

# A successful business year despite a challenging environment



Peter Schildknecht (left) and Peter Schaub

## Dear shareholder, dear reader,

The CPH Group achieved earnings and net results for 2023 that were the second-highest in its history, in a market environment that proved highly challenging in both macroeconomic and geopolitical terms. We attach great importance to offering you a comprehensive account of the strategy of our Group and its implementation thereof, and of our Group's positioning in its three industrial segments of Chemistry, Paper and Packaging. So ahead of the individual reports from our three business divisions, you will find our 'Strategy and markets' report, in which are outlined at length the present megatrends, our overall group strategy, our products and their applications in their various target markets, along with further key factors and issues in the overall business alignment of the CPH Group.

Our Paper Division, which was founded in 1873, marked its sesquicentenary in the year under review, and invited the people of Perlen and its environs to an Open Day at its operating site on 9 September 2023 to celebrate the event. The landmark anniversary is a tribute to the interplay between tradition and continual further development and to the importance of both to a company's lasting success. We are delighted that all three of CPH's divisions hold their own leading posi-

tion in their target markets and that, once again, they each contributed to our Group's favourable business results. All such successes are firmly rooted in a focus on entrepreneurial responsibility and a sustainable business alignment – plus, of course, the deep and constant commitment of all their employees.

The fight against climate change and the associated shifting of energy provision towards renewable energy sources continue to gain in importance. Our own sustainability report has been correspondingly further expanded in our 2023 reporting, and has been supplemented with additional key indicators. The sustainability report will now be newly found immediately after our three divisional reports. The report pays due and full regard to the expanded legal requirements with regard to sustainability reporting. The key performance indicators which offer an insight into our endeavours to reduce our carbon dioxide emissions and to meet the requirements of the circular economy will be found from Page 30 onwards.

### Procurement market pressures slightly eased

The problems in the procurement markets showed growing signs of easing in 2023 after the supply shortfalls and the supply chain bottlenecks of previous years. The Packaging Division benefited from high order volumes at the end of 2022 which translated into revenues in the year under review. Weaker economic conditions in the construction sector prompted a fall in the demand for plastics such as PVC,

and the purchase prices of such raw materials saw corresponding declines. At the same time, however, the lower demand in the construction sector depressed order volumes for the Chemistry Division's molecular sieve powders.

After reaching new peaks in late summer 2022, the price of recovered paper declined somewhat in the year under review, but still remained high.

#### Energy provision remains a key issue

Our energy costs declined in 2023, but energy prices were above their prior-year levels. The trend was particularly significant for the Group's paper manufacturing activities at its Perlen plant, which are highly energy-intensive. Thanks to structured purchases on the liberalized electricity market up to four years in advance, the CPH Group's electricity needs for 2023 were still largely secured at low pricing levels. The Renergia waste incinerator located on the Perlen site also produces energy in sizeable volumes, and further provides steam for the Paper Division's production. Perlen Papier also operates a biomass power plant and two small hydroelectricity plants.

#### Global economy still dampened by inflation

The central banks in Europe and the USA continued their policies of raising interest rates to counter high inflation. The actions impacted negatively on economic growth, and the corresponding forecasts were repeatedly downwardly adjusted. According to the International Monetary Fund (IMF), global economic growth for 2023 amounted to 3.0%. The euro exchange rate, which is of such key importance to the CPH Group, declined to CHF 0.9300 by year-end. The Group generated 61.2% of its net sales in the eurozone in 2023, while 34.1% of its costs were incurred in Swiss francs.

#### Group-level net sales decline

While the Chemistry and Packaging divisions achieved further record net sales in 2023, net sales for the Paper Division saw a substantial decline. Overall, the CPH Group recorded a 14.0% decline in net sales to CHF 624 million. At constant currency, group net sales for 2023 were 10.4% below their prior-year level.

#### Chemistry Division reports further growth

The molecular sieves of the Chemistry Division which are used in industrial and energy applications remained in high demand in 2023, as did the division's deuterated products. Demand for the division's products from the construction and medical sectors, by contrast, saw year-on-year declines. Net sales for the year were raised 12.6% to CHF 124 million. The utilization of the division's production facilities declined in the course of the year. The division also faced the challenge of passing the higher procurement costs of raw materials, and of lithium in particular, on to the market. But thanks to its firm focus on high-value products, the division's EBIT for the year of CHF 16 million was still a year-on-year improvement of some 14%.

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#### Net sales in CHF millions

# 624

(prior year: 725)

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#### EBITDA in CHF millions

# 102

(prior year: 131)

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#### EBIT in CHF millions

# 83

(prior year: 112)

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#### Investments in CHF millions

# 35

(prior year: 34)

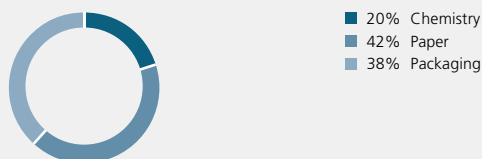
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#### Equity ratio in %

# 73

(prior year: 60)

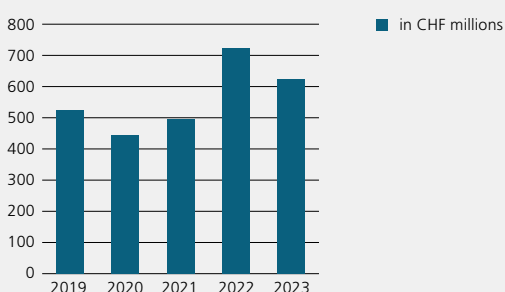
### CPH Group net sales by division



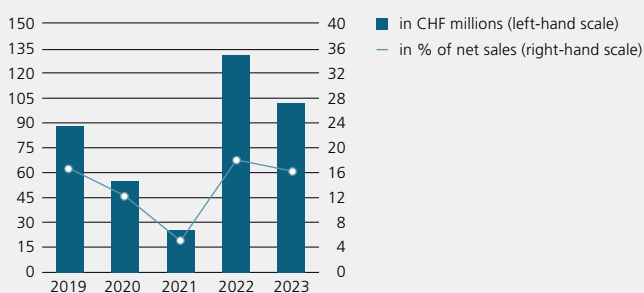
### CPH Group net sales by region



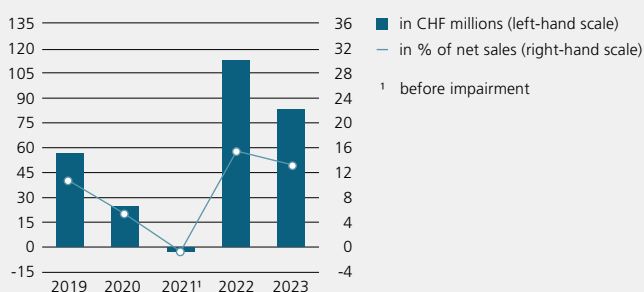
### CPH Group net sales



### CPH Group EBITDA



### CPH Group EBIT



### Paper revenues depressed by lower prices and sales volumes

The Paper Division sold 371 300 tonnes of paper in 2023, a year-on-year volume decline. With the lower sales volumes combining with renewed pressures on paper prices, net sales for the division fell CHF 122 million to CHF 262 million, and EBIT for the year declined from the CHF 75 million of 2022 to CHF 31 million.

### Packaging still on a successful course

The production facilities of the Packaging Division were operated at capacity in 2023, too, and the division continued to invest worldwide in expanding its slitting capacities and in fully automating its packaging processes. The new coating plant in Brazil had commenced operations at the end of 2022; and new slitting facilities were also opened in Germany and Brazil towards the end of the year under review. Higher sales volumes helped raise net sales for the year 2.9% to CHF 237 million. And with the highly encouraging capacity utilization and the division's broad product mix of films with various barrier credentials, divisional EBIT for the year was improved to CHF 36 million.

### Net result of CHF 79 million

Group EBITDA for the year declined by CHF 29 million to CHF 102 million. After ordinary depreciation and amortization of CHF 19 million, the operating result (EBIT) amounted to CHF 83 million. The net result after taxes amounted to CHF 79 million, boosted in part by the previously communicated real estate sales at the former Full-Reuenthal operating site. The CPH Group also repaid the remaining portion of the CHF 100 million five-year 2% corporate bond in October 2023, on time and in full. The repayment was effected from existing liquid funds. With an equity ratio of 73%, the CPH Group remains in very sound financial health, and held year-end net liquid assets of CHF 107 million.

### Investments in divisions

The CPH Group invested a total of CHF 35 million in fixed assets in 2023 to increase its capacities in the Chemistry and Packaging divisions and further enhance the efficiency of the production facilities in its Paper Division. Cash flow declined from CHF 129 million to CHF 90 million, while free cash flow increased from CHF 68 million to CHF 92 million. Despite high materials prices, the cost of materials as a percentage of group sales declined from 55% to 49%. Personnel cost increased slightly to CHF 103 million. In the light of the expansion in capacities, year-end personnel numbers were up from 1 181 to 1 195.

### Market entry in India

The group-level scope for investments and acquisitions, which, in line with overall corporate strategy, should be primarily focused on the Chemistry and Packaging divisions, has been further strengthened by the repayment in full of the outstanding corporate bond. A further step was taken in the Group's expansion strategy with the acquisition in January 2024 of Indian-based Sorbead India and Swambe Chemicals, a company active in the molecular sieve and chromatogra-

phy gel sectors. The acquisition also marks the Group's first entry into the Indian market. The transaction is expected to close in the second quarter of 2024.

### Dividend proposed of CHF 4.00 per share

The Board of Directors will recommend to the Annual General Meeting of 20 March 2024 that a dividend of CHF 4.00 per share be distributed for the 2023 business year. This corresponds to a dividend yield of 4.7 %.

### Outlook for 2024

The IMF is currently forecasting global economic growth of 3.1 % for 2024. After the continued interest rate hikes to counter inflationary trends in 2023 and the recent uncertain market developments, the broader prospects are presently hard to read. The continuing economic uncertainties, along with the geopolitical conflicts in Eastern Europe, the Middle East and Asia, pose further questions in an already far-from-stable economic environment. As a result, reliable projections are almost impossible to make. The CPH Group expects demand for the products of the Chemistry and Packaging divisions to show more modest trends in 2024 than they did in 2023. Net sales and EBIT for the Chemistry Division are unlikely to quite reach their high prior-year levels. The Packaging Division expects net sales for 2024 that are slightly down on 2023 and earnings for the year which, after an exceptional 2023, should be more in line with 2022 EBIT levels. Current projections for 2024 for the Paper Division suggest a steep decline in demand for its products and a correspondingly negative EBIT result. Both consolidated EBIT and the net result for the CPH Group for 2024 are expected to be in the lower double-digit millions. 2024 will also see more investments in tangible fixed assets to further raise plant capacities and enhance production efficiencies.

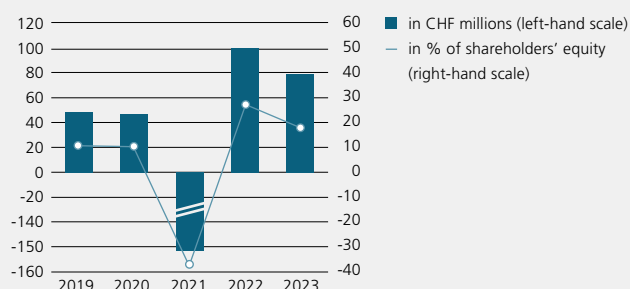
### Sincere thanks

Once again in 2023, our employees delivered an exceptional performance. And for this we offer them our deepest thanks. We thank our customers and our further business partners, too, for their long-standing loyalty; and we thank you, our shareholders, for the confidence and trust that you continue to place in the people, the management and the directors of the CPH Group.

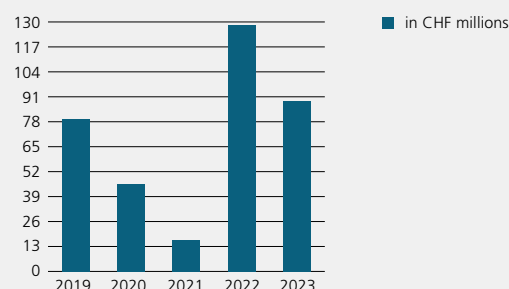
Peter Schaub  
Chairman of the Board of Directors

Peter Schildknecht  
Group CEO

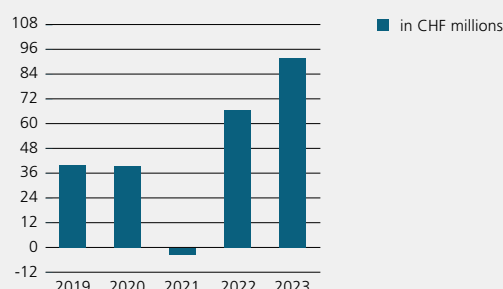
### CPH Group net result



### CPH Group cash flow



### CPH Group free cash flow



### CPH Group investment

