

# 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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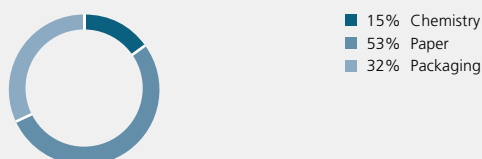
### Equity ratio

# 60%

(prior year: 55%)

<sup>1</sup> before impairment

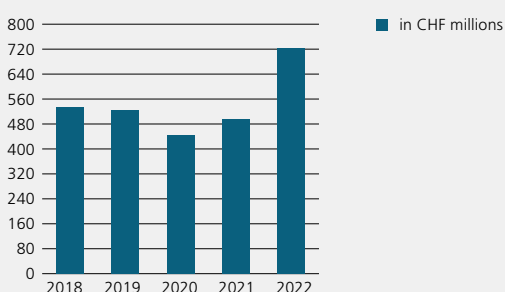
### CPH Group net sales by division



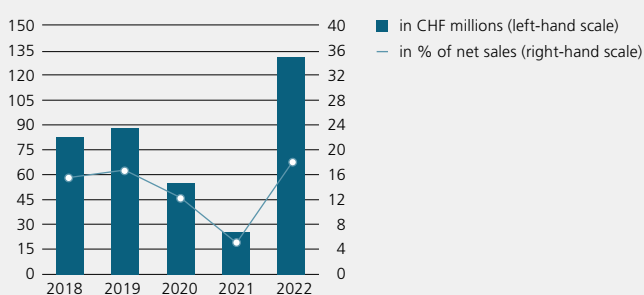
### CPH Group net sales by region



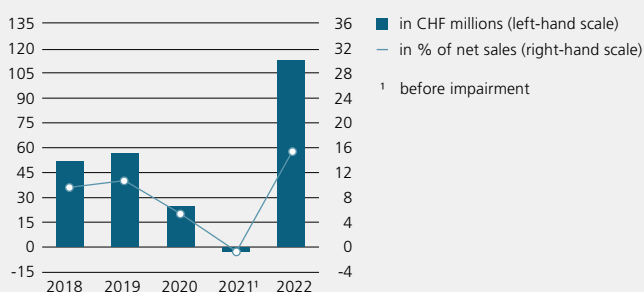
### CPH Group net sales



### 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.

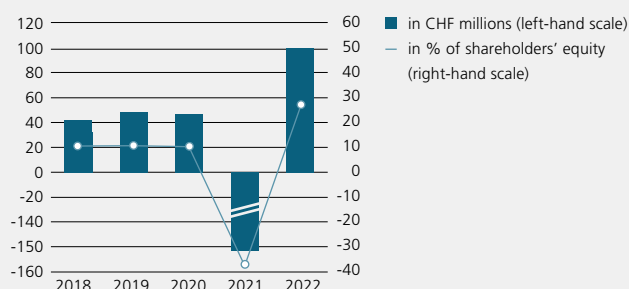


Peter Schaub  
Chairman of the Board of Directors

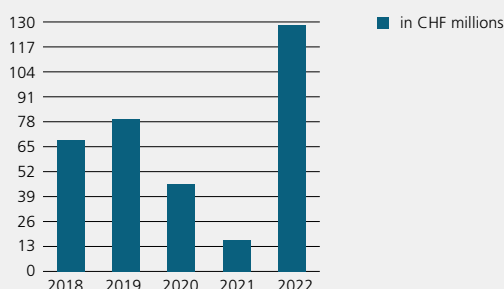


Peter Schildknecht  
Group CEO

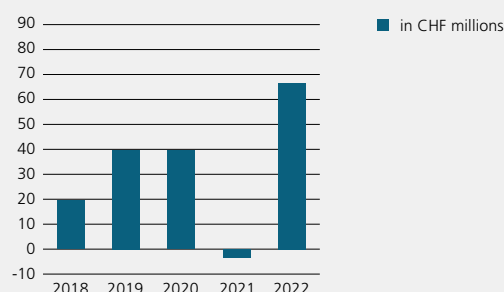
### CPH Group net result



### CPH Group cash flow



### CPH Group free cash flow



### CPH Group investment

