

Easy to process and reusable, too

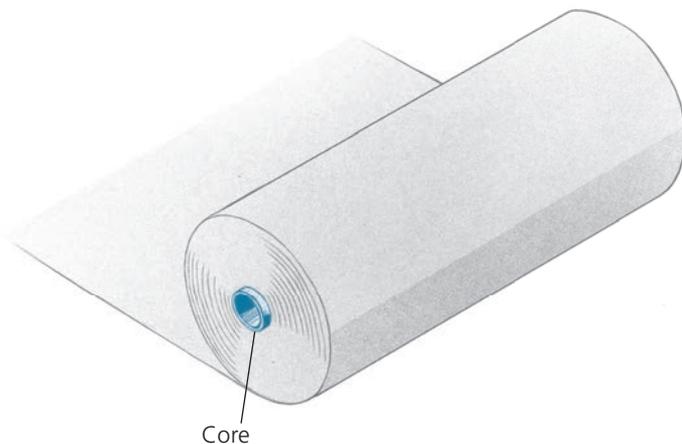
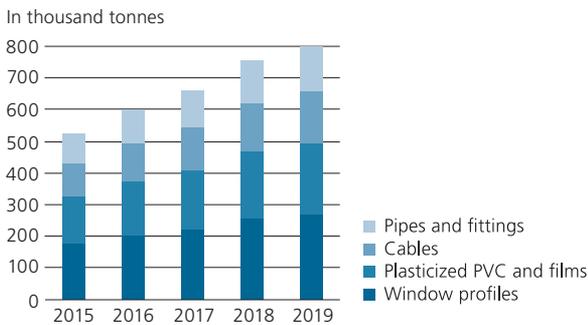
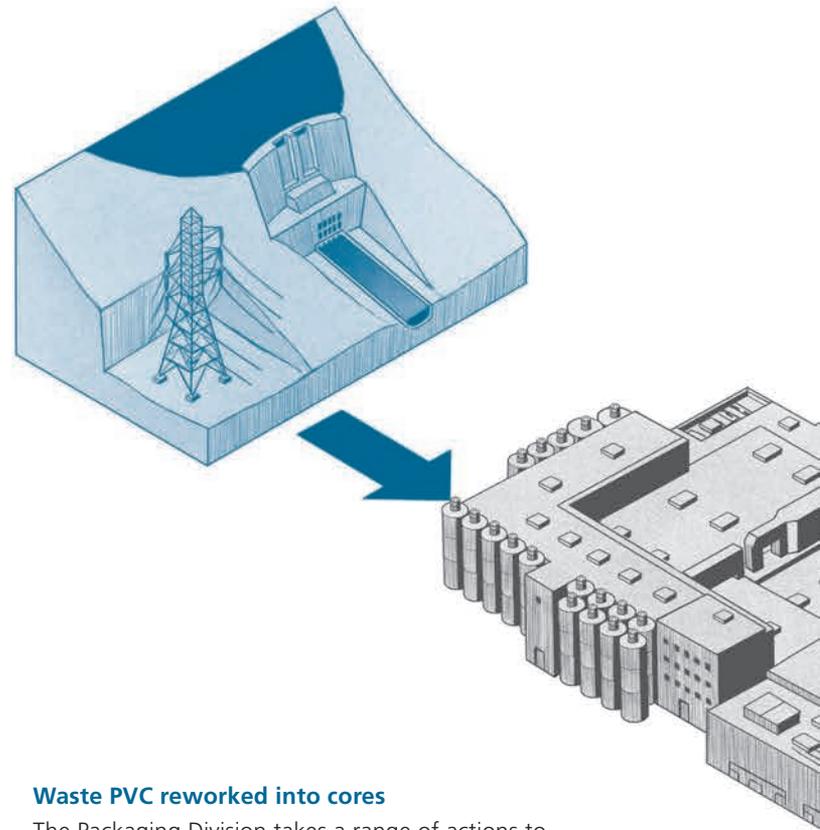


PVC is a resources-saving plastic whose basic raw materials are derived 57% from salt and 43% from oil. PVC is used in the pharmaceutical industry – always without plasticizers – to produce packaging for tablets and capsules. Plastic is preferred because it is chemically resistant, remains inert when in direct contact with medicinal agents and is easy to work and shape. The PVC is coated with PVdC to protect against humidity, and it can be easily recycled, too.



Vinylplus: promoting PVC recycling

Perlen Packaging has been a member since 2011 of “Vinylplus”, a Europewide industry initiative which has set itself the goal of recycling 900 000 tonnes of PVC by 2025.



Waste PVC reworked into cores

The Packaging Division takes a range of actions to maximize its PVC and PVdC utilization levels in the production of its films. Any waste PVC that cannot be reused in such production is reworked into cores onto which the films can be rolled.

2019 utilization rates

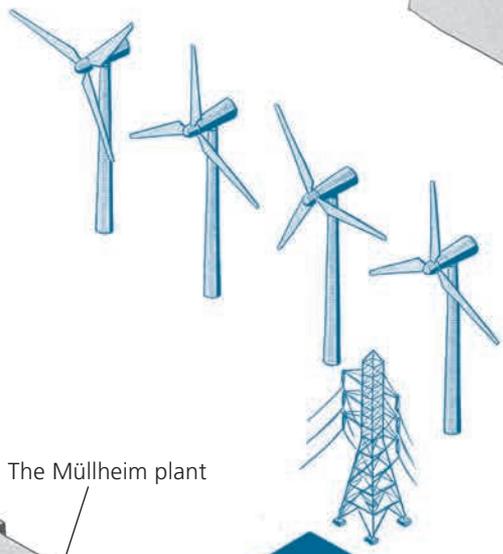
PVC 99%

PVdC 93%

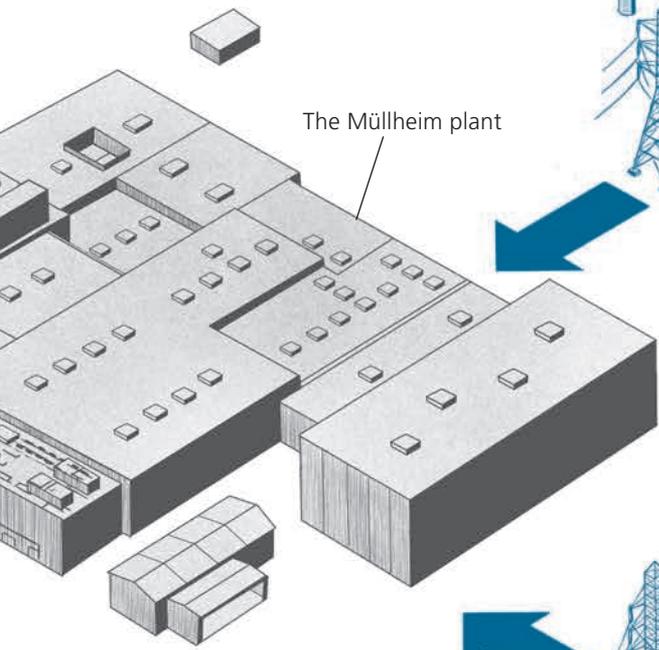


Teaming up to conserve the biosphere

The apprentices at Perlen Packaging spent a week in 2019 helping two Swiss mountain farmers in their daily work, joining forces to attend to the fields and the hedges in the steep terrain and thereby help conserve the look and the culture of the alpine landscape.

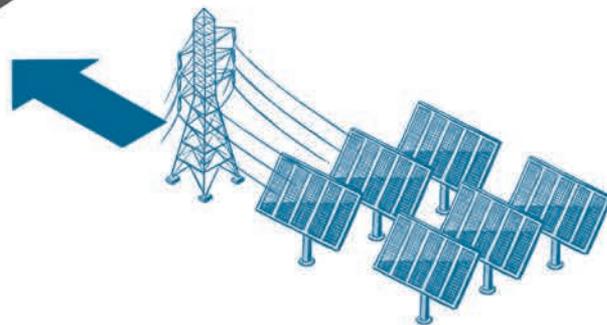


The Müllheim plant



Switched on to "eco-power"

The division's production plant in Müllheim (Germany) has been ISO 50001 certificated for its energy use, and now obtains all its electricity from sustainably generated "eco-power" sources.



Packaging raises its profitability again



The Packaging Division achieved a further slight increase in net annual sales to CHF 153.2 million in a stable market environment. EBIT was improved by a more substantial 12.0% to CHF 17.3 million, and EBIT margin remained in double figures.

Strategy

The Packaging Division specializes in the production of pharmaceutical packaging films and is one of the world's top three suppliers of these in the markets concerned. Perlen Packaging offers a full range of PVC mono films and coated PVdC films, which are generally thermoformed to create blister cavities. These are then filled and the sheet is sealed with an aluminium lidding foil. The finished blister pack protects the tablets, capsules or liquids it contains.

Blister packs are the commonest form of packaging for solid dosage products in most pharmaceutical markets. One major exception here is the USA, the world's biggest pharmaceutical market, where tablets are traditionally largely supplied in bottles or tins. The advantages of the blister pack over bottle packaging are its simple and easy-to-monitor dosages and its better contents protection.

By adjusting the type and the thickness of the blister film and its coating, blister packs can also be provided with higher barrier credentials against outside influences such as oxygen or humidity. With the active agents in medicines becoming ever more complex and the medicines themselves growing increasingly global (and thus being

used in all climate zones), ever-greater demands are being placed on the barrier performance of their blister packaging. Perlen Packaging is a market leader in providing films with high-barrier specifications.

The division has developed a network of production and finishing plants in Europe, Asia and North and South America over the past few years in order to supply the globally active pharmaceutical industry with local packaging solutions. The division already has a strong position in the now-saturated European markets, and will be focusing in the next few years on expanding its activities in the growing markets of the emerging nations in Asia and Latin America. Having obtained its product licences for the local domestic market, the division's manufacturing plant in Suzhou can not only serve the other Asian markets, but will now be able to generate new business within China, too.

In addition to its existing blister films for solid and liquid medicines, the division has now also developed BLISTair, an innovative single-user inhaler for powder medications, whose various applications are currently being trialled.

Market environment

Health costs rose 5.7% worldwide in 2019, according to estimates from PricewaterhouseCoopers. The increases are attributable to a number of factors such as increasing life expectancies, growing affluence and the fact that more and more parts of the populations in the emerging markets now have access to health services. Medicines account for a large proportion of health sector costs. The growth in the healthcare market is being seen primarily in the emerging nations, while the pharmaceutical markets in the industrially developed countries are increasingly reaching saturation. Demand for medicines – and thus also for blister packs – stagnated in Europe in 2019. The competition here has intensified, too, as major rivals have increased their coating capacities.

Business development

The sideways trends in European pharmaceutical markets and the slower growth in Asian and Latin American countries both affected the volumes of films sold by the Packaging Division in 2019. But by raising the proportions of higher-barrier films within such sales, the division increased its net sales for the year 0.1% to CHF 153.2 million. Excluding currency factors, net annual sales were raised 1.7%. Investments for the year totalled CHF 6.9 million, and were focused on efficiency enhancements at the Brazilian, US and German plants. The productivity of the Chinese facility was also further improved. Year-end personnel numbers rose slightly from 413 to 416.

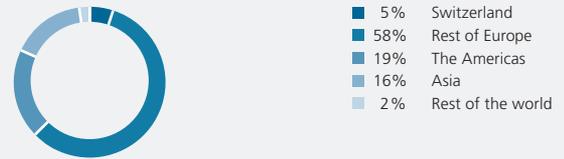
The slitting facilities at the new Brazilian operation were well utilized and net annual sales for the Latin America region saw double-digit percentage growth. Of the division's total net sales in 2019, some 37% were achieved in the growth regions outside Europe, compared to 35% the previous year. Within Europe, Perlen Packaging had a market share of 29%. No reliable market share figures are available for the division's other business regions.

The division further improved its annual operating results. EBITDA was raised 10.1% to CHF 23.7 million. And EBIT for the year was increased 12.0% to CHF 17.3 million, ensuring a further improvement in EBIT margin to 11.3%.

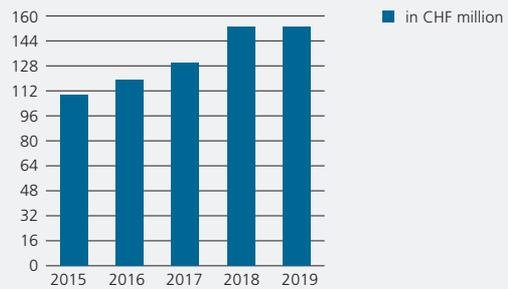
Outlook

The gloomier economic prospects in 2020 are sure to impact on pharmaceuticals, too. The growth in the demand for pharma packaging in the industrial nations is likely to be weak, and current industry estimates suggest global annual growth of 3-6%. In focusing on the emerging pharmaceutical markets and on producing high-barrier films, the Packaging Division is seeking above-market-average growth for the year. Investments of CHF 11.6 million are planned in tangible fixed assets. These will include replacing the present laminating facility in Perlen, providing additional slitting capacities in Perlen and Suzhou and raising supply flexibility. The division will be striving to achieve a further improvement in its annual EBIT result.

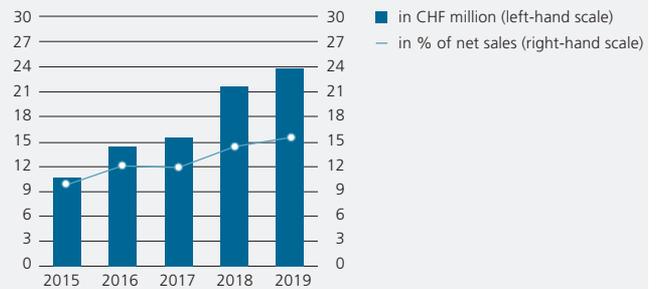
Packaging net sales by region



Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends

