

- to determine divisional objectives and divisional strategies
- to decide on the establishment or closure of operating sites and branch business operations.

### **3.7 Reporting and controlling tools vis-à-vis the Group Executive Board**

The Chairman of the Board of Directors is in regular contact with the Group CEO to support them in their performance of their duties and their implementation of business strategy. The Board of Directors supervises the Group Executive Board through structured reporting and controlling processes. The Board of Directors receives a comprehensive monthly written report on current business trends, financial results, market developments, emerging risks and other key events. The Group CEO also reports on the latest business trends and performance and all further issues of relevance to the Group at every Board of Directors' meeting.

### **Risk management**

Being internationally active, the CPH Group is exposed to various financial and non-financial risks that are inseparably linked with its business activities. These risks are defined in the broadest sense as the danger that financial, operational or strategic objectives may not be achieved as planned. To ensure the Group's long-term success, therefore, it is essential to effectively identify such risks, to analyze them and to eliminate or reduce them through appropriate steering and management actions.

### **Assessment of significant risks at the end of 2022**

The significant risks identified for the CPH Group as of the end of 2022 included the energy shortages in Europe, geopolitical risks, inflation (and the associated rising input costs), IT systems security and changes in the market environment as a result of both economic trends and developments in the competitive environment (including declining demand for paper products). Actions have been defined to reduce these and other risks, and such actions are being taken in close coordination with the strategic objectives of the Group and its three divisions.

### **Financial risk management**

By virtue of its business activities, the CPH Group is particularly exposed to financial risks such as currency risks, credit risks, liquidity risks and interest rate risks. Its overarching risk management is focused on the unforeseeability of developments on the financial markets, and is geared to minimizing any potential negative impact thereof on the Group's financial health. Risk management is performed by the

Group's Finance Department, in accordance with the guidelines approved by the Board of Directors. These specify the use of derivatives and the handling of currency risks, interest rate risks and credit risks. These guidelines are binding for all Group companies. The table below provides an overview of the financial risks, together with their description and their management.

### Risk management organization

Financial and operational risk management are conducted within the Group in accordance with the principles and the guidelines laid down by the Board of Directors and the Group Executive Board. The group and statutory auditors support the Board of Directors and its Finance & Auditing Committee by verifying the existence of the Group's Internal Control System (ICS) in the course of their performance of their legal mandate.

### Risk management principles

The Group's risk management principles guide the regular assessment of operational and strategic business risks, the hedging of currency, interest rate, credit and liquidity risks and the Internal Control System (ICS). Guidelines have also been established for the management of liquid funds and for loan procurement activities.

### Risk overview

The regularly identified and analyzed risks are summarized in an annual Risk Report which is submitted to the Board of Directors. The significant business risks are also defined in a detailed risk catalogue and a risk matrix and are assessed in terms of their likelihood of occurrence and their damage potential, and appropriate action is determined to minimize the same. Insurance coverage is also annually appraised.

### Reporting

Reports are submitted annually to the Board of Directors and the Group Executive Board on the Group's risk management. Strategic and operational risks are recorded. Any extraordinary incidents are reported immediately to the Board of Directors. In the Board's opinion, with the risk management established, the actions required have been taken to ensure the CPH Group's future development, although the possibility can never be excluded of unforeseen risks arising as a result of special circumstances or uncertainties.

### Financial risks overview

Risk	Description	Management
Currency risks	Being internationally active, the CPH Group is subject to currency risks that can impact on operating and financial results and on group equity. The euro and the US dollar are the Group's main foreign currencies.	<ul style="list-style-type: none"> <li>– Wherever possible, the payment flows within the Group's divisions are naturally hedged by procuring goods in the same currency in which products are sold.</li> <li>– Currency risks are reduced through the use of derivative financial instruments.</li> <li>– Foreign currency risks relating to the carrying values of the net assets of subsidiaries outside Switzerland or to translations of the results of such subsidiaries are not currently hedged.</li> </ul>
Interest rate risks	Interest rate risks may arise through changes to future interest payments as a result of fluctuations in market interest rates and through interest-related risks arising from changes in market value.	<ul style="list-style-type: none"> <li>– The CPH Group has no significant variable-interest assets or liabilities that would be substantially impacted by major changes in the interest rate environment.</li> </ul>
Credit risks from business operations and financial transactions	Credit risks consist in the possibility of suffering financial loss should a customer or counterparty fail to fulfil their contractual obligations. Credit risks may derive from receivables, financial investments, credit balances with financial institutions, securities held and/or derivative financial instruments.	<ul style="list-style-type: none"> <li>– Regular monitoring of independent ratings of financial institutions.</li> <li>– Further reduction of any risks to liquid funds by ensuring that the funds concerned are maintained not at a single bank but at multiple financial institutions.</li> <li>– Reducing cluster risks for receivables and financial assets by maintaining a broad geographical spread and large numbers of customers.</li> <li>– Monitoring the creditworthiness of customers through past experience and specific checks.</li> </ul>
Liquidity risk	A liquidity risk derives from the possibility of being unable to meet financial obligations when these become due for payment.	<ul style="list-style-type: none"> <li>– Prudent liquidity management includes retaining adequate reserves of liquid funds and permanently monitoring these, and maintaining credit line options.</li> </ul>



**The Group Executive Board as of 31 December 2022 (from left):** Marc Haller, Gerold Brüttsch, Peter Schildknecht, Klemens Gottstein and Alois Waldburg-Zeil.

## 4 The Group Executive Board

### 4.1 Members of the Group Executive Board

As of 31 December 2022 the Group Executive Board comprised:

Name	Function	Held since
Dr. Peter Schildknecht	Group CEO	2009
Gerold Brüttsch	Group CFO	2022
Dr. Alois Waldburg-Zeil	Head of Chemistry	2010
Klemens Gottstein	Head of Paper	2012
Marc Haller	Head of Packaging	2022

### 4.2 Professional background and other activities and functions

#### Peter Schildknecht

Peter Schildknecht, Dr. sc. techn., born in 1962 and a Swiss national, joined CPH in 2008 and has been Group CEO since 2009. He is a member of the Board of Directors of Renergia Zentralschweiz AG, Root, a member of the Board of Directors of Kowema AG, Rotkreuz, a member of the Board of Directors of Buss AG, Pratteln and Deputy Chairman of the Board of the Central Switzerland Chamber of Industry & Commerce (IHZ), Lucerne.

From 2001 to 2007 he was a member of the Group Executive Board of Sarna Kunststoff Holding AG, Sarnen and led various group divi-

sions, most latterly Sarnafil. From 1995 to 2001 he held various functions in the Von Roll Group, including CEO of Von Roll Betec AG and Head of Industrial Services and serving as a member of the Executive Board at Von Roll Infratec Holding AG, Bern.

#### Gerold Brüttsch

Gerold Brüttsch, B.Sc. in Business Administration, Swiss Certified Accountant and US Certified Public Accountant, born in 1966 and a Swiss national, has been Group CFO since 2022.

He served as Group CFO, Deputy CEO and Head of the Corporate Center of Starrag Group Holding AG, Rorschacherberg from 2000 to 2021. Prior to this he was CFO in charge of finance, controlling, IT and administration at Müller Martini Bookbinding Systems, Felben-Wellhausen from 1997 to 1999; and he served as an audit and consulting manager with KPMG in Zurich and San Francisco from 1990 to 1997.

#### Alois Waldburg-Zeil

Alois Waldburg-Zeil, Dr. iur., born in 1963 and an Austrian national, joined the CPH Group as Head of Chemistry in 2010. He is a member of the Board of Directors of Canexis Pharma AG, Schlattingen.

Between 1997 and 2009 he held various management functions with the Süd-Chemie Group (which is now part of Clariant), including Head of the General Secretariat and Public Relations, Sales Manager EMEA, Global Financial Manager for Süd-Chemie Performance

Packaging in Paris (France), CEO of Süd-Chemie UK in Manchester (UK) and CEO of Süd-Chemie Zeolites GmbH in Bitterfeld (Germany). Prior to this, from 1993 to 1997, he served as an auditor with KPMG.

#### **Klemens Gottstein**

Klemens Gottstein, industrial engineer, paper manufacturer and MBA, born in 1961 and a German national, joined the CPH Group as Head of Paper in 2012. He is also a member of the Board of EURO-GRAPH, the European Association of Graphic Paper Producers, Brussels.

Between 1989 and 2011 he held various functions at the Myllykoski Group including HR Director, General Manager of the Dachau and Ettringen works and Director of Business Development for Coated Papers. Most latterly he served as Executive Vice President Operations and a member of the Executive Board of Myllykoski Europe, with responsibility for its six European plants and Human Resources Europe.

#### **Marc Haller**

Marc Haller, FH Diploma in Business Administration and Executive MBA, born in 1970 and a Swiss national, joined the CPH Group as Head of Packaging in 2022.

Between 2007 and 2020 he held various executive functions within the Sulzer corporation, and was a member of the Sulzer Management Group. From 2016 to 2020 he was a member of Applicator Systems Divisional Management and CEO of Sulzer Mixpac AG, Haag; from 2014 to 2016 he served as Senior Vice President Strategy & Business Development at Sulzer Chemtech AG, Winterthur; and from 2007 to 2013 he was Global Head of Sales & Marketing at Sulzer Mixpac AG, Haag. From 2000 to 2007 he served as Head of Sales & Marketing at Plaston AG, Widnau.

#### **4.3 Statutory provisions regarding the number of activities permitted under Swiss Code of Obligations Art. 626, Para. 2 (1)**

Under Article 21 of the Articles of Incorporation of CPH Chemie + Papier Holding AG, members of the Group Executive Board may hold up to five additional mandates, but no more than one such mandate at a stock exchange-listed company. Such calculations do not include:

- mandates at legal entities which control or are controlled by the company;
- mandates at associations, foundations or staff welfare institutions, of which every Group Executive Board member may hold up to five;
- mandates at joint ventures in which the company is involved but which it does not control, of which every Group Executive Board member may hold up to five.

A mandate is regarded as any activity performed by a member of the Group Executive Board in the top management or administrative bodies of legal entities that are obliged to enter themselves in the Commercial Register (or a corresponding register abroad) and that

neither control nor are controlled by the company. Mandates at multiple legal entities which are under common control are regarded as one single mandate. No member of the Group Executive Board holds more than the maximum number of external mandates specified in the Articles of Incorporation.

#### **4.4 Management contracts**

No management contracts have been concluded with companies or natural persons outside the CPH Group.

#### **5 Compensation, shareholdings and loans**

The compensation and shareholdings of the members of the Board of Directors and the Group Executive Board, and the responsibilities and procedures for determining these, are specified in the remuneration report of this Annual Report, from Page 40 onwards.

#### **6 Shareholders' rights**

##### **6.1 Voting right restrictions and representation**

Every CPH Chemie + Papier Holding AG registered share entitles its holder to one vote at the company's General Meeting. There are no voting right restrictions.

In accordance with Article 9 of the Articles of Incorporation, any shareholder may be represented at a General Meeting by means of a written proxy issued either to another person or to the independent shareholders' representative. The company's shareholders may provide the independent shareholders' representative with their proxy for any General Meeting, either in writing or by means of the Sherpany platform ([www.sherpany.com](http://www.sherpany.com)).

##### **6.2 Voting procedures**

Unless otherwise required by law, the General Meeting passes resolutions and conducts elections by a majority of the votes cast. Abstentions, voting ballots submitted blank and invalid votes are not counted in such calculations. In accordance with Article 12 of the Articles of Incorporation, all such votes and elections are open, unless the meeting chair or any other attendee demands a secret ballot.

##### **6.3 Convocation of the General Meeting**

In accordance with Article 10 of the Articles of Incorporation, a General Meeting is convened by written letter to the shareholders or by announcement in the Schweizerisches Handelsamtsblatt (Swiss Official Gazette of Commerce). This invitation must be extended at least 20 days in advance of the meeting. The invitation will include the meeting agenda and the proposals and recommendations of the Board of Directors and of any shareholders who have demanded the convocation of a General Meeting or have submitted an agenda item (as permitted under Article 699, Paragraph 3 of the Swiss Code of Obligations).

## 6.4 Submission of agenda items

In accordance with Article 4 of the Articles of Incorporation, any request by a shareholder for an item's inclusion on a General Meeting agenda must be submitted to the Board of Directors in writing at least 60 days in advance. Subject to the provisions for General Meetings at which all shareholders are represented in full, no resolution may be passed by a General Meeting on any matter not communicated in this way.

## 6.5 Entry in the Share Register

In accordance with Article 9 of the Articles of Incorporation, all shareholders entitled to attend a General Meeting and exercise their share voting rights thereat must have been accordingly entered in the Share Register in advance of the General Meeting concerned by a cutoff date specified by the Board of Directors.

## 7 Change of control and defence measures

### 7.1 Obligation to make an offer

In accordance with Article 6 of the Articles of Incorporation, any acquirer of CPH shares whose total shareholding thereby exceeds a legally prescribed ownership threshold is not obliged to make a public takeover offer as specified in the Swiss Financial Market Infrastructure Act ('opting-out' clause).

### 7.2 Change-of-control clauses

There are no change-of-control clauses.

## 8 Auditors

### 8.1 Mandate duration and term of office of auditor in charge

PricewaterhouseCoopers AG, Zurich (PWC) has been the statutory and group auditor of the CPH Group since 1971. Thomas Illi has been the auditor in charge since 2016. In accordance with Article 730a, Paragraph 2 of the Swiss Code of Obligations, a new auditor in charge is designated every seven years.

### 8.2 Auditing and other fees

The following auditing and other fees were paid in the 2021 and 2022 financial years:

in CHF thousands	2022	2021
Audit fees	406	372
Other fees	26	60
<b>Total fees to PWC</b>	<b>432</b>	<b>432</b>

Audit fees are the amounts paid for the services provided each year to give an opinion on the consolidated financial statements and compile reports on the financial statements of Group companies required under local law. Other fees are the amounts paid for other services.

### 8.3 Information instruments pertaining to the external audit

The work, performance, independence and remuneration of the external auditors are assessed by the Finance & Auditing Committee, which approves the audit plan, processes the audit reports and oversees the adoption of the external auditors' recommendations.

The Finance & Auditing Committee submits an annual report on these activities to the full Board of Directors. In 2022 representatives of the auditors attended all the meetings of the Finance & Auditing Committee for those agenda items which concerned them.

## 9 Information policy

### 9.1 Information tools

The CPH Group maintains an open communications culture towards its employees, its shareholders and the public. The Group publishes an Annual Report as of 31 December and a Half-Year Report as of 30 June. The printed Annual Report is sent directly to all shareholders. Copies can be ordered at <https://cph.ch/en/investors/documentation/> on the CPH website.

Written company communications to shareholders as required by law are sent to the most recent address provided in the Share Register for the shareholder or their proxy for such communications.

The 'Investors' section of the CPH website at <https://cph.ch/en/investors/> offers full information for shareholders and investors such as the calendar of coming financial events, key company figures and the current CPH share price. Contact details are also provided in the form of the [info@cph.ch](mailto:info@cph.ch) email address, via which further information about the CPH Group can be obtained. Interested parties can also register on the website at <https://cph.ch/en/investors/ir-contacts> to automatically receive CPH Group email communications. All the company's ad-hoc announcements are made immediately available at <https://cph.ch/en/media/ad-hoc-announcements-pursuant-to-art-53-lr/> and all further media releases issued are provided at <https://cph.ch/en/media/media-releases/> upon their publication. An analysts' and media conference is also held for the publication of the Group's annual results.

Information on the CPH Group's three business divisions will be found on their individual [zeochem.com](http://zeochem.com), [perlen.ch](http://perlen.ch) and [perlenpackaging.com](http://perlenpackaging.com) websites. The Chemistry Division also created a new [www.zeotope.com](http://www.zeotope.com) website for its deuterated products in the course of 2022. The companies of the CPH Group further maintain their own LinkedIn social media profiles at:

- [linkedin.com/company/cph-chemie-papier-holding-ag/](https://linkedin.com/company/cph-chemie-papier-holding-ag/)
- [linkedin.com/company/zeochemllc](https://linkedin.com/company/zeochemllc)
- [linkedin.com/company/perlen-papier-ag/](https://linkedin.com/company/perlen-papier-ag/)
- [linkedin.com/company/perlen-packaging/](https://linkedin.com/company/perlen-packaging/)

## 9.2 Information for shareholders

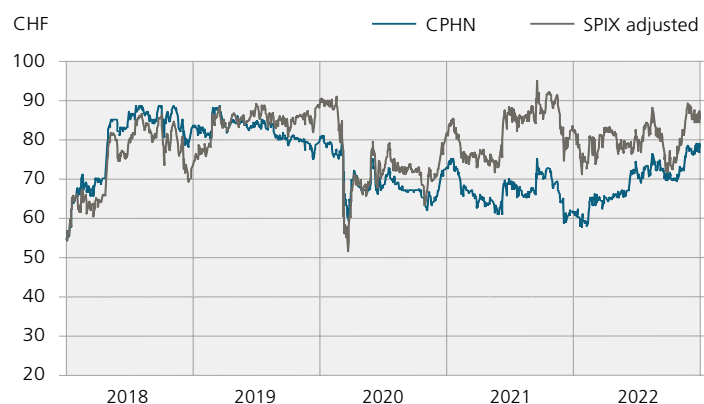
The CPH share, which is listed on the SIX Swiss Exchange, closed at a price of CHF 78.00 on 30 December 2022, compared to CHF 61.00 at the end of the previous year. At +27.9% the performance of the CPH share in 2022 was above that of the market in general, where the Swiss Performance Index Price (SPIX) declined by 18.7%.

### Share information

Listed on	SIX Swiss Exchange
Securities number	162 471
ISIN	CH0001624714
Reuters symbol	CPH.S
SIX symbol	CPHN

### The CPH share price 2018-2022

Compared to the SPIX in CHF



### Share statistics

in CHF	2022	2021	2020	2019	2018
<b>Share price as at 31 December</b>	<b>78.00</b>	<b>61.00</b>	<b>72.60</b>	<b>79.20</b>	<b>82.50</b>
Share price, annual high	78.80	75.40	80.80	88.50	89.00
Share price, annual low	56.20	58.20	57.00	74.00	54.00
<b>Price-earnings ratio as at 31 December</b>	<b>4.6</b>	<b>-2.4</b>	<b>9.3</b>	<b>9.8</b>	<b>11.7</b>
<b>Earnings per share</b>	<b>16.83</b>	<b>-25.26</b>	<b>7.82</b>	<b>8.06</b>	<b>7.05</b>
Dividend per share	4.50 <sup>1</sup>	1.30	1.80	1.80	1.80
Shareholders' equity per share	66.37	51.52	78.45	73.29	67.58
<b>Dividend yield</b>	<b>5.8%</b>	<b>2.1%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>2.2%</b>
Number of issued registered shares	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
<b>Market capitalization (in CHF millions)</b>	<b>468</b>	<b>366</b>	<b>436</b>	<b>475</b>	<b>495</b>

<sup>1</sup> Board of Directors' proposal to Annual General Meeting of 14 March 2023

### 9.3 Information for bondholders

CPH had a CHF 100 million corporate bond with a coupon of 2.00% and a maturity in October 2023 outstanding at the end of 2022. The bond, which is listed on the SIX Swiss Exchange, closed at CHF 100.00 on 29 December 2022, compared to CHF 101.91 at the end of the previous year.

CHF bond	CPH 18-23
Issued by	CPH Chemie + Papier Holding AG
Listed on	SIX Swiss Exchange
Securities number	43467836
ISIN	CH0434678360
SIX symbol	CPH18
Trading currency	CHF
Nominal volume	CHF 100 million
Issue price	100.00
Coupon	2.00%
Denomination	CHF 5 000
Annual coupon payment	12 October
Issue date	12 October 2018
Maturity	12 October 2023
Redeemable	No
Credit rating by rating agency	None

### 9.4 Investor relations agenda

21 February 2023	Publication of the 2022 Annual Report; media conference & investors' meeting
14 March 2023	Annual General Meeting
20 July 2023	2023 Half-Year Report
26 September 2023	CPH Group Investors' Day
20 February 2024	Publication of the 2023 Annual Report; media conference & investors' meeting
20 March 2024	Annual General Meeting

### 9.5 Investor relations contact

Gerold Brüttsch, CFO  
CPH Chemie + Papier Holding AG  
CH-6035 Perlen  
Phone: +41 41 455 8000  
Email: investor.relations@cph.ch

### 10 General blackout periods

Members of the CPH Board of Directors and Group Executive Board and all CPH employees and external parties involved in the compilation and publication of the annual and half-year accounts and financial statements may not trade any securities whose value is significantly determined by developments in the CPH share price from 1 December at the latest and from 1 June at the latest respectively before and until 48 hours after the publication of the financial results concerned. Special blackout periods may be additionally imposed for particular projects. The provisions of the 'Regulations concerning disclosure of management transactions and prohibition of insider trading', which are available (in German) for download on the CPH website at <https://cph.ch/en/investors/documentation/> under 'Articles of Incorporation, regulations and descriptions of duties', shall also apply.

# Remuneration report

## The remuneration report details the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and Group Executive Board and their amounts in 2022.

### 1 Remuneration and general information

The CPH Group is an attractive employer with well-qualified and high-performing personnel who are remunerated in line with market levels. CPH views such remuneration as a combination of a fixed and a variable salary component. The amount of each individual's remuneration and the components thereof are set by regularly reappraising the current classification of each function, benchmarking the remunerations awarded and comparing these to market rates (see also the details for the Board of Directors and the Group Executive Board). Any proposed changes to the remuneration of the Group CEO or further Group Executive Board members are submitted to the Board of Directors for approval by its Personnel & Compensation Committee, with due reference to the market comparisons conducted.

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to each member of the Board of Directors. The Committee also informs the other Board members at the next Board meeting of the topics it has discussed and the background to any proposals or recommendations submitted. The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Five such meetings were held in 2022, two of them in the form of videoconferences.

The members of the Personnel & Compensation Committee are elected individually by the Annual General Meeting to serve for one year. For details of the Committee's present composition and prime duties and responsibilities, see the Corporate Governance section.

The structure and amounts of the remuneration paid for certain functions are externally benchmarked every three years. The remuneration paid to the members of the Group Executive Board and the Divisional Managements was analyzed by an external company in 2022. Three benchmark groups were created. Group I consisted of Swiss-based internationally active industrial companies of comparable size (such as Huber + Suhner, Feintool, Burckhardt, Aluflexpack and Vifor). Group II consisted of Swiss-based industrial companies active in Switzerland in comparable industrial sectors, i.e. paper, packaging and chemistry (such as Ems, Dottikon, Vetropack and Gurit). Group III comprised international subsidiaries (including those of companies in Groups I and II) based in China, Germany, the USA, Brazil and Bosnia and Herzegovina. The findings of these analyses in terms of the structure and

the amounts of the remuneration paid will be channelled into remunerations for 2023. A benchmark analysis was also conducted in 2022 of the amounts paid for the various functions within the Board of Directors. The findings here will be channelled into the corresponding remuneration from the 2023 Annual General Meeting onwards.

The proposals on the maximum aggregate remuneration for the Board of Directors and the Group Executive Board are prepared by the Board of Directors' Personnel & Compensation Committee, appraised by the Board and submitted to the General Meeting for approval. Should the proposal be rejected, the Board may submit a new proposal. Should this also be rejected, an Extraordinary General Meeting should be convened within three months, or the Board may submit such remuneration for retrospective approval at the next Annual General Meeting.

The Group CEO has a notice period of 12 months, while the further Group Executive Board members have a notice period of six months. There are no contractual agreements for severance payments. CPH has occupational pension schemes for its employees in Switzerland. There are no additional insurance arrangements for Group Executive Board members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system was unchanged in 2022.

### Variable remuneration (short-term incentive or STI)

Individual performance influences the total remuneration awarded to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved. This is remunerated via a variable salary component or short-term incentive (STI). For each function, a target variable remuneration is defined which is paid if the targets concerned are achieved in full. The actual variable remuneration paid is based on the degrees to which such targets are met, with the maximum remuneration payable amounting to 150% of the target set. The gradations between the bottom and top variable remuneration payment limits of 0% and 150% may be linear or stepped: the details are determined in the annual target-setting process. For 2022, linear gradations between the three benchmarks of 0%, 100% and 150% were adopted for all the personnel concerned.

### Share ownership plan (long-term incentive or LTI)

The Articles of Incorporation of CPH Chemie + Papier Holding AG permit the use of long-term incentives (LTIs), particularly in the form of employee share ownership plans. An employee share ownership plan exclusive to the members of the Group Executive Board was introduced in 2020 in the form of a restricted stock plan. The shares concerned are bindingly assigned to their beneficiaries at the time they are awarded, but are then subject to a three-year vesting period. During this period the shares concerned are not subject to any further performance or results criteria, and their value varies solely on the basis of the corresponding stockmarket prices. For beneficiaries



joining or leaving the Group Executive Board in the course of a year, the corresponding shares are assigned on a pro rata basis.

The award price of such shares is the arithmetic mean of the closing prices of the CPH Chemie + Papier Holding AG share for the 15 consecutive calendar days immediately before and immediately after the publication of the annual results for the business year concerned.

The number of shares awarded to each Group Executive Board member is based on their individual LTI target amount. The shares required for such awards are acquired by CPH Chemie + Papier Holding AG each year on the equities market. The shares are awarded in annual tranches, immediately after their award price has been set following publication of the corresponding annual results. Such shares carry voting and dividend rights from the date of their award.

The shares of each annual tranche are entirely at their holder's disposal after the conclusion of their three-year vesting period, which is designed to ensure that all the members of the Group Executive Board maintain a minimal shareholding in the company.

The numbers of shares awarded should be linked to performance and results criteria from 2023 onwards. Such criteria should be based on those already used to determine the degrees of target achievement for STI variable remuneration payments. The share ownership plan should also be extended by analogy to the members of the Executive Boards of the three business divisions.

#### **Remuneration of the Board of Directors**

The remuneration paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat daily allowance for any work beyond their normal meeting activities.

The remuneration paid to Board members is determined on the basis of comparisons with published data for comparable Swiss industrial companies whose shares are also listed on the SIX Swiss Exchange. The remuneration rates concerned are proposed to the full Board by its Personnel & Compensation Committee.

In accordance with Switzerland's 'VegüV' Ordinance against Excessive Remuneration in Listed Companies Limited by Shares and the correspondingly amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate amount payable as remuneration to the Board of Directors in the period between two Annual General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the 2015 Annual General Meeting. For specific remuneration payments, see Section 2 hereafter.

#### **Remuneration of the Group Executive Board**

The remuneration awarded to the members of CPH's Group Executive Board consists of a fixed and a variable (STI) component which are both paid in full in monetary form. Since 2020, Group Executive Board members have additionally received further remuneration in the form of company shares under an LTI programme. The STI variable remuneration paid depends on the degree to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic remuneration for the Group CEO and 50% thereof for the further Group Executive Board members.

The assessment of the performance of the members of the Group Executive Board for variable remuneration purposes is based on a specific target-setting process. These targets are set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Board members, while individual divisional and/or functional targets are set in the four further areas.

The achievement of the quantitative targets set for the financial results indicators of EBIT, operating cash flow and net working capital accounts for 60% of the variable remuneration, with the remaining 40% based on the achievement of the quantitative and qualitative targets set in the other four areas. The Heads of Divisions' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performances of the Group CEO and CFO are based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Board members (with financial results targets derived directly from agreed budget parameters). The Group CEO and the further Group Executive Board members may make target proposals, and the Group CEO may make proposals for the remuneration of the further Group Executive Board members. The latter have their achievement of their annual targets assessed by the Group CEO, who submits their resulting recommendations to the Board of Directors' Personnel & Compensation Committee, while the Group CEO's performance is assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each Group Executive Board member has achieved the targets set, together with recommendations on the individual variable remunerations to be paid. The final decision thereon is then taken by the Board of Directors in toto, with due regard to the maxima specified by the previous Annual General Meeting. Every Group Executive Board member receives the fringe benefit of a company car. Since the 2015 Annual General Meeting, in accordance with Switzerland's 'VegüV' ordinance and the correspondingly amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate fixed

and variable remuneration payable to the Group Executive Board have been approved by each Annual General Meeting for the following business year.

Any new members of the Group Executive Board who are appointed and assume their duties after the Annual General Meeting has approved the maximum aggregate Group Executive Board remuneration for the business year concerned may – under Article 22 of the Articles of Incorporation of CPH Chemie + Papier Holding AG – be paid an additional amount totalling (for all such new members) no more than 40% of this maximum aggregate amount.

The remuneration paid in 2022 to the members of the Board of Directors, the Group CEO (who received the highest total remuneration of any Group Executive Board member) and the further members of the Group Executive Board is shown in the tables in Section 2.

## 2 Remuneration paid to members of the Board of Directors and the Group Executive Board

This remuneration includes salaries, bonuses, credits, social security payments and occupational pension scheme contributions.

### Notes on the remuneration paid to the Board of Directors

The amounts shown are the remuneration paid for the year concerned, regardless of when such payment was made, i.e. they are presented on an accrual basis. All such remuneration is in monetary form. Members of the Board of Directors are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' social security contributions. The social security contributions shown separately include those of the employer.

With no changes to the composition of the Board of Directors or the remuneration system in the reporting period, the remuneration paid in 2022 was at the level of the prior year.

No remuneration was paid to any former members of the Board of Directors. No loans were made to any current or former Board members, and no such loans are outstanding.

### Remuneration paid to members of the Board of Directors (audited)

in CHF thousands	Function	Finance & Audit Committee	Personnel & Compensation Committee	Fixed remuneration	Meeting fees Board committees	Social security contributions	Total remuneration
<b>2022</b>							
Peter Schaub	Chairman	Member	Member	319	-	19	339
Tim Talaat	Vice Chair		Chair	91	24	7	122
Kaspar W. Kelterborn	Member	Chair		91	24	7	122
Claudine Mollenkopf <sup>1</sup>	Member		Member	85	8	-	93
Manuel Werder	Member	Member		91	8	6	105
Christian Wipf	Member		Member	91	8	6	105
<b>Total Board of Directors</b>				<b>768</b>	<b>72</b>	<b>45</b>	<b>886</b>
<b>2021</b>							
Peter Schaub	Chairman	Member	Member	319	-	19	338
Tim Talaat	Vice Chair		Chair	91	24	7	122
Mauro Gabella <sup>2</sup>	Member		Member	23	2	1	26
Kaspar W. Kelterborn	Member	Chair		91	24	7	122
Claudine Mollenkopf <sup>1, 2</sup>	Member		Member	64	5	-	69
Manuel Werder	Member	Member		91	8	6	105
Christian Wipf	Member		Member	91	8	6	105
<b>Total Board of Directors</b>				<b>770</b>	<b>71</b>	<b>46</b>	<b>887</b>

<sup>1</sup> Not subject to Swiss social security contributions

<sup>2</sup> Mauro Gabella left the Board of Directors and Claudine Mollenkopf was newly elected thereto at the 2021 Annual General Meeting.

A maximum aggregate remuneration of the Board of Directors of CHF 0.93 million was approved for the period between the 2022 and the 2023 Annual General Meetings by the Annual General Meeting of 17 March 2022.

With the exception of the items and amounts shown under Note 31, 'Transactions with related parties' in the notes to the consolidated financial statements, no remuneration was paid to any parties related to any members of the Board of Directors. No loans were made to any such parties, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Board members.

#### Notes on the remuneration paid to the Group Executive Board

The variable remuneration shown for 2022 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2021 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2021 Annual Report. That remuneration could only be shown on the basis of the provisions made (on an accrual basis), however, whereas the table below shows the final amounts paid.

All such remuneration, both fixed and variable (STI), is in monetary form. The shares assigned to Group Executive Board members under the share ownership plan (LTI) are shown at their actual market value. This remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company

pension scheme and social security contributions shown separately include those of the employer. 'Further remuneration' relates to the private use of company cars and any long-service awards.

The higher variable remuneration paid in 2022 compared to the prior year is attributable to the CPH Group's better business results and the Group Executive Board's higher degree of achievement of the relevant performance targets – an average of 118.8%, compared to 96.4% in the prior year. In addition, owing to changes in personnel, the position of Group CFO was double-staffed for several months in 2021 and 2022, as was the position of Head of Packaging in 2022.

No remuneration was paid to any former Group Executive Board members. No loans were made to any current or former Group Executive Board members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Group Executive Board members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Group Executive Board members.

#### Remuneration paid to members of the Group Executive Board (audited)

in CHF thousands	Fixed remuneration	Variable remuneration (STI)	Share-based remuneration (LTI)	Pension and social security contributions	Further remuneration	Total remuneration
<b>2022</b>						
Peter Schildknecht, CEO	520	410	60	173	10	1 173
Other members of the Group Executive Board	1 328	514	150	359	55	2 406
<b>Total Group Executive Board</b>	<b>1 848</b>	<b>924</b>	<b>210</b>	<b>532</b>	<b>65</b>	<b>3 579</b>
<b>2021</b>						
Peter Schildknecht, CEO	520	370	60	178	8	1 136
Other members of the Group Executive Board	1 333	336	120	347	61	2 197
<b>Total Group Executive Board</b>	<b>1 853</b>	<b>706</b>	<b>180</b>	<b>525</b>	<b>69</b>	<b>3 333</b>

A maximum aggregate remuneration of CHF 3.50 million was approved for the 2022 business year by the Annual General Meeting of 18 March 2021. Use was also made of CHF 0.08 million of the additional 40% amount permitted under Article 23 of the Articles of Incorporation of CPH Chemie + Papier Holding AG, because the positions of Group CFO and Head of Packaging were both double-staffed for several months in spring 2022. The members of the Group Executive Board were definitively assigned a total of 3 345 shares with a three-year vesting period in 2022 (prior year: 2 682 shares) under their share-based remuneration. The resulting personnel expense at a share price on assignment of CHF 62.78 per share (prior year: CHF 66.80 per share) amounted to CHF 0.2 million (prior year: CHF 0.2 million).

# Report on the audit of the remuneration report

## Opinion

We have audited the remuneration report of CPH Chemie + Papier Holding 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' on pages 42 and 43 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 40 to 43) 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 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 Illi  
Licensed audit expert  
Auditor in charge



Josef Stadelmann  
Licensed audit expert

Zürich, 10 February 2023

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# Sustainability report

**The CPH Group aligns its business activities to the criteria of economic, ecological and social sustainability, and makes a key contribution to the circular economy.**

## 1 Strategy

In its sustainable value creation, the CPH Group distinguishes between the economic, the ecological and the social dimensions. The needs of the Group's various stakeholder groups are identified within its divisions under its integrated quality management system. Goals, actions and priorities are then defined in its sustainability strategy at the environmental, energy, quality and social levels.

The CPH Group is committed to continuous long-term development. The Group offers high-quality products and services that are designed to improve people's quality of life. Its employees ensure that the Group remains both innovative and competitive in its various target markets, and their safety and security, their health and their further training and development are all key priorities. Avoiding and reducing emissions, waste water and solid waste have been integrated into the planning within each business division for several years now. And Europe's high standards on the environmental, energy, quality and social fronts are consistently adopted at all the Group's business and operating locations.

Safety, security, environmental and quality issues are all entrusted to specially trained employees who report directly to top management. All investments are also thoroughly appraised to ensure that, within their overall objectives, adequate weighting is given to environmental and occupational safety considerations.

Paper, the biggest business division, is a pure recycling company that processes recovered paper into new newsprint and magazine paper. The Paper Division is Switzerland's biggest waste paper recycler, transforming several hundred thousand tonnes of waste paper that is collected predominantly within the country and around a hundred thousand tonnes of waste wood from sawmill and forest management operations into these new paper products. In doing so, the CPH Group makes a substantial contribution to saving wood resources, while also ensuring shorter journeys for the waste paper concerned and thereby reducing carbon dioxide (CO<sub>2</sub>) emissions.

The CPH Group has cut its CO<sub>2</sub> emissions by 81% in absolute terms and by 87% in proportion to its net sales over the past few years. This steep reduction has been primarily achieved by obtaining heating at the Perlen site from the Renergia waste incinerator, which has been built on adjacent land belonging to the CPH Group. Using this energy resource substantially reduces the Group's consumption of fossil fuels. According to the Ten Toes model of CEPI, the umbrella association of Europe's

paper industry, the carbon footprint of CPH's Paper Division is around a quarter of the size of those of its European competitors. Since 2021 the division has also offered its customers the option of fully offsetting the carbon emissions produced when manufacturing the paper they purchase by supporting a certificated reforestation project in Uruguay. Some 1 707 tonnes of paper were sold under this option in 2022, offsetting 350 tonnes of carbon dioxide emissions.

The Packaging Division primarily processes PVC into films which are largely combined with aluminium films to produce blister packs. To better meet the demands of the circular economy, the division is working on developing recyclable films that are easier on the environment. Perlen Packaging earned its second EcoVadis award for its sustainability management in 2022, putting it among the top 15% of companies so assessed.

## 2 Economic sustainability

The CPH Group has diversified its industrial activities into three separate business segments, in each of which it is one of the leading suppliers in the corresponding target markets. The Group strives to create long-term value for all its stakeholders by offering products and services that are tailored to such markets and their needs, along with interesting work opportunities and attractive shareholder returns. Further information on this will be found in the company profile from Page 24 onwards.

## 3 Ecological sustainability

The Paper Division has been compiling annual environmental audits that are structured in line with the Carbon Disclosure Project since 2015. The data this provides help the division to more effectively manage and further reduce its future carbon dioxide emissions.

### Carbon dioxide emissions

The CPH Group voluntarily sets its own goals to reduce its carbon dioxide (CO<sub>2</sub>) emissions which are substantially higher than those required by law. In view of this, its Perlen site holds carbon credits which it does not need itself and which can therefore be sold. Paper production, which is the biggest source of CO<sub>2</sub> emissions within the CPH Group, has been set an annual emissions reduction target of 2.2% by law between now and 2025 (previously 1.7%). This reduction rate will be newly set for the period thereafter. Since it more than met these legal requirements, the CPH Group was issued a net total of 96 000 carbon credits for 2021 in 2022, which it can freely dispose of.

As a result of the higher production volumes, total CO<sub>2</sub> emissions from the CPH Group's sites increased slightly in 2022 from the 15 900 tonnes of the prior year to 16 700 tonnes. Over the longer term, the Group has substantially reduced its carbon intensity: thanks to various actions over the past few years, CO<sub>2</sub> emissions per CHF million of net sales have been reduced by 87% since 2013, from 179 to 25 tonnes.

### Energy

The CPH Group's consumption of energy (primarily in the form of electricity and steam) declined by 0.9% in 2022 to 1221 gigawatt hours (GWh). Some 91% of all the Group's energy consumption was for its paper production.

The CPH Group procures its electricity on the liberalized market. The proportion of such electricity generated from fossil sources is of negligible size. Thanks to the energy sector's progressive transition to sustainable energies, renewable energy sources account for a growing proportion of the Group's energy supplies. Its German site consistently uses green electricity under its ISO 50001 energy management. And the two hydro plants which it owns and runs at the Perlen site cover around 3% of electricity needs.

Steam is primarily used to dry the paper webs. Sixty per cent of the steam used in Perlen in 2022 was obtained from the adjacent Renergia waste incinerator facility; the rest was generated by CPH's own biomass plant.

A breakdown of energy consumption by energy source is provided in the table on Page 53.

The CPH Group took various actions in response to the looming energy shortages of Winter 2022/23. Gas is being replaced as a source of energy at the Müllheim site; and the dual-fuel facilities at the Perlen site are being prepared to temporarily use oil instead of gas.

### Water

Water is used as sparingly as possible and in closed circular systems. The Group's paper production has the greatest water needs. The requirements here are met from the Group's own sources, which are all located in areas with no water shortages. The waste water produced by the Group's Perlen, Louisville and Donghai plants is processed in the plants' own treatment facilities. As a result, 92% of this is cleaned and put back into the water cycle. A further 4% of the water used in the Group's operations evaporates and thus returns to the natural water cycle. The remaining 0.32 million cubic metres of waste water (prior year: 0.31 million m<sup>3</sup>) is sent to and processed at municipal water treatment plants.

### Use of materials

The Paper Division uses large volumes of waste products in its operations, of which recovered paper is by far the most important raw material. The annual total of recovered paper recycled by Perlen Papier increased in 2022 from the 420983 tonnes of the prior year to 463916 tonnes. About 9% of these recovered paper supplies were delivered to Perlen by rail. In addition to waste paper, the Paper Division also turned 93161 tonnes of round wood and woodchip into wood fibre in 2022 (compared to 92791 tonnes the previous year). CPH puts a particular emphasis on sustainable operations and short

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### Carbon intensity in tonnes per CHF million of net sales

**25**

(prior year: 36)

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### Own-generated energy

**18%**

(prior year: 20%)

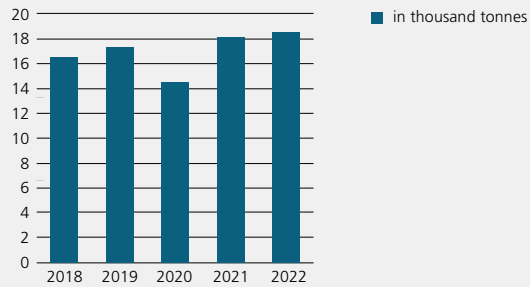
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### Organic waste recycled (tonnes)

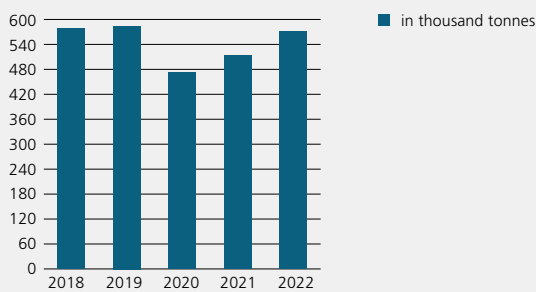
**557 077**

(prior year: 513 774)

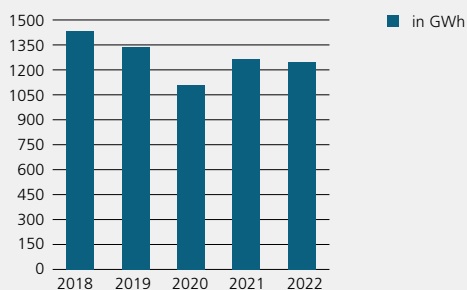
### Carbon dioxide emissions



### Use of materials



### Energy use



transport journeys when sourcing these raw materials: all the round wood used comes from Swiss sources, and 81% of it is from FSC-certificated forestry operations. Of the woodchip used, 70% is from within Switzerland and 44% is from FSC- or PEFC-certificated sources. Perlen Papier is also a member of ECO SWISS, Swiss business and industry’s environmental protection organization, and of various bodies promoting sustainable forestry.

The Packaging Division’s film manufacturing processes primarily use unplasticized polyvinyl chloride (PVC), which is composed of 43% ethylene and 57% sodium chloride. Compared with other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. The division is also actively involved in the VINYLPlus programme, which promotes PVC recycling.

The Chemistry Division primarily uses intermediate products – filter cakes – as the raw material in its production activities. The Zvornik plant is located adjacent to the supplier of its filter cakes, minimizing both the transportation required and the associated carbon dioxide emissions. A project will be launched at the Louisville site in the USA in 2023 to recycle the lithium not fully used in its production process.

Some 94% of all the materials used by the CPH Group is of organic origin and fulfils the requirements of a circular economy.

### Waste

Of the solid waste deriving from the Group’s paper production and waste water treatment activities, the biomass elements are used to generate energy in-house or are reused in brickworks and the cement industry. The fly ash residue resulting from the thermal utilization process can also be used in cement works, while the resulting bed ash and the solid waste of silicate-aluminium-clay compounds generated in molecular sieve production are sent to inert material landfills.

Wherever possible, waste and scrap material from the various steps in the Packaging Division’s film production are fed back into the production process as secondary raw materials. Any plastics not recyclable internally are either reworked by an outside provider into cores onto which films can be spooled or are sold to recyclers who reprocess them into other PVC products. As a result, all the PVC in Perlen’s production processes is either used or re-used.

All in all, the CPH Group recycled 557 077 tonnes of organic waste in the form of recovered paper or waste wood in its own production processes in 2022, and thereby provided a valuable alternative to their thermal utilization. These activities significantly ease environmental strain, consuming many times more waste as raw materials than is newly created through production: of the 557 077 tonnes of waste that were used in production processes by the Group in 2022, only 112 919 tonnes remained thereafter for external thermal utilization plus 1 692 tonnes for external landfill disposal. The CPH Group thus



made a net positive contribution to the solid waste issue in 2022, by using 442 466 tonnes more such waste in its production than it sent for external incineration or disposal.

#### Transport

Various initiatives are under way at the CPH Group to reduce transport journeys and use ecofriendly means of transportation. In 2022, for the first time ever, more than 2 000 tonnes of paper were transported using piggyback truck-and-rail combinations. Some 7% of all paper deliveries were made by rail, with the figure rising to 30% for such deliveries in Switzerland. Some truck transports were also performed by vehicles powered by liquid gas. The entry into service of the new coating plant in Brazil in the course of the year, along with the procurement of the mono PVC films concerned from a local supplier, have substantially shortened transport journeys. In China, too, obtaining mono PVC films from local sources instead of from the CPH Group's Müllheim (Germany) operation has significantly reduced transportation lengths and expense.

#### Compliance

No division of the CPH Group was penalized in 2022 for any exceedance of any environmental limits. The Group is firmly committed to climate protection through various project involvements. The Paper Division is a participant in a programme of the Energy Agency of the Swiss Private Sector to actively reduce carbon dioxide emissions, and is also a member of EcoSwiss, which campaigns for environmental protection, health protection and industrial and occupational safety. The Packaging Division is a member of the EcoVadis and Ecodesk organizations.

#### 4 Social sustainability

The CPH Group is keenly aware of its responsibilities towards its employees. Its first company health insurance scheme was established for workers at its original Uetikon site as early as the 1860s, and its first occupational pension scheme was founded in 1918.

The Group's Swiss-based employees today are insured under a defined-contribution occupational pension scheme which had a funding ratio of 117% at the end of 2022. The Group also maintains a patronage fund which supports employees and their families in hardship situations. The Group's occupational pension plans outside Switzerland are aligned to local customs and demands. Further information on the Group's occupational pension provision will be found in Note 25 of the notes to the consolidated financial statements.

The CPH Group strives to secure the best employees and to support their further development as effectively as possible within their working world. An open communications culture, a management and leadership that put CPH's values into practice and a safe, healthy and varied work environment are all intended to further employees' commitment to and identification with their work and the Group.

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### Nationalities of employees

# 38

(prior year: 35)

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### Apprentices in training

# 54

(prior year: 50)

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### Engagement Index

# 76%

(previous survey: 75%)

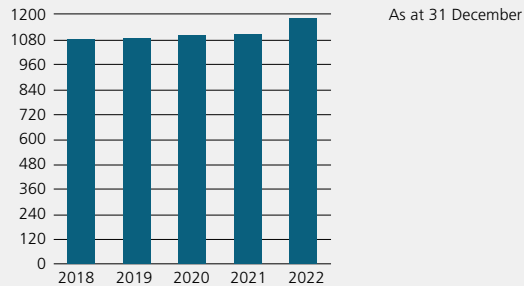
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### CIP suggestions submitted

# 958

(prior year: 740)

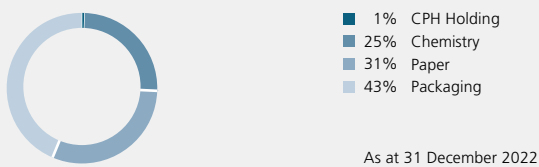
### Total workforce numbers



### Workforce numbers by region



### Workforce numbers by division



CPH also attaches great importance to ensuring a sound work/life balance. The Group offers part-time employment, retirement preparation courses and, at some of its locations, further part-time working models that make the transition to retirement a smoother and more flexible experience. Parties are also periodically held for and with the Group's employees at its various operating locations.

The CPH Group conducts surveys of its employees worldwide every three years on the topics of job satisfaction, working environment, professional development, leadership, communications, innovation, customers, strategy and involvement. Some 82% of employees took part in the autumn 2022 survey, 11 percentage points more than had participated in the previous poll in 2019. Approval marks in the various survey areas were at least as high as the already favourable levels of three years before, and the Engagement Index was up a further percentage point at 76%. The greatest approval rates of between 80% and 89% were in the fields of customers, innovation, leadership, working environment and professional development. Based on employees' specific needs at the Group's various sites, the survey responses are now being used to define individual actions and implement the same. The next such survey will be conducted in 2025.

The annual staff turnover of 11.5% (compared to 9.8% in the previous year) was within the industry averages for the Group's various operating regions. CPH also numbers many long-serving employees: some 20.2% of the 2022 workforce had been with the Group for 20 years or more. Service anniversaries are marked with awards ranging from small gifts to parties, depending on local customs. Many former employees also remain close to CPH, and meet up annually at retiree events organized by their former employer.

The CPH Group supports its employees in their career, and strives to fill at least one third of all vacant management positions with internal appointees. Succession planning is consistently practised and centrally managed by Human Resources for all management positions groupwide. A new CPH Academy was also created in 2022 to further support management and other key personnel. The Academy works with two external seminar and e-learning tool providers to specifically further refine such employees' corporate development, leadership, communications, technical and self-competence skills.

### Diversity and equal opportunities

Every employee within the CPH Group should be able to develop to their full potential. The Group maintains a fair and entirely non-discriminatory employment policy, strives for diversity and is committed to equal opportunities regardless of gender, age, ethnicity, religion or nationality. In all matters of recruitment, development and promotion, the prime emphasis at CPH is on the employee's individual performance, abilities and potential at the workplace concerned. Should multiple candidates of equal merit apply for a vacancy, preference will be given to those candidates who contribute to the

diversity of the team. 2022 saw the first two apprentices who had come to Switzerland seeking asylum complete their plant operator apprenticeships. A number of refugees who had fled to Switzerland from Ukraine were also occupied in the Group's production units by year-end.

The Swiss Federal Gender Equality Act entered into effect on 1 July 2020. The CPH Group analyzed salary equality in the relevant units with more than 100 employees within the Paper and the Packaging divisions in 2021, and also commissioned an external auditor to conduct the studies required. The Packaging Division was found to be within the tolerances specified in salary equality terms. The Paper Division was also found to be so if shift allowances are excluded. Such allowances are also at equal levels for both genders, and are standardized under the corresponding collective labour agreement. But as most shift workers are male, the inclusion of such allowances distorts the analysis results.

The CPH Group companies' workforce is drawn from 38 nations, and collaborations in multicultural teams are actively practised and promoted. Exchanges of employees between different operating sites are also keenly encouraged. As a result, employees regularly support colleagues at other locations on either a long-term or a temporary basis, contributing their expertise and acquiring their own new skills and experience.

The total Group workforce at the end of 2022 amounted to 1 181 employees, 77 more than a year before. The increase is primarily attributable to the expansion in the Packaging Division. A little over half of the total worked at CPH sites in Switzerland. The proportion of women in the total workforce was raised from the 19.3% of 2021 to 19.6%, and should be further increased.

#### **Code of conduct**

The CPH Group does not tolerate discrimination on the basis of gender, skin colour, religion, nationality, disability, age, sexual orientation, physical or mental impairment, family status, political views or any other legally protected characteristic. All forms of physical or psychological violence, mobbing or sexual harassment at the workplace are prohibited.

The employees of the CPH Group are required to observe all applicable laws, to pursue fair business practices, to avoid conflicts of interest and to abide by the anti-corruption code. The Group's constituent companies are active in various international markets, and have formulated their ways and means of dealing with the issues of equal opportunities, healthcare, compliance, data protection, conflicts of interest, bribery, integrity and ethics in their own internal codes of conduct and operating regulations. The codes of conduct of the globally active Chemistry and Packaging divisions will be found on the CPH website at <https://cph.ch/en/investors/documentation/> under

'Articles of Incorporation, regulations and descriptions of duties'. Employees are trained annually in the application and observance of the codes of conduct concerned.

#### **Salary policy**

The CPH Group pursues a fair and reasonable salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct, performance and success of its occupant and general market levels. It also rewards above-average performance, such as via bonus payments or (with management positions) via a variable salary component that is linked to the achievement of individually-set performance targets and to group and/or divisional results. Studies are conducted every year (or every three years for Group Executive Board and divisional Executive Board members) to determine whether current salaries are still in line with general market levels. Individual adjustments were made to salaries for 2023 on the basis of the findings of such studies in 2022.

The total cost of salaries, occupational pension scheme payments and initial and further training in 2022 amounted to CHF 102 million. Employees at the Perlen and Utzenstorf sites are subject to a collective labour agreement (CLA). Employees at the Müllheim site in Germany are subject to the CLA of the *Industriegewerkschaft Bergbau Chemie Energie (IGBCE)*. Elsewhere, personnel work under individual employment contracts.

#### **Initial and further training**

Switzerland and Germany maintain a 'dual' education system that combines company apprenticeship placements with attendance at vocational schools. The system is a key element in both countries' economies and business sectors, providing the skilled professionals needed to maintain their competitive credentials in the longer term. Through its own vocational training at its Swiss and German sites, the CPH Group not only lives up to its social responsibility: the employees it trains play their full part, too, in achieving its business goals.

A total of 54 apprentices were on the CPH Group payroll as future automation engineers, chemical lab technicians, commercial officers, computer scientists, logistics officers, paper technologists, plant operators, polymechanics and production and process mechanics at the end of 2022. Internships for student engineers are also offered at the Group's operations in Germany and in Bosnia and Herzegovina. A total of 14 apprentices completed their courses during the year, 11 of whom could be given permanent positions.

CPH's apprentices meet each year at an Apprentices Day for a Group-level further training experience. A CPH Group employee spent an average of 1.6 days on in-house or external training in 2022 (compared to 1.7 days the year before). The Group invested CHF 0.6 million in initial and further training for its employees over the course of the year.

### Continuous improvement

The Group's divisions maintain a constant dialogue with their customers to monitor satisfaction and identify possible improvements. The divisions also conduct customer satisfaction surveys every two to three years which address such areas as service quality, technical support, product quality, product range, delivery times, reliability, complaints handling and pricing.

The Continuous Improvement Process (CIP) is a further key internal element in CPH's endeavours to ensure its constant future development and further raise quality and efficiency. The CIP is integrated into individual performance goals, and CIP training is conducted every year in all three divisions. Employees submitted 958 ideas to the CIP in 2022, and 296 group moderations were held. The proposals adopted helped enhance efficiency, improve safety and ease environmental impact, and generated a recurring annual benefit of CHF 3.1 million. Three examples of concrete actions taken as a result of CIP suggestions will be found on Pages 10 and 11.

### Industrial safety

CPH conducts regular staff training to help identify dangers and prevent accidents at all its operating sites. These activities include exercises in fire safety and in handling dangerous goods. Every site also has its own safety officer. Trained paramedics are on duty at the Group's production facilities, and the Perlen site also has a dedicated fire service which can swiftly draw on up to 50 responders if required. The Perlen fire service held 37 exercises and handled 39 deployments in 2022. Thanks to its rapid responses, no relevant fire damage was incurred during the year.

Any accidents or incidents that occur are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred CPH Group employees amounted to 2.4 in 2022

compared to 2.9 in the previous year, which are low levels for a manufacturing concern. Happily, the year remained free of any serious industrial accidents. The occupational accident-related absence rate for 2022 stood at 0.2%.

### Healthcare

The Group's operations offer numerous preventive healthcare facilities such as annual health check-ups and free flu and COVID vaccinations. A number of them also support their employees' personal fitness endeavours, by subsidizing their gym subscriptions or by participating in 'Bike to Work' programmes that encourage staff to cycle their daily commute. They further organize joint health-promoting activities such as hikes or fun run participations. The groupwide sickness-related absence rate for 2022 amounted to 3.8%, which is around the industry average. Any employees who become ill receive extensive care and attention under a health case management programme.

### Social involvement

Numerous employees of the CPH Group are involved in activities for the communal good both at and away from work. Some serve as company paramedics or company fire officers, while others take part in charity projects in their leisure time. The Group's various operations may also be involved in local community projects.

### 5 Quality

Consistent high quality is a hallmark of all the products of the CPH Group. This makes rigorous demands on its processes, which are audited to international standards (see the table below). Production sites are subjected to regular audits by customers and by independent certification bodies. The Packaging Division aligns its business and production activities to the pharmaceutical sector's Good Manufacturing Practice (GMP) standards. The division's new Anápolis site in Brazil is working to secure its ISO 9001 and ISO 15378 certifications.

Production site quality certifications	Chemistry				Paper		Packaging				
	Rüti CH	Louisville USA	Donghai CN	Zvornik BA	Perlen CH	Utzenstorf CH	Perlen CH	Müllheim D	Whippany USA	Suzhou CN	Anápolis BR
ISO 9001	•	•	•	•	•	•	•	•	•	•	planned
ISO 14001 (environmental)			•	•	•	•					
ISO 15378 (GMP)							•	•		•	planned
ISO 50001 (energy)								•			
ISO 45001 (safety)			•		•	•					
FDA, USA DMF Nos. 10686, 9072 and 30501							•	•		•	
EU Ecolabel, Blue Angel					•	•					
FSC COC, PEFC COC					•						
ECO SWISS CO <sub>2</sub>					•						

## Key environmental figures

	2022	2021
<b>Carbon dioxide emissions (tonnes)</b>		
Chemistry	5 216	5 148
Paper	8 985	8 278
Packaging	2 507	2 461
<b>Total</b>	<b>16 708</b>	<b>15 886</b>
<b>Energy use (GWh)</b>		
Electricity	618	613
of which own-generated	33	35
CO <sub>2</sub> -free steam	502	521
of which own-generated	189	217
Natural gas	99	97
Heating oil	3	1
<b>Total</b>	<b>1 221</b>	<b>1 232</b>
<b>Water use (thousand m<sup>3</sup>)</b>		
Evaporation in natural water cycle	428	462
Waste water cleaned in own treatment plants	7 107	6 914
Waste water sent to external treatment plants	324	319
<b>Total waste water</b>	<b>7 431</b>	<b>7 233</b>
<b>Use of materials (tonnes)</b>		
Waste paper	463 916	420 983
Waste wood	93 161	92 791
Plastics	20 598	n.a.
Mineral raw materials	16 216	n.a.
<b>Total</b>	<b>593 891</b>	<b>513 774</b>
<b>Waste (tonnes)</b>		
Waste from external sources recycled	557 077	513 774
Waste thermally utilized in-house	51 907	52 559
Waste thermally utilized externally	112 919	118 425
Waste delivered to landfill sites	1 692	2 100
<b>Net waste reduction (waste received less waste disposed of externally)</b>	<b>442 466</b>	<b>393 249</b>

n.a.: Data only collected from 2022 onwards.

<b>Carbon intensity</b>	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
CO <sub>2</sub> in tonnes per CHF million of net sales	25	36	33	33	31	35	43	103	164	179

## Key personnel figures

	2022	2021
<b>By region</b>		
Switzerland	601	574
Rest of Europe	221	210
Americas	157	132
Asia	202	188
<b>Total</b>	<b>1 181</b>	<b>1 104</b>
<b>By function</b>		
Manufacturing	779	696
Logistics	94	99
R&D, Quality Management	60	50
Sales & Marketing	112	108
Finance, Purchasing, Human Resources	137	152
<b>Total</b>	<b>1 181</b>	<b>1 104</b>
Of whom apprentices in training	54	50
<b>By division</b>		
Chemistry	296	290
Paper	371	357
Packaging	507	449
CPH Chemie + Papier Holding	7	7
<b>Total</b>	<b>1 181</b>	<b>1 104</b>
<b>Diversity</b>		
Share of women	19.6%	19.3%
Age structure		
> 50 years	30.6%	33.4%
30 to 50 years	51.2%	49.7%
< 30 years	18.2%	16.9%
Number of nationalities	38	35
<b>Fluctuation</b>		
Europe	7.8%	5.1%
Americas	32.5%	25.9%
Asia	11.8%	19.7%
<b>Total</b>	<b>11.5%</b>	<b>9.8%</b>
<b>Absence rates</b>		
Number of occupational accidents	29	33
Absence rate due to accidents	0.2%	0.2%
Absence rate due to illness	3.8%	2.9%

# Financial report

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# Consolidated income statement

in CHF thousands	Note	2022	2021
<b>Net sales</b>	1, 2	725 351	496 693
Other operating income	3	21 013	25 284
Change in inventories		18 742	5 900
<b>Total income</b>		<b>765 106</b>	<b>527 877</b>
Cost of materials		-397 417	-306 013
Cost of energy		-73 243	-61 187
Personnel expense	4	-101 707	-92 367
Maintenance and repairs		-27 887	-17 662
Other operating expense	5	-33 758	-24 930
<b>Operating result before depreciation and amortization EBITDA</b>		<b>131 094</b>	<b>25 718</b>
Depreciation on tangible fixed assets	14	-16 353	-27 013
Amortization of intangible assets	16	-2 276	-1 372
Impairment of fixed assets	14	-	-150 000
<b>Operating result EBIT</b>		<b>112 465</b>	<b>-152 667</b>
Financial result	6	-4 288	-3 859
<b>Ordinary result</b>		<b>108 177</b>	<b>-156 526</b>
Non-operating result	7	-8 021	7 311
<b>Result before income taxes</b>		<b>100 156</b>	<b>-149 215</b>
Income taxes	8	886	-2 195
<b>Net result</b>		<b>101 042</b>	<b>-151 410</b>
Thereof:			
– Shareholders of the company		100 953	-151 559
– Minority shareholders		89	149
<b>Earnings per share (in CHF)</b>	9	<b>16.83</b>	<b>-25.26</b>
Diluted earnings per share (in CHF)	9	16.83	-25.26



# Consolidated balance sheet

in CHF thousands	Note	31.12.2022	31.12.2021
<b>Assets</b>			
Cash and cash equivalents	10	143 614	95 084
Trade receivables	11	93 931	69 271
Other receivables	12	21 880	28 631
Inventories	13	113 097	87 528
Prepayments and accrued income		9 644	9 189
<b>Total current assets</b>		<b>382 166</b>	<b>289 703</b>
Tangible fixed assets	14	213 662	196 474
Financial assets	15	65 836	68 386
Intangible assets	16	4 527	5 835
<b>Total fixed assets</b>		<b>284 025</b>	<b>270 695</b>
<b>Total assets</b>		<b>666 191</b>	<b>560 398</b>
<b>Equity and liabilities</b>			
Financial liabilities	17	98 851	3 227
Trade payables	18	93 011	84 787
Other payables	19	6 546	3 920
Provisions	20	7 835	7 368
Accrued expenses and deferred income	21	27 229	18 263
<b>Total current liabilities</b>		<b>233 472</b>	<b>117 565</b>
Financial liabilities	17	-	106 595
Other liabilities		1 718	1 619
Provisions	20	31 434	24 125
<b>Total non-current liabilities</b>		<b>33 152</b>	<b>132 339</b>
Share capital	22	1 200	1 200
Capital reserves		-56	-56
Retained earnings	24	397 066	307 982
<b>Total shareholders' equity without minorities</b>		<b>398 210</b>	<b>309 126</b>
Minorities		1 357	1 368
<b>Total shareholders' equity</b>		<b>399 567</b>	<b>310 494</b>
<b>Total liabilities and equity</b>		<b>666 191</b>	<b>560 398</b>

# Consolidated cash flow statement

in CHF thousands	Note	2022	2021
<b>Net result</b>		<b>101 042</b>	<b>-151 410</b>
Depreciation on fixed assets	14, 16	18 629	28 385
Impairment of fixed assets	14	-	150 000
Change in provisions	20	13 434	356
Result from sale of fixed assets		-1 263	-7 547
Other non-cash items		-2 388	-3 125
<b>Cash flow before change in non-financial net working capital</b>		<b>129 454</b>	<b>16 659</b>
Change in trade receivables	11	-26 720	-15 521
Change in inventories	13	-27 230	-9 578
Change in other receivables, prepayments and accrued income		3 525	-7 191
Change in trade payables	18	6 858	30 742
Change in other payables, accrued expenses and deferred income		11 741	727
<b>Cash flow from operating activities</b>		<b>97 628</b>	<b>15 838</b>
Capital expenditures for tangible fixed assets	14	-32 878	-22 965
Capital expenditures for intangible assets	16	-1 027	-1 630
Capital expenditures for financial assets	15	-	-78
Disposal of tangible fixed assets	14	4 285	5 212
Disposal of financial assets	15	-	243
<b>Cash flow from investing activities</b>		<b>-29 620</b>	<b>-19 218</b>
<b>Free cash flow</b>		<b>68 008</b>	<b>-3 380</b>
Change in current financial liabilities	17	-3 200	-7 020
Repayment of bond	17	-1 270	-
Repayment of non-current financial liabilities	17	-6 505	-
Purchase of treasury shares	23	-213	-394
Sale of treasury shares	23	-	235
Distribution to shareholders		-7 800	-10 798
<b>Cash flow from financing activities</b>		<b>-18 988</b>	<b>-17 977</b>
Currency translation on cash and cash equivalents		-490	176
<b>Net change in cash and cash equivalents</b>		<b>48 530</b>	<b>-21 181</b>
Cash and cash equivalents as at 1 January	10	95 084	116 265
<b>Cash and cash equivalents as at 31 December</b>	<b>10</b>	<b>143 614</b>	<b>95 084</b>

# Consolidated statement of changes in shareholders' equity

	Share capital	Capital reserves	Treasury shares	Retained earnings				Total shareholders' equity without minorities	Minorities	Total shareholders' equity
				Retained earnings, gross	Currency translation	Goodwill	Total			
in CHF thousands										
<b>Shareholders' equity as at 1 January 2021</b>	1 200	4 150	-27	550 753	-22 339	-63 021	465 393	470 716	1 151	471 867
Distribution to shareholders		-4 200		-6 598			-6 598	-10 798		-10 798
Net result				-151 559			-151 559	-151 559	149	-151 410
Share-based remuneration			180				-	180		180
Sale of treasury shares		-6	241				-	235		235
Purchase of treasury shares			-394				-	-394		-394
Currency translation					746		746	746	68	814
<b>Shareholders' equity as at 31 December 2021</b>	1 200	-56	-	392 596	-21 593	-63 021	307 982	309 126	1 368	310 494
Distribution to shareholders				-7 800			-7 800	-7 800		-7 800
Net result for the period				100 953			100 953	100 953	89	101 042
Share-based remuneration			213				-	213		213
Purchase of treasury shares			-213				-	-213		-213
Currency translation					-4 069		-4 069	-4 069	-100	-4 169
<b>Shareholders' equity as at 31 December 2022</b>	1 200	-56	-	485 749	-25 662	-63 021	397 066	398 210	1 357	399 567

See also Note 22, Share capital, Note 23, Treasury shares and Note 24, Retained earnings.

# Notes to the consolidated financial statements

## Introductory information

### Company information

The CPH Group is active in three industrial sectors. The Group develops, manufactures and distributes chemical products, newsprint and magazine paper and blister pack films for pharmaceutical customers. Headquartered in Switzerland, the Group maintains production facilities at

11 locations in six countries in Europe, Asia and North and South America. With its innovative products, the CPH Group offers its customers clear added value.

The shares of the Group's holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange.

### Scope of consolidation

The scope of consolidation extends to the following majority-controlled companies, which are all fully consolidated:

	Currency	Capital in thousands	Shareholding
CPH Chemie + Papier Holding AG, Root, Switzerland	CHF	1 200	100%
CPH Immobilien AG, Root, Switzerland <sup>1</sup>	CHF	500	100%
<b>Chemistry</b>			
Zeochem AG, Rüti ZH, Switzerland <sup>1</sup>	CHF	1 000	100%
Zeochem L.L.C., Louisville, USA	USD	36 547	100%
Zeochem d.o.o., Zvornik, Bosnia-Herzegovina	BAM	2	100%
Jiangsu Zeochem Technology Co. Ltd., Lianyungang, China <sup>1</sup>	CNY	90 000	92%
Zeochem Pte. Ltd., Singapore, Singapore	SGD	1	100%
<b>Paper</b>			
Perlen Papier AG, Root, Switzerland <sup>1</sup>	CHF	81 000	100%
Perlen Papier Immobilien AG, Root, Switzerland	CHF	1 000	100%
APS Altpapier Service Switzerland AG, Root, Switzerland	CHF	100	100%
Perlen Deutschland GmbH, Munich, Germany	EUR	100	100%
<b>Packaging</b>			
Perlen Packaging AG, Root, Switzerland <sup>1</sup>	CHF	24 000	100%
Perlen Packaging L.L.C., Whippany, USA	USD	1 000	100%
Perlen Packaging GmbH, Müllheim, Germany	EUR	1 300	100%
Perlen Packaging (Suzhou) Co., Ltd., Suzhou, China	USD	13 000	100%
Perlen Packaging Anápolis Indústria e Comércio Ltda., Anápolis, Brazil	BRL	2 464	100%

<sup>1</sup> Directly held by CPH Chemie + Papier Holding AG

The scope of consolidation remained unchanged in 2022. In the previous year, CPH Immobilien AG, Root/Switzerland was founded on 29 April 2021 and CPH Chemie + Papier Holding AG absorbed Uetikon Industrieholding AG by merger on 11 June 2021. As a result of the latter, Uetikon Industrieholding AG's subsidiary UBV Immobilien Treuhand Perlen AG was merged with CPH Immobilien AG on 22 November 2021.

## Accounting principles

### Presentation principles

These consolidated financial statements present a true and fair view of the financial performance and positions of the CPH Group. They have been prepared in accordance with all the current guidelines set out in the Swiss GAAP FER Accounting and Reporting Recommendations. They also comply with the provisions of the Listing Rules of the SIX Swiss Exchange and the Swiss law on accounting and financial reporting. The accounting principles of the CPH Group were unchanged in 2022.

The consolidated financial statements are based on the annual financial statements of the Group companies, which are prepared using common accounting principles. The consolidated financial statements are based on the historical cost principle, and have been prepared on a going concern basis.

The consolidated financial statements have been revised for 2022 to enhance their readability. The structures of the income statement, balance sheet, cash flow statement and statement of changes in

equity have been streamlined in accordance with Swiss GAAP FER, and the notes thereto have been modified accordingly. This permits a clearer and more concise presentation of the Group's financial performance. No major adjustments have been made to the disclosure of the individual key financial figures for the prior year.

### Consolidation principles

The consolidated financial statements consist of the annual financial statements of all the companies of the CPH Group in and outside Switzerland for which CPH Chemie + Papier Holding AG directly or indirectly controls the financial and business activity. This is generally the case with an equity holding of more than 50%. In accordance with the full consolidation method, these companies' assets and liabilities and income and expenditures are incorporated in full. Intermediate profits from intragroup deliveries and services are eliminated.

The shares of minority shareholders in the shareholders' equity and the net results of consolidated companies are shown separately as minority interests on both the consolidated balance sheet and the consolidated income statement.

Shareholdings in associated companies are presented using the equity method. These are companies which the CPH Group does not control but on which the Group still exercises significant influence. This is generally the case when voting rights of between 20% and 50% are held.

### Business combinations

Group companies acquired in the course of the year are consolidated as of the date of CPH's assumption of control. When a company is acquired, its net assets are determined at their current value and integrated using the purchase method. The resulting goodwill is offset against shareholders' equity.

In the case of step acquisitions of minorities, the goodwill is determined separately for each acquisition step. If the purchase price of an acquisition includes elements that are linked to future earnings, the value of these elements is estimated as accurately as possible at the time of acquisition for goodwill calculation purposes. Should there be deviations from these estimates when the final purchase price is determined, the goodwill offset against Group equity is adjusted accordingly.

Group companies disposed of in the course of the year are deconsolidated as of the date of CPH's cession of control. The cumulative goodwill relating to the business concerned is derecognized in shareholders' equity and disclosed in the income statement as part of the profit or loss on the disposal.

### Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of consolidated companies which are in other currencies are translated into Swiss francs as follows:

- assets and liabilities: at the exchange rate on the balance sheet date
- shareholders' equity: at historical rates
- income statements and cash flow statements: at the average rate for the year

- movements in fixed assets and provisions: at the average rate for the year.

Any differences arising from foreign currency translation are taken to shareholders' equity not affecting net income. Any translation differences arising from long-term intragroup financing of an equity nature are credited or debited to shareholders' equity. The currency translation differences shown in shareholders' equity derive from the development of shareholders' equity.

In the event of the disposal of a part of the business, the corresponding cumulative foreign currency translation differences deriving from the translation of the financial statements and from any intragroup loans with equity character are derecognized and disclosed in the income statement as part of the profit or loss on the sale.

In the individual financial statements subject to consolidation, transactions in foreign currencies are translated into the local currency at the exchange rate valid as at the time of the transaction. Assets and liabilities in foreign currencies are translated at the exchange rate valid on the balance sheet date.

### Assumptions and estimates

These consolidated financial statements are based on assumptions and estimates which have an influence on the presented financial performance and positions. These assumptions and estimates have been made to the best of CPH's knowledge and on the basis of the information available at the time of compiling the statements. Actual results may deviate accordingly from the values presented. The greatest influence on the consolidated financial statements derives from estimates in the following areas:

- Impairments: All assets are subject to an assessment on the balance sheet date of whether any indications exist that the carrying value of the asset concerned exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and its value in use. If an impairment is required, the asset's carrying value is reduced to its recoverable amount, with the impairment amount charged to the result for the period concerned.
- Income taxes: The calculations of current tax liabilities are subject to the interpretation of the tax laws in the countries concerned, whose applicability is largely retroactively assessed for multiple financial years in the light of definitive assessments and of company audits by the tax authorities.
- Provisions: Provisions are made for liabilities whose amount is uncertain. In view of this, such provisions may have to be adjusted in the light of future events, with a corresponding impact on the income statement.

### Subtotals

These consolidated financial statements include subtotals (or alternative performance indicators) which are not prescribed or defined by Swiss GAAP FER. Such subtotals are used by management to steer and control the Group's business divisions and to enhance the informative value of these consolidated financial statements. Such subtotals include:

- Total income: Total income, which is shown in the consolidated income statement, is the total of net sales, other operating income and change in inventories.
- EBITDA (earnings before interest, taxes, depreciation and amortization): EBITDA, which is shown in the consolidated income statement, is the total of earnings before interest and taxes (EBIT) plus depreciation and amortization on fixed assets and any impairments thereto.
- Cash flow before change in non-financial net working capital: This amount, which is shown in the consolidated cash flow statement, is the total of the cash flows from operating activities plus changes in non-financial net working capital.
- Free cash flow: This amount, which is shown in the consolidated cash flow statement, is the total of the cash flows from operating and from investing activities.

## Capitalization and valuation principles

### Net sales

Net sales comprise the sales of products and services resulting from ordinary business activities. A sale is recorded when it is likely that its economic benefit will accrue to the CPH Group and its amount can be reliably calculated.

The sale is regarded as realized with the transfer to the customer of the benefit and the risks concerned. Silicate chemistry products, newsprint, magazine paper and coated pharmaceutical packaging films are the Group's main sales generators; sales from its services are negligible. Net sales are sales less such deductions as price reductions, rebates, discounts, special distribution charges, value-added tax and bad-debt losses.

### Change in inventories

This item comprises the changes to the inventories of semi-finished and finished products.

### Other operating income

The operating income shown under this item derives mainly from energy sales, from sales of carbon credits, from sales of reusable materials and from leases and rentals of business premises.

### Cost of materials

This item comprises all the costs of raw, auxiliary and operating materials, the cost of merchandise and the expenses incurred through the external manufacture or processing of the Group's own products (third-party services).

### Cost of energy

Cost of energy includes the costs of electricity and steam obtained from external suppliers, heating oil, natural gas, water and fuelwood.

### Personnel expense

Personnel expense comprises all the amounts paid to employees employed under the labour law for the work they perform. It also includes all compulsory and voluntary social security contributions, including company pension scheme premiums and contributions. It further includes other personnel expense such as the costs of temporary personnel, recruitment, initial and further training and the

reimbursement of expenses incurred in connection with professional training.

### Occupational pensions

The CPH Group maintains various occupational pension schemes and plans which are each aligned to the local requirements and conditions in the countries concerned. These occupational pension schemes are legally autonomous, and are financed by contributions from employers and employees. The occupational pension benefit obligations of the Group companies in respect of old age, death or disability are aligned to the local provisions and practices in the countries concerned. The Group's most significant companies are located in Switzerland, where occupational pension provision is grouped within an independent foundation.

The actual economic impact of these plans on the CPH Group is calculated as of the balance sheet date. The determination of any funding surplus or funding shortfall is based on annual financial statements compiled for each scheme in accordance with Swiss GAAP FER 26 for Swiss-domiciled companies, and on the corresponding local provisions for Group companies domiciled outside Switzerland. Economic benefit is capitalized – if such action is permissible and intended – for use in future pension scheme contributions from the CPH Group. Economic obligations are recognized as liabilities if the requirements for the creation of a provision are met. Freely disposable employer contribution reserves are capitalized.

### Share-based compensation

Share-based compensation is valued at the share price applicable as at the date the shares are allocated and is recorded under both shareholders' equity (deduction from own shares held) and personnel expense. The difference between the share price as at the date of allocation and the purchase price of the own shares is disclosed in the capital reserves.

### Research and development

Research costs are recognized in the income statement as they occur. Development costs are capitalized as intangible assets only to the extent that the amount capitalized is covered by expected future income. All other development costs are recognized in the income statement as they occur.

### Maintenance and repairs

This item comprises expenditure on maintenance, repairs and servicing (including the materials required) which are performed by third parties and not capitalized as value-adding fixed assets, together with the cost of materials used in maintenance and repairs performed by the Group's own personnel.

### Other operating expense

This item consists of sales and administration costs and other operating expenses.

### Non-operating result

The non-operating result includes any income or expenses deriving from sources that are clearly separate from operating activities.

### Extraordinary result

The extraordinary result includes any income or expenses that arise from business transactions which clearly deviate from ordinary business operations.

### Income taxes

Income tax expense comprises all the income taxes levied on the taxable profit of the CPH Group. Provisions are made for all current income tax liabilities under accrued liabilities. Deferred income taxes are recognized for differences in valuation between the assets and liabilities valued on the consolidated balance sheet using standard groupwide guidelines and the taxable values thereof. The deferred income taxes on these valuation differences are calculated at the local tax rates which are expected to apply. In the event of any change to these tax rates or to the valuation differences, these deferred tax amounts are adjusted accordingly via the income statement. Deferred tax liabilities are disclosed under provisions, while deferred tax assets are disclosed under financial assets. Any adjustments to deferred income taxes are booked to deferred income tax expense.

Provisions are only made for taxes (withholding taxes in particular) levied on distributions of retained earnings (primarily of Group companies) if the distribution of such retained earnings is considered likely.

Deferred income taxes on temporary differences may only be recognized if they are likely to be fiscally offset through future profits. Deferred taxes on losses carried forward are not capitalized.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, postal and bank account balances and call and term deposits with a residual term to maturity of 90 days or less. They are measured at nominal value.

### Trade receivables

Trade receivables consist of amounts due for deliveries made and services rendered which have been invoiced but for which payment has not yet been received. They are stated at nominal value less any necessary individual value adjustments. Such value adjustments are determined on the basis of the maturity structure and identifiable credit risk.

### Other receivables

Other receivables consist of short-term claims that are not based on deliveries made and/or services rendered. Other receivables are stated at their nominal value, less any necessary value adjustments.

### Inventories

Inventories are stated at the lower of their average purchase price or production cost, but at no higher than their net realizable value. Any discounts received on purchases are treated as purchase price reductions. In addition to their direct material and personnel costs, the production costs of semi-finished and finished inventories include a proportion of their production overheads. Appropriate value adjustments are effected for obsolete stock with due regard to identifiable risks.

### Prepayments and accrued income

This item consists of expenses paid in the current accounting period that will be charged in a later accounting period, and of income earned in the period but not accounted for and collected until after the balance sheet date.

### Tangible fixed assets

Tangible fixed assets (including those held solely for investment purposes) are capitalized at their purchase price less necessary depreciation and/or impairments. All depreciation is effected using the straight-line method over the asset's useful life. Maintenance and repair expense is charged directly to the income statement. Extensive overhauls of fixed assets are only capitalized if they result in measurable added value in the form of higher performance or an extended useful life.

The useful lives assumed for depreciation purposes are as follows:

- Land: not depreciated
- Land use rights: duration of right of use
- Residential property: 50-100 years
- Office buildings: 33-66 years
- Industrial buildings and infrastructure: 25-50 years
- Installations in rented premises: length of rental agreement
- Installations, production plant and machinery: 5-30 years
- IT hardware: 3-8 years
- Other tangible fixed assets: 5-15 years.

### Financial assets

Financial assets may consist of minority shareholdings, employer's contribution reserves for occupational pension schemes, economic benefit from occupational pension schemes, deferred income tax assets and/or interest-bearing or non-interest-bearing non-current receivables.

Minority shareholdings in companies over which the CPH Group does not exercise substantial influence (which is generally the case with a voting share of less than 20%) are capitalized at their purchase price less any necessary value adjustments.

Employer's contribution reserves without waiver of use are capitalized at their nominal value. Any changes in them are recognized in the income statement as personnel expense.

Economic interests in occupational pension schemes are capitalized to the extent that these may be used for the company's future occupational pension scheme payment obligations. Any changes in them are recognized in the income statement as personnel expense.

Interest-bearing and non-interest-bearing non-current financial receivables are recorded at their nominal value less any necessary individual value adjustments.

### **Intangible assets**

Intangible assets include software, capitalized development costs, licences, patents and brands. These are valued at their purchase price or manufacturing cost less any amortization required. Amortization is effected on a straight-line basis over the item's useful life, up to a maximum five-year period.

Intangible assets also include the carbon credits issued free of charge by the Swiss Federal Office for the Environment, which are initially capitalized at their zero acquisition price. Carbon credits are derecognized upon their use or sale. Any income from such sales is disclosed under other operating income.

### **Impairment of assets**

All assets are assessed for any impairment in value as at the balance sheet date. This assessment is based on any events and/or indications which suggest that an asset may have been impaired.

If the asset's book value exceeds its realizable value (i.e. the higher of its net market value and its value in use), a corresponding impairment will be effected, with the impairment loss recognized in the income statement. If the factors previously considered in the calculations of an asset's realizable value have significantly improved, an impairment effected in an earlier accounting period will subsequently be partially or wholly reversed.

### **Financial liabilities**

Financial liabilities consist of interest-bearing liabilities, particularly due to banks, bondholders and lessors (via financial leases). They are stated at their nominal value. Financial liabilities maturing in one year or less are recognized as current financial liabilities; financial liabilities maturing in more than one year are recognized as non-current financial liabilities.

### **Trade payables**

Trade payables include all non-interest-bearing current liabilities resulting from ordinary business activities. They are recorded at their nominal value.

### **Other payables**

Other payables are liabilities that are not classified as trade payables or as financial liabilities. They are measured at their nominal value. Other payables are presented under current or non-current liabilities, depending on their maturity.

### **Provisions**

Provisions are effected for future liabilities that are likely to arise from an event in the past (i.e. before the balance sheet date) whose amount and/or due date is uncertain but may be estimated. All provisions made are reappraised on every balance sheet date. Any release of provisions is effected via the same position on the income statement through which the provision was originally effected. A distinction is made between current provisions (for liabilities likely to be incurred in up to one year) and non-current provisions (for liabilities likely to be incurred later than this).

### **Accrued liabilities and deferred income**

This item consists of liabilities incurred before the balance sheet date that will not be due for payment until a later accounting period as well as income accrued before the balance sheet date for a product or service to be provided in a later accounting period.

### **Shareholders' equity**

Shareholders' equity consists of share capital, capital reserves, own shares, retained earnings and minorities. The nominal value of the company's share capital is disclosed as share capital.

The net result is credited to retained earnings. Dividend payments are deducted from retained earnings. The differences deriving from currency translations for Group companies are credited to or debited from retained earnings. The goodwill deriving from acquisitions is offset against retained earnings at the time of acquisition, while any negative goodwill is credited to retained earnings.

All other changes in capital are offset against capital reserves.

### **Treasury shares**

Treasury shares are shown at their original purchase price. Treasury shares held are presented as a negative item in shareholders' equity. Treasury shares are not revalued following their initial valuation. If they are later sold, the resulting profit or loss is credited to or debited from the capital reserves.

### **Goodwill**

Goodwill deriving from acquisitions is offset against retained earnings at the time of acquisition. In the event of the subsequent disposal or closure of a part of the business concerned, any associated goodwill previously offset against shareholders' equity is derecognized and is disclosed in the income statement as part of the profit or loss from the sale.

The impact of any theoretical capitalization and amortization is shown in the notes. For theoretical accounting purposes, goodwill is generally written down over its useful economic life (typically five years). Impairments are effected if required.

### **Leases**

A finance lease is deemed to exist if the lessor transfers the benefit of ownership of the leased item and the key risks associated with it to the lessee. The leased item is capitalized at the start of the leasing period as both a fixed asset and a liability, at the lower of its current market value or the net cash value of the future leasing instalments. Each leasing instalment is divided into a financing expense and a repayment amount to produce a constant interest rate for the resulting financial liability. Financing costs are recognized directly in the income statement, where they are shown as interest expense in the financial result. Capitalized leasing items are depreciated over the shorter of their estimated service life or the lease's duration.

An operating lease is deemed to exist if a large part of the risks associated with ownership of the leased item remains with the lessor. Operating lease payments are recognized in the income statement as a constant other operating expense over the lease's duration.



**Derivative financial instruments**

Derivative financial instruments intended as hedges of future cash flows are not capitalized, but are disclosed in the notes to the consolidated financial statements. Derivative financial instruments intended as hedges of balance sheet items are subject to the same valuation principles as the underlying hedged item. Changes in their value since the previous valuation are recorded in the result for the period. Derivative financial instruments intended for trading purposes are recorded at their market value. Changes in such market value since the previous valuation are recorded in the financial result.

## Notes on the consolidated income statement

### 1. Segment information

in CHF thousands	Chemistry		Paper		Packaging		Other/ Consolidation		CPH Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales	110 257	95 146	384 478	230 877	230 616	170 670	-	-	725 351	496 693
EBITDA	19 141	20 456	80 570	-8 007	31 360	11 916	23	1 353	131 094	25 718
EBITDA margin	17.4%	21.5%	21.0%	-3.5%	13.6%	7.0%			18.1%	5.2%
EBIT before impairment	13 811	15 308	75 095	-24 888	23 668	5 686	-109	1 227	112 465	-2 667
EBIT margin before impairment	12.5%	16.1%	19.5%	-10.8%	10.3%	3.3%			15.5%	-0.5%
EBIT	13 811	15 308	75 095	-174 888	23 668	5 686	-109	1 227	112 465	-152 667
EBIT margin	12.5%	16.1%	19.5%	-75.7%	10.3%	3.3%			15.5%	-30.7%

### 2. Net sales by region

in CHF thousands	2022	%	2021	%
Switzerland	84 910	11.7%	53 925	10.9%
Rest of Europe	471 576	65.0%	275 655	55.5%
Americas	102 130	14.1%	100 553	20.2%
Asia	47 732	6.6%	54 194	10.9%
Rest of the world	19 003	2.6%	12 366	2.5%
<b>Total net sales</b>	<b>725 351</b>	<b>100.0%</b>	<b>496 693</b>	<b>100.0%</b>

Total net sales in the year under review were CHF 228.7 million above prior year. This corresponds to an increase of 46.0% ( or 50.4% at constant currency).

### 3. Other operating income

The other operating income of CHF 21.0 million (prior year: CHF 25.3 million) includes income from the sale of energy, recyclable materials and carbon credits, rental income, own work capitalized and various further operating income. Prior-year other operating income includes the carbon credits sold by the Paper Division in the amount of CHF 18.1 million which were allocated by the Swiss Federal Office for the Environment in 2018-2021 and which were recognized in the balance sheet at their zero acquisition cost. No carbon credits were sold in the year under review (see also Note 16, Intangible assets).

#### 4. Personnel expense

in CHF thousands	Note	2022	2021
Salaries and wages		83 082	77 704
Pension benefit expense	25	5 894	3 021
Other social security charges		10 229	10 001
Other personnel expense		2 502	1 641
<b>Total personnel expense</b>		<b>101 707</b>	<b>92 367</b>

Personnel expense increased by CHF 9.3 million or 10.1% in the year under review. Total headcount increased by 77 full-time equivalents (+7.0%), driven by a satisfactory utilization rate and the capacity expansion in the Chemistry and Packaging divisions.

#### 5. Other operating expense

The other operating expense of CHF 33.8 million (prior year: CHF 24.9 million) includes sales and administrative costs and various other operating expenses. These include an increase in provisions for major repairs (see also Note 20, Provisions).

#### 6. Financial result

in CHF thousands	2022	2021
Interest income	67	39
Interest expense	-2 335	-2 493
Currency result	-1 489	-1 011
Other financial income	74	73
Other financial expense	-605	-467
<b>Total financial result</b>	<b>-4 288</b>	<b>-3 859</b>
Thereof:		
– Financial income	141	112
– Financial expense	-4 429	-3 971

Interest expense in the year under review and in the prior year includes the CHF 2.0 million interest paid on the outstanding corporate bond (CHF 100 million 2% corporate bond, maturity 12 October 2023, see also Note 17, Financial liabilities).

#### 7. Non-operating result

in CHF thousands	2022	2021
Non-operating income	1 835	7 712
Non-operating expense	-9 856	-401
<b>Total non-operating result</b>	<b>-8 021</b>	<b>7 311</b>

The non-operating result consists of expenditure on and income from the disposal and rental of former production sites in Uetikon am See (Switzerland) and Full-Reuenthal (Switzerland) and of real estate in Buchrain (Switzerland). The non-operating expense includes an increase in environmental provisions (see also Note 20, Provisions).

## 8. Income taxes

in CHF thousands	2022	2021
Current income taxes	4 047	2 238
Deferred income taxes	-4 933	-43
<b>Total income taxes</b>	<b>-886</b>	<b>2 195</b>

in CHF thousands	2022	2021
<b>Result before income taxes</b>	<b>100 156</b>	<b>-149 215</b>
Expected income tax expense	13 897	-17 286
Expected income tax rate	13.9%	11.6%
Use of not capitalized tax loss carry forwards	-15 677	-2 292
Tax loss carry forwards not capitalized	327	22 306
Income tax expense from earlier periods	12	-35
Various	555	-498
<b>Total income tax</b>	<b>-886</b>	<b>2 195</b>
Effective income tax rate	-0.9%	-1.5%

The CPH Group's expected income tax rate for the year under review amounted to 13.9% (prior year: 11.6%). This is the weighted average tax rate based on the results before taxes and individual tax rates for each Group company in the year under review. The change in the expected income tax rate is due to the profit/loss situation and to changes in the tax rates at the various Group companies.

The difference in the year under review between the expected income tax expense and the income tax expense disclosed in the income statement is attributable largely to the use of non-capitalized tax loss carry forwards (see also Note 15, Financial assets). In the prior year, the difference was primarily attributable to non-capitalized tax loss carry forwards.

The calculation of deferred income taxes was based on expected local tax rates at individual Group companies, which averaged 13.3% (prior year: 13.5%).

Non-capitalized tax loss carry forwards decreased in the year under review from CHF 20.8 million to CHF 13.3 million, primarily due to their use. Of these, CHF 1.4 million expire within a year (prior year: CHF 13.4 million) and CHF 0.1 million are of indefinite duration (prior year: CHF 3.3 million).

## 9. Earnings per share

Earnings per share are calculated by dividing the net result for the year less the portion thereof attributable to minority shareholders by the average number of company shares held during the year (excluding treasury shares; see also Note 23, Treasury shares). The average number of such shares held in 2022 amounted to 5 999 868 (prior year: 5 999 812). On the basis of a net result attributable to shareholders of the company of CHF 101.0 million (prior year: CHF -151.6 million), this produces earnings per share of CHF 16.83 (prior year: CHF -25.26). Since the company has not issued any share options or convertible bonds, diluted earnings per share are identical to the earnings per share result.

## Notes on the consolidated balance sheet

### 10. Cash and cash equivalents

Cash and cash equivalents increased by CHF 48.5 million to CHF 143.6 million in the year under review as a result of the free cash flow and following the repayment of financial liabilities and the dividend distribution.

### 11. Trade receivables

in CHF thousands	31.12.2022	31.12.2021
Trade receivables, gross	101 245	75 455
Valuation allowance	-7 314	-6 184
<b>Total trade receivables</b>	<b>93 931</b>	<b>69 271</b>

Trade receivables increased substantially in the year under review as a result of strong net sales growth, although the increase of CHF 25.8 million (gross) was still disproportionately low compared to the rise in net sales. Value adjustments for doubtful receivables also saw a disproportionately low increase of CHF 1.1 million.

### 12. Other receivables

This position includes the current portion of the remaining receivable from Canton Zurich for the sale of the former production site in Uetikon am See (Switzerland) which the canton has retained as security in respect of the portion of the costs of cleaning up the adjacent bed of Lake Zurich that is to be borne by the CPH Group. This remaining receivable is reduced by the expenditure on the lake bed clean-up that is to be borne by the CPH Group, charged to the established provisions and paid by Canton Zurich (see also Note 15, Financial assets and Note 20, Provisions).

In the year under review, other receivables decreased CHF 6.8 million compared with prior year primarily as a result of the receipt of payments for property sold in the previous year.

### 13. Inventories

in CHF thousands	31.12.2022	31.12.2021
Raw materials	28 569	19 852
Supplies	12 574	13 912
Semi-finished and finished goods	78 124	58 475
Valuation allowance	-6 170	-4 711
<b>Total inventories</b>	<b>113 097</b>	<b>87 528</b>

Inventories were CHF 25.6 million higher in the year under review than prior year, owing primarily to increases in the costs of materials.

#### 14. Tangible fixed assets

	Undeveloped property	Land and buildings	Machines and equipment	Other tangible fixed assets	Tangible fixed assets under construction	Total tangible fixed assets
in CHF thousands						
<b>Acquisition cost as at 1 January 2021</b>	<b>6 893</b>	<b>332 384</b>	<b>699 794</b>	<b>351 189</b>	<b>19 007</b>	<b>1 409 267</b>
Additions		899	9 073	2 971	8 209	21 152
Disposals		-17	-4 810	-5 013		-9 840
Reclassification		1 565	6 531	625	-8 721	-
Currency translation	86	-186	20	-73	-102	-255
<b>Acquisition cost as at 31 December 2021</b>	<b>6 979</b>	<b>334 645</b>	<b>710 608</b>	<b>349 699</b>	<b>18 393</b>	<b>1 420 324</b>
Additions		1 131	12 102	4 326	19 485	37 044
Disposals		-133	-3 076	-1 079		-4 288
Reclassification		5 283	8 588	1 239	-15 110	-
Currency translation	-111	-1 706	-2 850	-452	74	-5 045
<b>Acquisition cost as at 31 December 2022</b>	<b>6 868</b>	<b>339 220</b>	<b>725 372</b>	<b>353 733</b>	<b>22 842</b>	<b>1 448 035</b>
<b>Cumulative depreciation and impairment as at 1 January 2021</b>	<b>-119</b>	<b>-206 280</b>	<b>-563 866</b>	<b>-286 439</b>	<b>-</b>	<b>-1 056 704</b>
Depreciation	-32	-5 035	-15 203	-6 743		-27 013
Impairment		-54 207	-64 992	-30 801		-150 000
Disposals		17	4 810	5 013		9 840
Currency translation	-7	-112	89	57		27
<b>Cumulative depreciation and impairment as at 31 December 2021</b>	<b>-158</b>	<b>-265 617</b>	<b>-639 162</b>	<b>-318 913</b>	<b>-</b>	<b>-1 223 850</b>
Depreciation	-32	-2 657	-9 909	-3 755		-16 353
Disposals		85	2 497	1 030		3 612
Reclassification			2	-2		-
Currency translation	13	378	1 548	279		2 218
<b>Cumulative depreciation and impairment as at 31 December 2022</b>	<b>-177</b>	<b>-267 811</b>	<b>-645 024</b>	<b>-321 361</b>	<b>-</b>	<b>-1 234 373</b>
Carrying value as at 1 January 2021	6 774	126 104	135 928	64 750	19 007	352 563
Carrying value as at 31 December 2021	6 821	69 028	71 446	30 786	18 393	196 474
<b>Carrying value as at 31 December 2022</b>	<b>6 691</b>	<b>71 409</b>	<b>80 348</b>	<b>32 372</b>	<b>22 842</b>	<b>213 662</b>

The Chemistry Division invested in various expansion projects at its Rüti ZH (Switzerland), Zvornik (Bosnia and Herzegovina), Louisville (USA) and Lianyungang (China) operating sites in 2022. The Paper Division invested in maintaining and further improving the efficiency of its production facilities. In addition to various projects to raise efficiencies and modernize its infrastructure, the Packaging Division primarily made substantial investments in its new production facility in Anápolis (Brazil).

The carrying value of tangible fixed assets includes CHF 8.1 million of assets held solely for investment purposes (prior year: CHF 8.3 million) and land use rights of CHF 2.0 million (prior year: CHF 2.2 million). The carrying value of leased tangible fixed assets (finance leases) amounts to CHF 0.1 million (prior year: CHF 0.3 million). These consist in particular of company cars, forklifts and other fixed assets (see also Note 17, Financial liabilities).

An impairment of CHF 150.0 million was effected in 2021 on the Group's paper production facilities in view of the persistent competition in the paper market and the steep increases in the prices of energy and raw materials. The European market for graphic printing paper has been undergoing structural transformation for over ten years now. Print newspapers are losing ground to digital channels as a news medium. At the same time, the media market is also seeing significant consolidation. Thus, not only have the sizes and the print runs of newspapers been shrinking: numerous titles have also been merged or simply discontinued. As a result, the demand for newsprint in Western Europe has been declining since 2008 by between 6% and 8% a year. This has required production capacities to be modified in response. But since such reductions take longer to effect than the declines in demand, structural overcapacities have emerged, and with them substantial pricing pressures. As a result, paper prices had halved by 2021 from their previous highs.

With significantly less paper both required and produced during the coronavirus pandemic, less waste paper has also been available for recycling processes. Consequently, too little recovered paper was available in 2022 to meet the growing renewed demand for paper products as the year progressed. The shortage was exacerbated by rising demand for the same raw material from the packaging industry, which used recovered paper alongside recovered cardboard to produce sufficient cardboard packaging for the booming online retail sector. As a result, recovered paper prices rose to historic new highs, and recovered paper supplies were severely strained. Parallel to these developments, steep rises were also seen in energy costs.

The present challenges in Europe's paper and raw materials markets show no sign of easing in the medium term. Margins will remain under pressure, and such pressure will be accentuated by still-high raw materials and energy prices. That 2022 was a successful business year for the Paper Division – which benefited from the accelerated capacity adjustments realized in the previous two years – does little to change this. One competitor, for example, announced plans at the beginning of 2022 to withdraw from paper production and sell four of its five paper factories. The higher energy and raw materials prices also prompted some paper manufacturing facilities to temporarily halt production in the course of the year. The overall effect was a clear fall in paper production volumes. As production temporarily fell more sharply than the declining demand and, at the same time, production costs increased significantly and paper prices were raised in response, the Paper Division's net sales increased accordingly. The division also benefited in cost terms from the fact that Perlen Papier had purchased its electricity in advance under a structured procurement process, and thus did not have to meet its energy needs on the spot markets with their higher electricity prices. Since no long-term changes were observed in the future factors considered when determining the recoverable amount of the division's production assets, no adjustments were made in 2022 to the impairments previously effected to the assets concerned.

## 15. Financial assets

in CHF thousands	Note	31.12.2022	31.12.2021
Minority interests in companies		10 000	10 000
Employer contribution reserves	25	10 961	11 301
Economic share from patronage fund	25	13 197	12 867
Deferred tax assets	8	16 582	13 083
Non-interest bearing receivables		15 096	21 135
<b>Total financial assets</b>		<b>65 836</b>	<b>68 386</b>

'Minority interests in companies' includes a 10% equity holding in Renergia Zentralschweiz AG, Root (Switzerland). The company operates a waste incineration facility on land purchased from the CPH Group and supplies the Paper Division with around 60% of its steam needs in the form of carbon-neutral low-pressure steam.

'Deferred tax assets' considers the impact in tax terms of valuation differences between the values stated on the consolidated balance sheet and the corresponding values applicable under fiscal law. These have largely arisen as a result of intragroup real estate transactions, for which use has been made of existing tax loss carry forwards (see also Note 8, Income taxes).

'Non-interest bearing receivables' includes the non-current portion of the remaining receivable from Canton Zurich for the sale of the former production site in Uetikon am See (Switzerland) which the canton has retained as security in respect of the portion of the costs of cleaning up the adjacent bed of Lake Zurich that is to be borne by the CPH Group. This remaining receivable is reduced by the expenditure on the lake bed clean-up that is to be borne by the CPH Group from the established provisions and paid by Canton Zurich (see also Note 12, Other receivables and Note 20, Provisions).

## 16. Intangible assets

in CHF thousands	Software	Other intangible assets	Total intangible assets
<b>Acquisition cost as at 1 January 2021</b>	<b>16 045</b>	<b>1 942</b>	<b>17 987</b>
Additions	1 492	128	1 620
Disposals	-1 323		-1 323
Currency translation	-84	49	-35
<b>Acquisition cost as at 31 December 2021</b>	<b>16 130</b>	<b>2 119</b>	<b>18 249</b>
Additions	1 012	15	1 027
Disposals	-111	-946	-1 057
Currency translation	-143	-55	-198
<b>Acquisition cost as at 31 December 2022</b>	<b>16 888</b>	<b>1 133</b>	<b>18 021</b>
<b>Cumulative amortization as at 1 January 2021</b>	<b>-11 980</b>	<b>-442</b>	<b>-12 422</b>
Amortization	-1 352	-20	-1 372
Disposals	1 323		1 323
Currency translation	66	-9	57
<b>Cumulative amortization as at 31 December 2021</b>	<b>-11 943</b>	<b>-471</b>	<b>-12 414</b>
Amortization	-1 314	-962	-2 276
Disposals	111	946	1 057
Currency translation	133	6	139
<b>Cumulative amortization as at 31 December 2022</b>	<b>-13 013</b>	<b>-481</b>	<b>-13 494</b>
Carrying value as at 1 January 2021	4 065	1 500	5 565
Carrying value as at 31 December 2021	4 187	1 648	5 835
<b>Carrying value as at 31 December 2022</b>	<b>3 875</b>	<b>652</b>	<b>4 527</b>

'Additions' consist primarily of investments in software systems used in business operations.

Other intangible assets include 98 000 carbon credits (prior year: 2 000 credits) intended for sale. Their estimated fair value as at the balance sheet date is approximately CHF 7.4 million. 96 000 such credits for 2021 were issued free of charge by the Swiss Federal Office for the Environment to the Paper Division in 2022. They are therefore capitalized at their zero acquisition price. Income deriving from the sale of such credits is shown under other operating income. No such income was earned in 2022 (prior year: CHF 18.1 million; see also Note 3, Other operating income).

Goodwill deriving from acquisitions is offset directly against retained earnings in shareholders' equity (see also Note 24, Retained earnings).

## 17. Financial liabilities

in CHF thousands	31.12.2022	31.12.2021
Bond	98 730	-
Financial leasing	102	227
Other current financial liabilities	19	3 000
<b>Total current financial liabilities</b>	<b>98 851</b>	<b>3 227</b>
Bond	-	100 000
Financial leasing	-	95
Other long-term financial liabilities	-	6 500
<b>Total long-term financial liabilities</b>	<b>-</b>	<b>106 595</b>
Thereof:		
– Due within 2 to 5 years	-	106 595

The 'Bond' line item comprises the unsecured 2% CHF 100 million corporate bond maturing on 12 October 2023. As part of the Group's cash management, CHF 1.3 million thereof was repurchased via the stock exchange in 2022, resulting in an outstanding bond liability of CHF 98.7 million on 31 December 2022 (prior year: CHF 100.0 million).



'Other financial liabilities' for 2021 include a bank loan which was prematurely repaid under the Group's cash management in 2022. The corresponding loan agreement contained financial covenants and further conditions under which the lending bank could also serve short-term notice to terminate long-term financial liabilities. These financial covenants were based on key indicators derived from EBITDA, shareholders' equity and net debt. The terms of such financial covenants were observed in full.

## 18. Trade payables

Trade payables increased by CHF 8.2 million in 2022, owing largely to the substantial rises in materials and energy prices.

## 19. Other payables

Other payables increased by CHF 2.6 million.

## 20. Provisions

in CHF thousands	Environment	Major repairs	Deferred income taxes	Other provisions	Total provisions
<b>Provisions as at 1 January 2021</b>	22 862	3 702	6 708	1 592	34 864
Addition			632	250	882
Utilization	-3 636			-292	-3 928
Release			-23	-211	-234
Currency translation			-83	-8	-91
<b>Provisions as at 31 December 2021</b>	<b>19 226</b>	<b>3 702</b>	<b>7 234</b>	<b>1 331</b>	<b>31 493</b>
Addition	9 582	4 742	20	1 388	15 732
Utilization	-5 575			-620	-6 195
Release			-1 421	-257	-1 678
Currency translation			-66	-17	-83
<b>Provisions as at 31 December 2022</b>	<b>23 233</b>	<b>8 444</b>	<b>5 767</b>	<b>1 825</b>	<b>39 269</b>
Thereof:					
– current	6 075	-	-	1 760	7 835
– non-current	17 158	8 444	5 767	65	31 434

Environmental provisions relate to the environmental protection measures required at former Chemistry Division production sites. These include the lake bed clean-up in Uetikon am See (Switzerland), the former production site in Full-Reuenthal (Switzerland) and obligations associated with various waste disposal sites. The lake bed clean-up began in 2022 and should be completed in two to three years. It is being conducted in close collaboration with Canton Zurich, which is serving as the project leader with the CPH Group represented in the project management group. 80% of the costs of the clean-up are to be borne by the CPH Group and 20% by Canton Zurich. The work is being financed with the funds generated by the sale of the Uetikon site to Canton Zurich in 2016. The costs involved are not cash-relevant, and reduce both the provisions effected for the work and the remaining receivable from Canton Zurich (see also Note 12, Other receivables and Note 15, Financial assets).

The provisions for major repairs relate to the renovation work needed on the weir in Perlen (Switzerland) under the concession requirements of Canton Lucerne. The related project planning is well advanced, and the work should be performed in the next few years.

For the provisions for deferred income taxes, please see Note 8, Income taxes. Other provisions include claims for customer complaints in the Paper and Packaging divisions.

The provision amounts were reviewed as of the balance sheet date and adjusted in line with the latest estimates and assessments. New findings on the scope and the costs of the actions needed – in the light of the requirements of the authorities, work progress to date and inflation-based increases in construction costs – entailed an increase in the provision amounts (see also Note 5, Other operating expense and Note 7, Non-operating result).

## 21. Accrued expenses and deferred income

in CHF thousands	31.12.2022	31.12.2021
Personnel expense	7 782	5 992
Commissions	3 250	2 418
Income taxes	1 863	1 266
Other accrued expenses and deferred income	14 334	8 587
<b>Total accrued expenses and deferred income</b>	<b>27 229</b>	<b>18 263</b>

## 22. Share capital

The share capital of CHF 1.2 million consists of 6 000 000 registered shares of CHF 0.20 nominal value (unchanged from the prior year).

## 23. Treasury shares

Number of shares	2022	2021
<b>Treasury shares as at 1 January</b>	-	376
Purchases	3 345	5 593
Share-based remuneration	-3 345	-2 682
Sales	-	-3 287
<b>Treasury shares as at 31 December</b>	-	-

A total of 3 345 treasury shares (prior year: 5 593) were purchased in 2022 at an average purchase price of CHF 63.62 per share (prior year: CHF 70.45). No such shares were sold in 2022 (prior year: 3 287 treasury shares sold at an average sale price of CHF 71.49). A total of 3 345 shares (prior year: 2 682 shares) with a vesting period of three years (with no further performance, profit or other vesting conditions) were definitively awarded in the form of share-based remuneration. The resulting personnel expense at a share price on assignment of CHF 62.78 per share (prior year: CHF 66.80 per share) amounted to CHF 0.2 million (prior year: CHF 0.2 million).

## 24. Retained earnings

The non-distributable retained earnings of the CPH Group amounted to CHF 17.2 million at the end of 2022 (prior year: CHF 17.2 million).

Goodwill arising from acquisitions is offset against retained earnings in shareholders' equity at the time of the acquisition. The impact of a theoretical capitalization of goodwill, applying a five-year useful life, on the consolidated balance sheet and income statement is shown below:

in CHF thousands	2022	2021
Goodwill at cost at 1 January	63 021	63 021
<b>Goodwill at cost at 31 December</b>	<b>63 021</b>	<b>63 021</b>
Accumulated amortization and impairment at 1 January	-61 032	-51 467
Theoretical goodwill amortization	-889	-5 430
Theoretical goodwill impairment	-	-4 135
<b>Accumulated amortization and impairment at 31 December</b>	<b>-61 921</b>	<b>-61 032</b>
Theoretical carrying value at 1 January	1 989	11 554
<b>Theoretical carrying value at 31 December</b>	<b>1 100</b>	<b>1 989</b>

in CHF thousands	2022	2021
Net result	101 042	-151 410
Theoretical goodwill amortization	-889	-5 430
Theoretical goodwill impairment	-	-4 135
<b>Theoretical net result</b>	<b>100 153</b>	<b>-160 975</b>

in CHF thousands	31.12.2022	31.12.2021
Shareholders' equity	399 567	310 494
Theoretical carrying value of goodwill	1 100	1 989
<b>Theoretical shareholders' equity</b>	<b>400 667</b>	<b>312 483</b>

## Further notes

### 25. Occupational pensions

The CPH Group has various pension schemes in place, which are each aligned to local conditions and requirements in the countries concerned. The table below offers an overview of the funding surplus or deficit and the economic shares attributable to the employer:

in CHF thousands	Pension plans with surplus		Patronage fund		Pension plans with deficit		Pension plans without surplus/deficit		Total occupational pensions	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Surplus/deficit as at 31 December	169	14 737	13 197	12 867	-1 562	-1 356	-	-	11 804	26 248
<b>Economic share as at 31 December</b>	<b>-</b>	<b>-</b>	<b>13 197</b>	<b>12 867</b>	<b>-1 562</b>	<b>-1 356</b>	<b>-</b>	<b>-</b>	<b>11 635</b>	<b>11 511</b>
Change of economic share	-	-	-330	-1 317	206	199	-	-	-124	-1 118
Accrued contributions	4 675	3 824	-	-	407	-	596	427	5 678	4 251
Result from employer contribution reserve	340	-112	-	-	-	-	-	-	340	-112
<b>Pension benefit expense</b>	<b>5 015</b>	<b>3 712</b>	<b>-330</b>	<b>-1 317</b>	<b>613</b>	<b>199</b>	<b>596</b>	<b>427</b>	<b>5 894</b>	<b>3 021</b>

'Pension plans with surplus' refers to the CPH Group Pension Scheme, which is domiciled in Root (Switzerland). This is a legally autonomous foundation with a board of trustees on which employer and employees are equally represented. The CPH Group Pension Scheme meets the occupational pension provision needs of the Group's Swiss-based companies under its own responsibility on a defined contribution basis. The benefits are determined on the basis of the existing retirement assets. They therefore depend on the contributions paid, the vested benefits contributed and the purchases, in each case including interest. The scheme is funded by statutorily prescribed employer's and employees' contributions. The existence of any funding surplus or deficit is determined on the basis of the scheme's annual financial statements (after deduction of fluctuation reserves), which are compiled in accordance with Swiss GAAP FER 26. At the end of 2022 the scheme showed a funding surplus of CHF 0.2 million (prior year: CHF 14.7 million). This surplus is available in full to the scheme's beneficiaries, which is why no economic share is capitalized.

The 'Patronage fund' refers to the Perlen Group Assistance Fund, which is domiciled in Buchrain (Switzerland). The fund provides pension benefits for employees and financial assistance for employees and their families in hardship situations. The fund can also be used to finance the employer's contributions to the occupational pension schemes of the Group's Swiss-based companies. The existence of any funding surplus or deficit is determined on the basis of the fund's annual financial statements (after deduction of fluctuation reserves), which are compiled in accordance with Swiss GAAP FER 26. At the end of 2022 the fund showed a funding surplus of CHF 13.2 million (prior year: CHF 12.9 million). This surplus is available in full to the employer, which is why the corresponding amount is capitalized as an economic share under the financial assets.

'Pension plans with deficit' refers to the defined-benefits pension scheme in the USA which has been frozen since the end of 2015. The associated pension obligations have not increased since 2015, and no new beneficiaries are being admitted to the scheme. The funding deficit of CHF 1.6 million (prior year: CHF 1.4 million), determined using the current liability method, is an economic liability of the CPH Group, and is recognized under accrued expenses and deferred income.

'Pension plans without surplus/deficit' includes a defined-contribution 401(k) pension plan in the USA and other non-material pension plans in other countries. Such plans have neither a funding surplus nor a funding deficit, so no economic shares are recognized on the balance sheet.

The CPH Group had accumulated an employer contribution reserve in previous years. This developed as follows in 2022:

in CHF thousands	2022	2021
Nominal value as at 31 December	10 961	11 301
Waiver of use as at 31 December	-	-
Addition	-	-
<b>Carrying value as at 31 December</b>	<b>10 961</b>	<b>11 301</b>
<b>Result from employer contribution reserve</b>	<b>-340</b>	<b>112</b>

## 26. Pledged assets

in CHF thousands	31.12.2022	31.12.2021
Cash and cash equivalents	1 735	1 687
Land and buildings	2 821	3 254
<b>Total carrying value of pledged assets (without leases)</b>	<b>4 556</b>	<b>4 941</b>

## 27. Derivative financial instruments

in CHF thousands	31.12.2022	31.12.2021
<b>Foreign exchange forwards</b>		
<b>Contract value</b>	<b>159 816</b>	<b>108 526</b>
Positive replacement value <sup>1</sup>	2 935	3 705
Negative replacement value <sup>1</sup>	825	79

<sup>1</sup> Not recognized in the balance sheet

The open forward foreign exchange contracts are hedges on future cash flows, primarily in EUR and, to a lesser extent, in USD. No derivative financial instruments held to hedge balance sheet items or for trading purposes are recognized.

## 28. Non-capitalized operating lease liabilities

in CHF thousands	31.12.2022	31.12.2021
Due within 1 year	2 052	1 917
Due within 2 to 5 years	4 564	4 442
Due after more than 5 years	759	631
<b>Total operating leases</b>	<b>7 375</b>	<b>6 990</b>

The non-capitalized operating lease liabilities relate primarily to premises rentals and vehicles.

### 29. Sureties and guarantee obligations

As in the prior year, there were no off-balance-sheet sureties or guarantee obligations towards third parties at the end of the year under review.

### 30. Purchase obligations

Off-balance-sheet purchase obligations not terminable within one year for the acquisition of fixed assets, materials and energy totalled CHF 113.6 million at the end of the year under review (prior year: CHF 98.0 million).

### 31. Transactions with related parties

The following transactions were effected for services rendered with related companies of the CPH Group and members of its Board of Directors:

in CHF thousands	2022	2021
Weber Schaub & Partner AG (Peter Schaub)	42	66
Niederer Kraft Frey AG (Manuel Werder)	79	56
UBV Immobilien Treuhand AG (Peter Schaub, Manuel Werder, Tim Talaat)	31	12
<b>Total transactions with related parties</b>	<b>152</b>	<b>134</b>
<b>Total liabilities to related parties as at 31 December</b>	<b>42</b>	<b>12</b>

As in the prior year, no loans or credits were granted to related parties in the year under review.

### 32. Currency translation rates

in CHF	Average rate		Closing rate	
	2022	2021	31.12.2022	31.12.2021
1 EUR	1.0050	1.0810	0.9870	1.0360
1 USD	0.9550	0.9140	0.9250	0.9110
1 CNY	0.1420	0.1418	0.1331	0.1430
1 BAM	0.5138	0.5527	0.5046	0.5297
1 BRL	0.1850	0.1700	0.1750	0.1640

### 33. Events after the balance sheet date

The CPH Group sold a large tract of industrial land on the former Chemie Uetikon operating site in Full-Reuenthal (Switzerland) in January 2023. The sale will generate non-operating income in the low double-digit millions in the 2023 financial year. Apart from this, no events occurred between the balance sheet date and 10 February 2023, the date of the approval and release for publication of these annual consolidated financial statements by the Board of Directors, which would require adjustments to the Group's assets, equity and liabilities or would need to be disclosed here. These consolidated financial statements are also subject to the approval of the Annual General Meeting of 14 March 2023.

# Report on the audit of the consolidated financial statements

## Opinion

We have audited the consolidated financial statements of CPH Chemie + Papier Holding 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, the consolidated cash flow statement and consolidated statement of changes in shareholders' equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 56 to 77) 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.

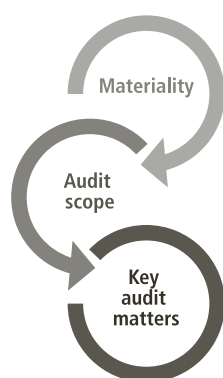
## Basis for opinion

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 7.0 million

Full scope audit work was concluded at seven Group companies in four countries. For two additional companies, specified audit procedures were performed. Our audit scope addressed 91% of the net sales of the Group.

Additionally, we concluded reviews at a further two Group companies, which represented an additional 6% of the net sales of the Group.

As key audit matter the following area of focus has been identified:

Assessment of the adequacy of the provisions for environmental protection measures

## 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 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.

Based on 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.

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<b>Overall Group materiality</b>	CHF 7.0 million
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<b>Benchmark applied</b>	Net sales
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<b>Rationale for the materiality benchmark applied</b>	We chose net sales as the benchmark because, in our view, it is an appropriate benchmark given the Group's volatile earnings performance in recent years, and it is a generally accepted benchmark for materiality considerations.
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### **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.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors from the PwC network and from a third party. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component audi-

tors to provide a basis for our opinion. The involvement of the Group auditor was based on audit instructions and standardised reporting. In addition, it included telephone conferences with the component auditors and participation in audit closing meetings for selected components in which local management, the local auditor and selected Group representatives also participated.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## **Assessment of the adequacy of the provisions for environmental protection measures**

### **Key audit matter**

As at the balance sheet date, current and non-current provisions for environmental protection measures amounting to CHF 23.2 million have been recognised in connection with the closure and disposal of the production site at Uetikon and the obligation to decontaminate and absorb the costs of various landfills and properties.

In view of the magnitude of the future costs of the environmental protection measures and the significant estimates involved in calculating them, we consider the completeness and accuracy of these provisions as a key audit matter.

Information regarding the provisions for environmental protection measures can be found in notes 7 and 20 of the notes to the consolidated financial statements.

### **How our audit addressed the key audit matter**

We performed the following audit procedures:

- Discussions with Management and the Finance and Auditing Committee.
- Review and assessment of Management memos and file notes concerning the amount of provisions recognised.
- Sample-based testing of the calculations of and the assumptions relating to the cost estimates of the environmental protection measures.
- Inspection of the contract awards, expert opinions and bids on which the calculations are based and of the correspondence, meeting minutes and cost overviews.
- Assessment of whether the disclosure of the provisions complies with the requirements of Swiss GAAP FER.

On the basis of our audit results, we consider the approach chosen by Management for recording and disclosure of the provisions for environmental protection measures to be reasonable.

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### **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 consolidated 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.

### **Board of Directors' responsibilities 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.

A more detailed description of our responsibilities for the audit of the consolidated financial statements can be found on the EXPERTsuisse website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

### **Report on other legal and 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 consolidated 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 Illi  
Licensed audit expert  
Auditor in charge



Josef Stadelmann  
Licensed audit expert

Zürich, 10 February 2023

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich,  
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# Supplementary definitions of financial ratios

The financial information in this annual report is supplemented by certain financial ratios which are not defined in the Swiss GAAP FER. These help the management to assess and quantify the company's performance. They may differ from similar metrics used at other companies, and should not be regarded as replacing the Swiss GAAP FER ratios. They are defined as follows:

## Growth rate

The growth rate is the increase or decrease in a ratio, expressed as a percentage of the corresponding value for the prior period.

## Changes at constant currency

Changes at constant currency are calculated by translating the ratios in question using the exchange rates valid in the prior period.

## Gross profit / gross profit margin

Gross profit is calculated as:

- + Net sales
- + Other operating income
- + Change in inventories
- Cost of materials
- Cost of energy.

Gross profit margin is gross profit as a percentage of net sales.

## EBITDA / EBITDA margin

EBITDA (operating result before depreciation and amortization) is calculated as follows:

- + Operating result (EBIT)
- + Depreciation on tangible fixed assets
- + Amortization on intangible assets
- + Impairment of fixed assets.

EBITDA margin is EBITDA as a percentage of net sales.

## EBIT / EBIT margin

EBIT (earnings before interest and taxes) is the operating result. EBIT margin is EBIT as a percentage of net sales.

## EBIT before impairment / EBIT margin before impairment

EBIT before impairment is calculated as follows:

- + Operating result (EBIT)
- + Impairment of fixed assets.

EBIT margin before impairment is EBIT before impairment as a percentage of net sales.

## Return on equity

Return on equity is calculated by dividing the net result by average shareholders' equity. Average shareholders' equity is the average of the shareholders' equity at the beginning and at the end of the reporting period.

## Cash flow

Cash flow (before change in non-financial net working capital) is calculated as follows:

- + Cash flow from operating activities
- + Change in trade receivables
- + Change in inventories
- + Change in other receivables, prepayments and accrued income
- + Change in trade payables
- + Change in other payables, accrued expenses and deferred income.

## Free cash flow

Free cash flow is calculated as follows:

- + Cash flow from operating activities
- + Cash flow from investing activities.

## Net liquid assets

Net liquid assets are calculated as follows:

- + Cash and cash equivalents
- Current and non-current financial liabilities.

## Net debt

Net debt is calculated as follows:

- + Current and non-current financial liabilities
- Cash and cash equivalents.

## Net-debt-to-EBITDA ratio

The net-debt-to-EBITDA ratio is calculated by dividing net debt by EBITDA (operating result before depreciation and amortization).

### **Equity ratio**

The equity ratio is shareholders' equity (including minorities) as a percentage of total assets.

### **Capital employed**

Capital employed is calculated as follows:

- + Trade receivables
- + Other receivables
- + Inventories
- + Prepayments and accrued income
- + Tangible fixed assets
- + Financial assets
- Deferred income tax assets
- + Intangible assets
- Trade payables
- Other current and non-current liabilities
- Current and non-current provisions
- + Deferred income tax liabilities
- Accrued expenses and deferred income.

### **Net operating profit after tax (NOPAT)**

- + EBIT (earnings before interest and taxes) before impairment
- Income tax calculable thereon at the tax rate expected for the period.

### **Return on capital employed (ROCE)**

Return on capital employed (ROCE) is calculated by dividing net operating profit after tax (NOPAT) by average capital employed. Average capital employed is the average of the capital employed at the beginning and at the end of the reporting period.

# Income statement

in CHF thousands	Note	2022	2021
Dividend income		4 300	13 300
Interest income		5 157	4 772
Other financial income		158	134
<b>Total financial income</b>		<b>9 615</b>	<b>18 206</b>
Service income		5 418	5 068
Other operating income		327	325
<b>Total operating income</b>		<b>15 360</b>	<b>23 599</b>
Personnel expense		-3 642	-3 475
Other operating expense		-2 199	-2 139
Value adjustments on financial assets and investments	2	-	-62 142
Depreciation on tangible fixed assets		-38	-40
Interest expense	3	-2 026	-2 067
Other financial expense		-941	-142
Non-operating income	8	26 176	-
Income taxes		-131	-173
<b>Net result</b>		<b>32 559</b>	<b>-46 579</b>

# Balance sheet

in CHF thousands	Note	31.12.2022	31.12.2021
<b>Assets</b>			
Cash and cash equivalents		75 672	32 624
Other receivables from third parties		4 095	4 413
Other receivables from group companies		687	156
Prepayments and accrued income		23	-
<b>Total current assets</b>		<b>80 477</b>	<b>37 193</b>
Tangible fixed assets		20	432
Loans granted to group companies	1	340 334	359 677
Investments	2	88 671	88 671
<b>Total fixed assets</b>		<b>429 025</b>	<b>448 780</b>
<b>Total assets</b>		<b>509 502</b>	<b>485 973</b>
<b>Equity and liabilities</b>			
Interest-bearing liabilities due to third parties	3	98 753	59
Other payables due to third parties		345	288
Accrued liabilities and deferred income		1 206	1 187
<b>Total current liabilities</b>		<b>100 304</b>	<b>1 534</b>
Interest-bearing liabilities due to third parties	3	-	100 000
<b>Total non-current liabilities</b>		<b>-</b>	<b>100 000</b>
Share capital	4	1 200	1 200
Statutory capital contribution reserves		7	7
Statutory retained earnings		10 016	10 016
Retained earnings		365 416	419 795
Net result of the year		32 559	-46 579
<b>Total shareholders' equity</b>		<b>409 198</b>	<b>384 439</b>
<b>Total liabilities and equity</b>		<b>509 502</b>	<b>485 973</b>

# Notes to the financial statements

## Accounting principles

### Presentation

The annual financial statements of CPH Chemie + Papier Holding AG have been compiled in accordance with the provisions on commercial accounting of the Swiss Code of Obligations.

The presentation of these financial statements has been revised for the year under review to enhance their readability. The structures of the income statement and the balance sheet have been simplified in accordance with the provisions on commercial accounting specified in the Swiss Code of Obligations, and the notes thereto have been modified accordingly. This permits a clearer presentation of the company's financial performance. There were no significant adjustments to the disclosure of individual key financial figures for the prior year.

The company provides consolidated financial statements in accordance with Swiss GAAP FER accounting standards. In view of this, the company has elected not to provide expanded notes to these financial statements, a management report and a cash flow statement.

The major balance sheet items have been presented as follows.

### Receivables and loans

Receivables are stated at their nominal value less any necessary individual value adjustments. Such value adjustments are determined on the basis of maturity structures and identifiable credit risks.

### Investments

Investments are stated at their purchase price less appropriate value adjustments for likely long-term impairments. Investments are valued individually if and insofar as they generate separate cash flows.

### Interest-bearing liabilities

Interest-bearing liabilities are stated at their nominal value. Those with a residual term to maturity of up to one year are shown under current liabilities; those with a residual term to maturity of more than one year are shown under non-current liabilities.

### Foreign currency translation

Transactions effected in foreign currencies are translated into Swiss francs at the exchange rate valid as at the date of the transaction. Assets and liabilities in foreign currencies are translated into Swiss francs at the exchange rate valid as at the balance sheet date, and applying the imparity principle.

## Notes to individual items in the financial statements

### 1. Loans granted to Group companies

Loans granted to Group companies decreased by CHF 19.3 million in 2022 as a result of the high free cash flow.

## 2. Investments

	Currency	Capital in thousands	Shareholding
CPH Immobilien AG, Root, Switzerland <sup>1</sup>	CHF	500	100%
<b>Chemistry</b>			
Zeochem AG, Rüti ZH, Switzerland <sup>1</sup>	CHF	1 000	100%
Zeochem L.L.C., Louisville, USA	USD	36 547	100%
Zeochem d.o.o., Zvornik, Bosnia-Herzegovina	BAM	2	100%
Jiangsu Zeochem Technology Co. Ltd., Lianyungang, China <sup>1</sup>	CNY	90 000	92%
Zeochem Pte. Ltd., Singapore, Singapore	SGD	1	100%
<b>Paper</b>			
Perlen Papier AG, Root, Switzerland <sup>1</sup>	CHF	81 000	100%
Perlen Papier Immobilien AG, Root, Switzerland	CHF	1 000	100%
APS Altpapier Service Switzerland AG, Root, Switzerland	CHF	100	100%
Perlen Deutschland GmbH, Munich, Germany	EUR	100	100%
<b>Packaging</b>			
Perlen Packaging AG, Root, Switzerland <sup>1</sup>	CHF	24 000	100%
Perlen Packaging L.L.C., Whippany, USA	USD	1 000	100%
Perlen Packaging GmbH, Müllheim, Germany	EUR	1 300	100%
Perlen Packaging (Suzhou) Co., Ltd., Suzhou, China	USD	13 000	100%
Perlen Packaging Anápolis Indústria e Comércio Ltda., Anápolis, Brazil	BRL	2 464	100%

<sup>1</sup> Directly held by CPH Chemie + Papier Holding AG

Investments remained unchanged in 2022. CPH Immobilien AG, Root (Switzerland) was founded on 29 April 2021. CPH Chemie + Papier Holding AG absorbed Uetikon Industrieholding AG by merger on 11 June 2021. As a result, the latter's UBV Immobilien Treuhand Perlen AG subsidiary was also merged into CPH Immobilien AG on 22 November 2021.

Value adjustments of CHF 77.4 million were effected in 2021 in view of the negative equity development resulting from impairments to the fixed assets of the Paper Division. At the same time, the value adjustments in the Chemistry Division were reduced by CHF 15.3 million in the light of positive business developments.

## 3. Interest-bearing liabilities

Interest-bearing liabilities include the unsecured 2% CHF 100 million corporate bond maturing on 12 October 2023. As part of the Group's cash management, CHF 1.3 million thereof was repurchased via the stock exchange in 2022, resulting in an outstanding bond liability of CHF 98.7 million on 31 December 2022 (prior year: CHF 100.0 million).

The CHF 2.0 million interest payable on this bond is included in interest expense (prior year: CHF 2.0 million).

## 4. Share capital

The share capital of CHF 1.2 million consists of 6 000 000 registered shares of CHF 0.20 nominal value (unchanged from the prior year).

## 5. Treasury shares

A total of 3 345 (prior year: 5 593 ) treasury shares were purchased in 2022 at an average purchase price of CHF 63.62 per share (prior year: CHF 70.45). No such shares were sold in 2022 (prior year: 3 287 treasury shares sold at an average sale price of CHF 71.49). A total of 1 433 shares (prior year: 1 341 ) with a vesting period of three years (with no further performance, profit or other vesting conditions) were definitively awarded in 2022 in the form of share-based remuneration. The resulting personnel expense at a share price on assignment of CHF 62.78 per share (prior year: CHF 66.80) amounted to CHF 0.1 million (prior year: CHF 0.1 million). A further 1 912 shares (prior year: 1 341 ) at an average transaction price of CHF 62.78 per share (prior year: CHF 66.80) were transferred to Group companies for their share-based remuneration.

## 6. Significant shareholders

	31.12.2022	31.12.2021
Shareholders' group Swiss Industrial Finance AG, Zurich, Switzerland (14.8%) and Elly Schnorf-Schmid Foundation, Zurich, Switzerland (18.8%, up to 29.11.2022 Elly Schnorf-Schmid Estate, Zurich, Switzerland), represented by Peter Schaub, Uster, Switzerland	33.6%	33.6%
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	6.6%	5.0%

## 7. Shares held by members of the Board of Directors and the Executive Board

### Board of Directors

Number of shares <sup>1</sup>	31.12.2022	31.12.2021
Peter Schaub, Chairman	892 012	892 012
Tim Talaat, Deputy Chairman	145 542	145 542
Claudine Mollenkopf	300	-
Manuel Werder	128 347	128 347
Christian Wipf	400	400
<b>Total Board of Directors</b>	<b>1 166 601</b>	<b>1 166 301</b>

<sup>1</sup> Including related parties, insofar as under significant influence

### Executive Board

Number of shares <sup>1</sup>	31.12.2022					31.12.2021				
	not restricted	restricted until 16.03.23	restricted until 15.03.24	restricted until 14.03.25	Total	not restricted	restricted until 16.03.23	restricted until 15.03.24	Total	
Peter Schildknecht, CEO	200	793	894	955	2 842	200	793	894	1 887	
Gerold Brütsch, CFO (from 01.01.2022)	-	-	-	478	478	-	-	-	-	
Klemens Gottstein, Head of Paper Division	-	397	447	478	1 322	-	397	447	844	
Wolfgang Grimm, Head of Packaging Division (up to 31.03.2022)	n.a.	n.a.	n.a.	n.a.	n.a.	60	397	447	904	
Marc Haller, Head of Packaging Division (from 01.04.2022)	-	-	-	478	478	n.a.	n.a.	n.a.	n.a.	
Richard Unterhuber, CFO (up to 31.12.2021)	n.a.	n.a.	n.a.	n.a.	n.a.	250	397	447	1 094	
Alois Waldburg-Zeil, Head of Chemistry Division	400	397	447	478	1 722	400	397	447	1 244	
<b>Total Executive Board</b>	<b>600</b>	<b>1 587</b>	<b>1 788</b>	<b>2 867</b>	<b>6 842</b>	<b>910</b>	<b>2 381</b>	<b>2 682</b>	<b>5 973</b>	

<sup>1</sup> Including related parties, insofar as under significant influence

## **8. Non-operating income from asset transfer**

To achieve and maintain a clear division between the operating activities and the real estate business of the CPH Group, non-operating real estate of CPH Chemie + Papier Holding AG with a carrying value of CHF 0.4 million was transferred to a Group company in the 2022 financial year via an asset transfer agreement dated 1 December 2022. The consideration consists of a receivable from the acquiring Group company. The asset transfer has no impact in personnel terms. The resulting profit from this asset transfer is reported as non-operating income.

## **9. Number of full-time-equivalent employees**

The average number of employees (in full-time equivalents) was below ten in both the year under review and prior year.

## **10. Off-balance-sheet leasing obligations**

As at the balance sheet date and as at the prior-year balance sheet date, there were no off-balance-sheet leasing obligations.

## **11. Guarantees to third parties**

Total guarantees for third parties' obligations amount to CHF 30.0 million (prior year: CHF 31.5 million). Of this amount, CHF 20.0 million (prior year: CHF 21.5 million) consists of guarantees for Group companies' bank credit facilities. In addition, CPH Chemie + Papier Holding AG continues to provide (as in the prior year) a guarantee of up to CHF 10.0 million to Canton Zurich for the obligations of Zeochem AG, Rüti (Switzerland) towards the Canton regarding the lake bed clean-up in Uetikon (Switzerland) (see also Note 20, Provisions in the notes to the consolidated financial statements).

## **12. Contingent liabilities**

Under the corresponding group taxation provisions, CPH Chemie + Papier Holding AG is jointly and severally liable for the value-added tax obligations of the CPH Group's Swiss-based member companies.

## **13. Events after the balance sheet date**

No events occurred between the balance sheet date and 10 February 2023, the date of the approval and release for publication of these annual financial statements by the Board of Directors, which would require adjustments to the company's assets, equity and liabilities or would need to be disclosed here. These financial statements are also subject to the approval of the Annual General Meeting of 14 March 2023.



# Appropriation of retained earnings

## Proposal of the Board of Directors to the Annual General Meeting of 14 March 2023

in CHF thousands	2022	2021
<b>Net result of the year</b>	32 559	-46 579
Retained earnings carried forward from prior year	-	-
<b>Retained earnings at the end of the year</b>	32 559	-46 579
Dividend payment	-27 000	-7 800
Allocation to/from reserves from retained earnings	-5 559	54 379
<b>Retained earnings to be carried forward to next year</b>	-	-

The Board of Directors will propose to the Annual General Meeting of 14 March 2023 that a dividend of CHF 4.50 per share be distributed to shareholders and that the remaining amount from the net result for 2022 be allocated to retained earnings.

For the prior year, in accordance with the corresponding resolution of the Annual General Meeting, a dividend of CHF 1.30 per share was distributed to shareholders from retained earnings.

# Report on the audit of the financial statements

## Opinion

We have audited the financial statements of CPH Chemie + Papier Holding AG (the Company), which comprise the income statement for the year ended 31 December 2022, balance sheet as at 31 December 2022 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 83 to 88) comply with Swiss law and the company's articles of incorporation.

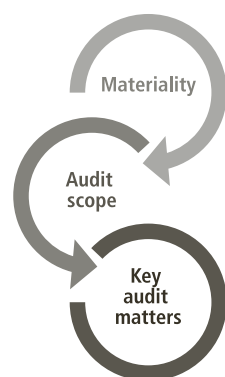
## Basis for opinion

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 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.

## Our audit approach

### Overview



Overall materiality: CHF 5.0 million

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 Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

Valuation of loans granted to group companies and of investments in group companies

## 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 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.

Based on 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.

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**Overall materiality** CHF 5.0 million

**Benchmark applied** Total assets

**Rationale for the materiality benchmark applied** We chose total assets as the benchmark for determining materiality because it is a generally accepted benchmark for materiality considerations relating to a holding company.

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## 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.

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## Valuation of loans granted to group companies and of investments in group companies

### Key audit matter

We consider the valuation of loans granted to group companies and of investments in group companies as a key audit matter. These items are disclosed on the balance sheet in the amounts of CHF 340.3 million and CHF 88.7 million, respectively.

The valuation of loans granted to group companies and of investments in group companies depends on the financial substance and profitability of the subsidiaries.

Please refer to notes 1 and 2 in the notes to the financial statements.

### How our audit addressed the key audit matter

We performed the following audit procedures with regard to the valuation of loans granted to group companies and of investments in group companies:

- For significant investments in group companies and loans granted to group companies, we tested the recoverability based on the net assets valued in accordance with Swiss GAAP FER or, if necessary, on the basis of other Management assessments of net asset or capitalised earnings.
- In addition, we examined, if necessary, whether appropriate provisions for letters of subordination agreements had been recorded.

On the basis of our audit results, we consider the approach chosen by Management for assessing the valuation of loans granted to group companies and investments in group companies to be reasonable.

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### 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.

### Board of Directors' responsibilities 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 Company'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 Company 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.

A more detailed description of our responsibilities for the audit of the financial statements can be found on the EXPERTsuisse website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

### Report on other legal and 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 available 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 Illi  
Licensed audit expert  
Auditor in charge



Josef Stadelmann  
Licensed audit expert

Zürich, 10 February 2023

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This Annual Report contains future-oriented statements. These reflect the CPH Group's views and assessments at the time of the Report's compilation of the market environment, economic developments and future events. Such future-oriented statements are subject to economic, regulatory and political risks, uncertainties, influencing factors and assumptions over which the CPH Group has no influence. As a result, actual developments may deviate substantially from the future-oriented statements made and the information published in this Report. In view of this, the CPH Group accepts no liability for such future-oriented statements, and is under no obligation to update them. This Annual Report does not represent either an offer or a solicitation for the purchase or the sale of CPH shares.

This Annual Report is also available in the original German. In the event of any discrepancy, the German version shall prevail.