Consolidated income statement

in CHF thousands	Note	2022	2021
Net sales	1, 2	**725 351**	**496 693**
Other operating income	3	21 013	25 284
Change in inventories		18 742	5 900
Total income		**765 106**	**527 877**
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
Operating result before depreciation and amortization EBITDA		**131 094**	**25 718**
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
Operating result EBIT		**112 465**	**-152 667**
Financial result	6	-4 288	-3 859
Ordinary result		**108 177**	**-156 526**
Non-operating result	7	-8 021	7 311
Result before income taxes		**100 156**	**-149 215**
Income taxes	8	886	-2 195
Net result		**101 042**	**-151 410**
Thereof:			
– Shareholders of the company		100 953	-151 559
– Minority shareholders		89	149
Earnings per share (in CHF)	9	**16.83**	**-25.26**
Diluted earnings per share (in CHF)	9	16.83	-25.26

Consolidated balance sheet

in CHF thousands	Note	31.12.2022	31.12.2021
Assets			
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
Total current assets		**382 166**	**289 703**
Tangible fixed assets	14	213 662	196 474
Financial assets	15	65 836	68 386
Intangible assets	16	4 527	5 835
Total fixed assets		**284 025**	**270 695**
Total assets		**666 191**	**560 398**
Equity and liabilities			
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
Total current liabilities		**233 472**	**117 565**
Financial liabilities	17	-	106 595
Other liabilities		1 718	1 619
Provisions	20	31 434	24 125
Total non-current liabilities		**33 152**	**132 339**
Share capital	22	1 200	1 200
Capital reserves		-56	-56
Retained earnings	24	397 066	307 982
Total shareholders' equity without minorities		**398 210**	**309 126**
Minorities		1 357	1 368
Total shareholders' equity		**399 567**	**310 494**
Total liabilities and equity		**666 191**	**560 398**

Consolidated cash flow statement

in CHF thousands	Note	2022	2021
Net result		**101 042**	**-151 410**
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
Cash flow before change in non-financial net working capital		**129 454**	**16 659**
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
Cash flow from operating activities		**97 628**	**15 838**
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
Cash flow from investing activities		**-29 620**	**-19 218**
Free cash flow		**68 008**	**-3 380**
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
Cash flow from financing activities		**-18 988**	**-17 977**
Currency translation on cash and cash equivalents		-490	176
Net change in cash and cash equivalents		**48 530**	**-21 181**
Cash and cash equivalents as at 1 January	10	95 084	116 265
Cash and cash equivalents as at 31 December	10	**143 614**	**95 084**

Consolidated statement of changes in shareholders' equity

in CHF thousands	Share capital	Capital reserves	Treasury shares	Retained earnings				Total share-holders' equity without minori-ties	Minori-ties	Total share-holders' equity
				Retained earnings, gross	Currency transla-tion	Goodwill	Total			
Shareholders' equity as at 1 January 2021	**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
Shareholders' equity as at 31 December 2021	**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
Shareholders' equity as at 31 December 2022	**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[1]	CHF	500	100%
Chemistry			
Zeochem AG, Rüti ZH, Switzerland[1]	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[1]	CNY	90 000	92%
Zeochem Pte. Ltd., Singapore, Singapore	SGD	1	100%
Paper			
Perlen Papier AG, Root, Switzerland[1]	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%
Packaging			
Perlen Packaging AG, Root, Switzerland[1]	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%

[1] 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

	Chemistry		Paper		Packaging		Other/ Consolidation		CPH Group	
in CHF thousands	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%
Total net sales	**725 351**	**100.0%**	**496 693**	**100.0%**

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
Total personnel expense		**101 707**	**92 367**

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
Total financial result	**-4 288**	**-3 859**
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
Total non-operating result	**-8 021**	**7 311**

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
Total income taxes	**-886**	**2 195**

in CHF thousands	2022	2021
Result before income taxes	**100 156**	**-149 215**
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
Total income tax	**-886**	**2 195**
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
Total trade receivables	**93 931**	**69 271**

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
Total inventories	**113 097**	**87 528**

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

in CHF thousands	Undeveloped property	Land and buildings	Machines and equipment	Other tangible fixed assets	Tangible fixed assets under construction	Total tangible fixed assets
Acquisition cost as at 1 January 2021	**6 893**	**332 384**	**699 794**	**351 189**	**19 007**	**1 409 267**
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
Acquisition cost as at 31 December 2021	**6 979**	**334 645**	**710 608**	**349 699**	**18 393**	**1 420 324**
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
Acquisition cost as at 31 December 2022	**6 868**	**339 220**	**725 372**	**353 733**	**22 842**	**1 448 035**
Cumulative depreciation and impairment as at 1 January 2021	**-119**	**-206 280**	**-563 866**	**-286 439**	**-**	**-1 056 704**
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
Cumulative depreciation and impairment as at 31 December 2021	**-158**	**-265 617**	**-639 162**	**-318 913**	**-**	**-1 223 850**
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
Cumulative depreciation and impairment as at 31 December 2022	**-177**	**-267 811**	**-645 024**	**-321 361**	**-**	**-1 234 373**
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
Carrying value as at 31 December 2022	**6 691**	**71 409**	**80 348**	**32 372**	**22 842**	**213 662**

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
Total financial assets		**65 836**	**68 386**

'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
Acquisition cost as at 1 January 2021	**16 045**	**1 942**	**17 987**
Additions	1 492	128	1 620
Disposals	-1 323		-1 323
Currency translation	-84	49	-35
Acquisition cost as at 31 December 2021	**16 130**	**2 119**	**18 249**
Additions	1 012	15	1 027
Disposals	-111	-946	-1 057
Currency translation	-143	-55	-198
Acquisition cost as at 31 December 2022	**16 888**	**1 133**	**18 021**
Cumulative amortization as at 1 January 2021	**-11 980**	**-442**	**-12 422**
Amortization	-1 352	-20	-1 372
Disposals	1 323		1 323
Currency translation	66	-9	57
Cumulative amortization as at 31 December 2021	**-11 943**	**-471**	**-12 414**
Amortization	-1 314	-962	-2 276
Disposals	111	946	1 057
Currency translation	133	6	139
Cumulative amortization as at 31 December 2022	**-13 013**	**-481**	**-13 494**
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
Carrying value as at 31 December 2022	**3 875**	**652**	**4 527**

'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
Total current financial liabilities	**98 851**	**3 227**
Bond	-	100 000
Financial leasing	-	95
Other long-term financial liabilities	-	6 500
Total long-term financial liabilities	-	**106 595**
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
Provisions as at 1 January 2021	**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
Provisions as at 31 December 2021	**19 226**	**3 702**	**7 234**	**1 331**	**31 493**
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
Provisions as at 31 December 2022	**23 233**	**8 444**	**5 767**	**1 825**	**39 269**
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
Total accrued expenses and deferred income	**27 229**	**18 263**

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
Treasury shares as at 1 January	**-**	**376**
Purchases	3 345	5 593
Share-based remuneration	-3 345	-2 682
Sales	-	-3 287
Treasury shares as at 31 December	**-**	**-**

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
Goodwill at cost at 31 December	**63 021**	**63 021**
Accumulated amortization and impairment at 1 January	-61 032	-51 467
Theoretical goodwill amortization	-889	-5 430
Theoretical goodwill impairment	-	-4 135
Accumulated amortization and impairment at 31 December	**-61 921**	**-61 032**
Theoretical carrying value at 1 January	1 989	11 554
Theoretical carrying value at 31 December	**1 100**	**1 989**

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

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

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:

	Pension plans with surplus		Patronage fund		Pension plans with deficit		Pension plans without surplus/ deficit		Total occupational pensions	
in CHF thousands	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
Economic share as at 31 December	**-**	**-**	**13 197**	**12 867**	**-1 562**	**-1 356**	**-**	**-**	**11 635**	**11 511**
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
Pension benefit expense	**5 015**	**3 712**	**-330**	**-1 317**	**613**	**199**	**596**	**427**	**5 894**	**3 021**

'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	-	-
Carrying value as at 31 December	**10 961**	**11 301**
Result from employer contribution reserve	**-340**	**112**

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
Total carrying value of pledged assets (without leases)	**4 556**	**4 941**

27. Derivative financial instruments

in CHF thousands	31.12.2022	31.12.2021
Foreign exchange forwards		
Contract value	**159 816**	**108 526**
Positive replacement value[1]	2 935	3 705
Negative replacement value[1]	825	79

[1] 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
Total operating leases	**7 375**	**6 990**

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
Total transactions with related parties	**152**	**134**
Total liabilites to related parties as at 31 December	**42**	**12**

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

32. Currency translation rates

	Average rate		Closing rate	
in CHF	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.

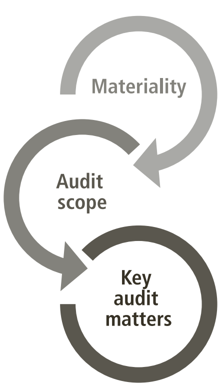
Basis for opinion

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.

Overall Group materiality	CHF 7.0 million
Benchmark applied	Net sales
Rationale for the materiality benchmark applied	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.

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 auditors 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.

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.

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

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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.