

The background of the cover is a photograph of a laboratory or industrial setting. In the foreground, there are large, clear glass vessels connected by a network of pipes and valves. Two scientists, a man and a woman, are working on the equipment. The man, with a beard and safety glasses, is standing and looking down at a small glass component. The woman, also in safety glasses and a lab coat, is kneeling and working on a vertical pipe assembly. The scene is brightly lit, with various industrial components like gauges and hoses visible in the background.

cph

Annual Report 2020

CPH Chemie + Papier Holding AG

Key figures

The CPH Group

in CHF thousand	2020	2019	2018	2017	2016
Net sales	445 189	524 657	533 543	469 767	434 835
Earnings before interest, taxes, depreciation and amortization (EBITDA)	55 151	87 994	83 121	33 761	36 935
in % of net sales	12.4	16.8	15.6	7.2	8.5
Earnings before interest and taxes (EBIT)	24 663	56 600	51 633	2 901	5 891
in % of net sales	5.5	10.8	9.7	0.6	1.4
Financial result	-4 652	-5 647	-5 976	-6 604	-5 066
Earnings before taxes and extraordinary items	20 011	50 953	45 657	-3 703	825
Net result for the year ¹⁾	46 963	48 453	42 280	16 187	-7 714
in % of net sales	10.5	9.2	7.9	3.4	-1.8
in % of equity	10.0	11.0	10.4	4.1	-2.0
in % of total capital	6.7	6.9	5.3	2.3	-1.1
Cash flow	45 841	79 943	68 961	14 467	28 271
Investments in tangible fixed assets (gross)	17 507	21 888	22 299	32 314	20 720
Free cash flow	39 683	139 926	-80 488	12 857	1 938
Adjusted free cash flow ²⁾	39 683	39 926	19 512	12 857	1 938
Balance sheet total ¹⁾	704 233	702 658	800 469	697 552	672 427
Fixed assets	432 893	436 017	447 172	455 307	450 304
in % of balance sheet total	61.5	62.1	55.9	65.3	67.0
Equity	471 867	441 289	407 144	396 245	380 782
in % of balance sheet total	67.0	62.8	50.9	56.8	56.6
Net cash	-1 549	-29 502	-56 890	-73 071	-82 099
Personnel at year-end	1 098	1 086	1 081	1 019	985

¹⁾ Including minorities

²⁾ Excluding (for 2018 and 2019) CHF 100 million fixed-term deposit of funds generated by bond issue of 12.10.2018, repaid 9.7.2019

CPH Chemie + Papier Holding AG

in CHF thousand	2020	2019	2018	2017	2016
Net result for the year	14 335	52 553	13 089	7 084	-8 371
Equity	441 907	438 380	396 588	387 358	384 169

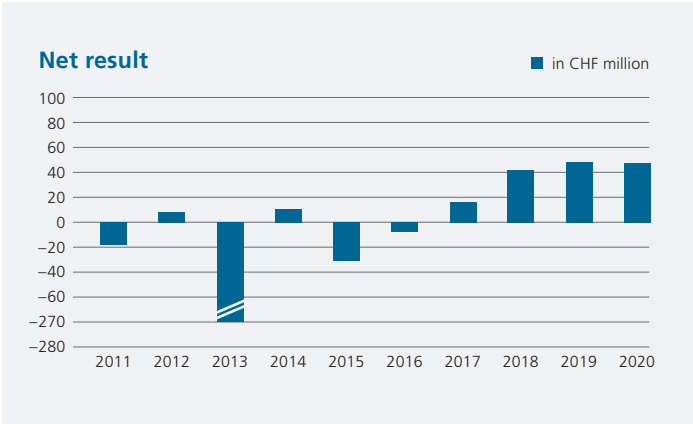
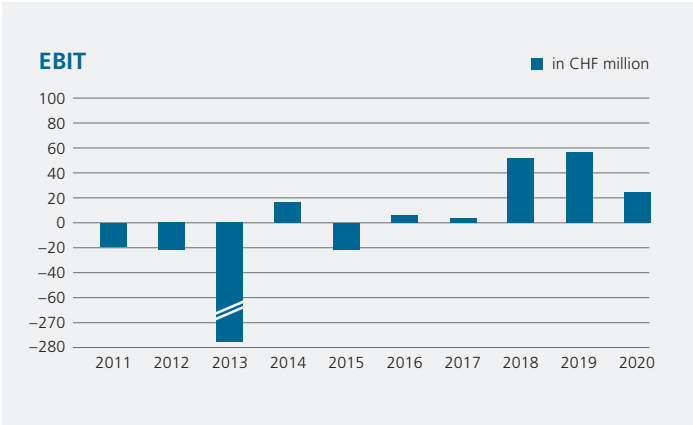
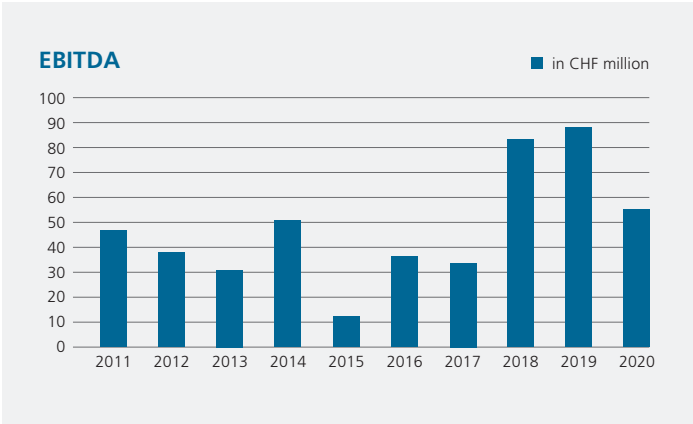
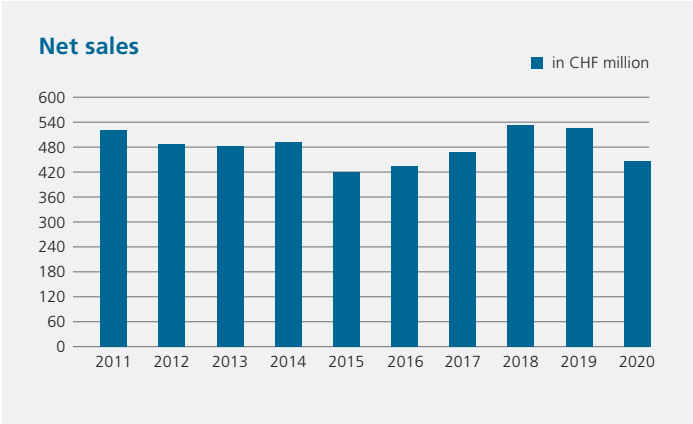
Per-share statistics

in CHF	2020	2019	2018	2017	2016
Share price					
high	80.80	88.50	89.00	57.30	42.20
low	57.00	74.00	54.00	39.00	29.80
on 31 December	72.60	79.20	82.50	53.55	40.00
Equity per share ¹⁾	78.46	73.56	67.87	66.06	63.49
Net result per share ¹⁾	7.82	8.06	7.05	2.66	-1.32
Cash flow per share ¹⁾	7.64	13.33	11.50	2.41	4.71
Distribution per share ²⁾	1.80	1.80	1.80	0.65	0.65

¹⁾ Based on consolidated financial statements and excluding minorities

²⁾ For 2020: recommendation

At a glance



The CPH Group

Business in 2020

- Three-segment diversification proves its worth in the coronavirus crisis
- Profitability at Chemistry and Packaging above and at Paper below 2019 levels
- EBIT in the double-digit millions
- Net result in line with prior year
- Environmental audits conducted at all three divisions for the first time

in CHF million	2020	2019
Net sales	445.2	524.7
EBITDA	55.2	88.0
EBIT	24.7	56.6

Portrait

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



Chemistry

Business in 2020

- Orders at record high levels in the medical oxygen segment
- Declines in demand from the energy and industrial sectors
- EBIT up on prior-year level despite lower net sales
- Profit margin improved thanks to rigorous cost reductions

in CHF million	2020	2019
Net sales	73.3	78.2
EBITDA	9.5	9.5
EBIT	4.6	4.4

Portrait

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



Paper

- Respectable development compared to competitors and market share increased
- Decline in demand in Europe and growing overcapacities
- Sales volumes and net sales down and a negative EBIT result
- Carbon-neutral paper products offered for the first time

in CHF million	2020	2019
Net sales	209.6	293.2
EBITDA	17.4	54.5
EBIT	–2.0	34.7

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



Packaging

- Coronavirus crisis prompts steep rise in demand for medicinal products
- European facilities fully utilized and higher utilizations in China
- Net sales and EBIT margin both reach record new highs
- Decision taken to build a new coating plant in Brazil

in CHF million	2020	2019
Net sales	162.3	153.2
EBITDA	27.8	23.7
EBIT	21.6	17.3

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

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Cover picture

We can manage and master the coronavirus crisis if we all work together. Our cover picture features two members of the Rütli Zeechem team. Further examples of successful teamwork throughout the CPH Group can be found on Pages 10–11, 14–15, 18–19 and 22–23.

Diversification proves its worth in the coronavirus pandemic



Peter Schaub (left) and Peter Schildknecht

Dear shareholder, dear reader,

The CPH Group's diversification into various industrial markets has amply shown its value in the coronavirus pandemic. Thanks to the great efforts and energies of the Group's employees, product supplies were assured, even in such challenging conditions. The Packaging Division reported strong extra demand for blister pack films, and order volumes rose to new record levels. The Chemistry Division's molecular sieves for medical oxygen applications were also in high demand. The Paper Division performed well compared with its European competitors.

Sustainability remains a prime concern

The CPH Group pursues a long-term and sustainable overall corporate policy. The Group has striven in the last few years to reduce the carbon dioxide (CO₂) emissions generated by its various business activities. Oil has been replaced with more ecofriendly energy sources. The use of steam from the local waste incinerator and the construction of a biomass plant have substantially lowered CO₂ emissions at the Perlen operating site. And the Packaging Division has switched its entire energy consumption to green electricity at its Müllheim facility.

The Paper Division is a purely recycling operation, transforming up to 500 000 tonnes of recovered paper a year into new graphic publication paper, and doing so with a carbon footprint which is a fraction of those of its European competitors. CPH conducted an information

campaign in Switzerland in autumn 2020 to emphasize the benefits of paper production at its Perlen location, which is already almost carbon-neutral. The Paper Division is now going a step further still, and will be offering a new carbon-neutral paper product from 2021 – a landmark development for publishing houses wishing to offer carbon-neutral publications.

It is not only in its paper production that recycling is a key CPH concern. The Chemistry Division is increasingly regenerating used molecular sieves, and is also investing in new facilities that will enable it to reprocess additional deuterium oxide volumes. A new wastewater treatment plant is planned for China. And the Packaging Division is working on developing blisters that require no aluminium cover film, in view of the advantages that single-material packagings offer in recycling terms.

A historic economic slump

The coronavirus pandemic rolled around the world in two distinct waves, in spring and in autumn. In many countries it pushed the medical systems to the limits of their capacities. The actions resolved to stem the spread of the virus in the countries concerned had some effect. But the price for taking them was an economic slump of historic dimensions. Spring saw the economy in no more than emergency mode at times, and energy prices fell to record lows as the demand for fuel all but disappeared. Many countries took fiscal action to support the most endangered business and industrial sectors, and the central banks pumped further money into the markets.

As a direct result of the coronavirus crisis, global economic growth as reported by the International Monetary Fund (IMF) declined in 2020 by 3.5%. China came through the crisis relatively unscathed, with growth of 2.3%, while the Eurozone and Latin America were hit far harder with declines of 7.2% and 7.4% respectively. Average euro exchange rates against the Swiss franc fell from CHF 1.112 to CHF 1.071. This had its impact on CPH, too: the Group generated some 60% of its sales in the Eurozone, but incurred around 38% of its costs in Swiss francs.

CPH Group reports lower net sales

Both the Paper Division and (to some extent) the Chemistry Division saw their production capacities less than satisfactorily used as a result of the coronavirus crisis. In the Paper Division the falling demand and the associated pricing pressures prompted a double-digit percentage net sales decline. The increase in net sales in the Packaging Division only partially offset this, and the group net sales for 2020 of CHF 445.2 million were a 15.1% decline on their prior-year level. Excluding currency factors, group net sales were 10.7% below those of 2019. The CPH Group made no major acquisitions in the year under review.

The Packaging and Chemistry divisions raised their joint share of total group net sales to 53% in 2020. The share of Chemistry, the smallest of the three divisions, should be further increased. The CPH Group generated 73% of its 2020 net sales in its prime Europe sales region.

Chemistry raises profitability

The main customers for the products of the Chemistry Division in the energy and industry sectors responded to the coronavirus crisis by reducing their order volumes. At the same time, the division saw an increase in demand for its molecular sieves which are used to concentrate medical oxygen. With the former trend exceeding the latter in extent, however, net sales for the year declined 6.3% to CHF 73.3 million. Excluding currency factors, net sales were 0.5% down. EBIT for the year was increased to CHF 4.6 million and EBIT margin to 6.3%, thanks to a rigorous cost reduction programme and productivity improvements.

Clear decline in demand for paper products

Demand in Western Europe for printing and publication paper saw a steep decline in 2020 in the face of the coronavirus pandemic, and the 439 000 tonnes of newsprint and magazine paper which the Paper Division sold were 15% down on its prior-year volumes. The division was compelled to temporarily halt production and introduce short-time working for the employees concerned. Despite these developments, however, Perlen Papier was able to increase its share of the European publication paper market. Rising overcapacities at paper manufacturers increased the pressures on prices. The combination of the reduced sales volumes and the lower prices paid resulted in a 28.5% decline in the division's net sales for the year, which totalled

Net sales in CHF million

445.2

(prior year: 524.7)

EBITDA in CHF million

55.2

(prior year: 88.0)

EBIT in CHF million

24.7

(prior year: 56.6)

Net result in CHF million

47.0

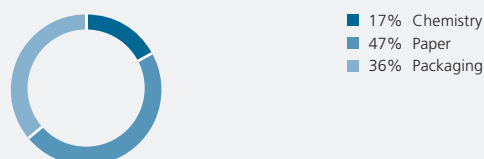
(prior year: 48.5)

Equity ratio in %

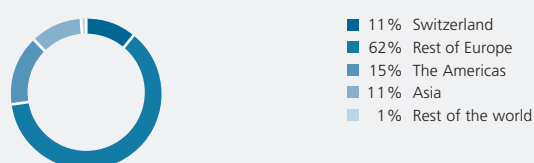
67.0

(prior year: 62.8)

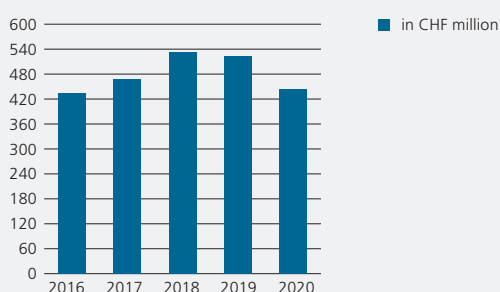
CPH Group net sales by division



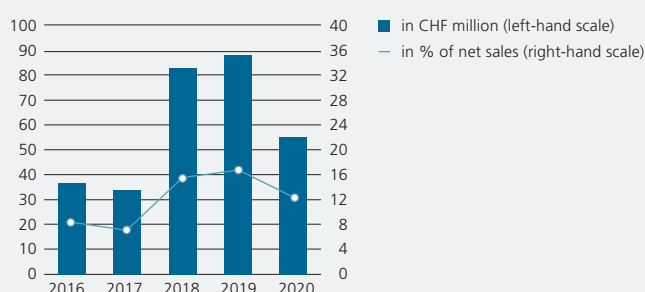
CPH Group net sales by region



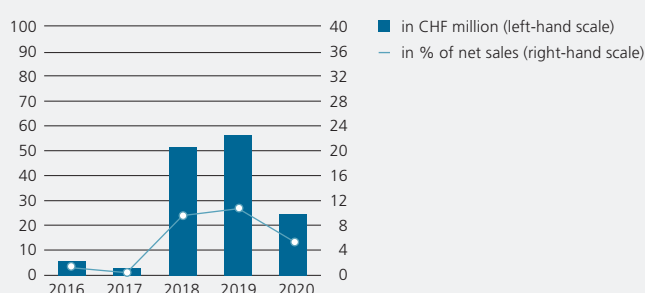
CPH Group net sales trends



CPH Group EBITDA trends



CPH Group EBIT trends



CHF 209.6 million. Excluding currency factors, net sales were 25.9% down on 2019. Thanks to lower recovered paper and energy prices, cost reductions and higher productivity, the division's EBITDA for the year amounted to CHF 17.4 million. But its annual EBIT result was negative at CHF -2.0 million.

Packaging still on a successful course

The Packaging Division saw increased demand for medicinal packagings during the coronavirus pandemic. Order volumes for its blister films climbed to record new highs, and capacities were fully utilized at its European sites. The higher sales volumes helped boost net sales for the year 5.9% to CHF 162.3 million. Net sales for Europe and Latin America recorded double-digit percentage growth. Excluding currency factors, net sales were 10.7% up on 2019. Buoyed by favourable raw materials costs, the division also increased its EBIT margin two percentage points to 13.3%. The Packaging Division continues to pursue its global strategy of achieving greater penetration in the emerging pharmaceuticals markets, and will be investing a high single-digit million-franc amount in building a new coating plant in Brazil, which should come into operation in early 2022.

Non-recurring items boost net result

The CHF 17.5 million of investments in tangible fixed assets in 2020 were primarily aimed at further improving the efficiency of existing facilities and processes. The CPH Group generated a cash flow of CHF 45.8 million and a free cash flow of CHF 39.7 million. With the prices of raw materials (and of recovered paper in particular) falling in view of lower demand, cost of materials as a proportion of production-generated group sales declined from 49% to 48%. The slight rise in total workforce numbers to 1098 is attributable to expansion in the Packaging Division: workforce numbers for Chemistry and Paper were down on 2019. Group EBITDA for the year amounted to CHF 55.2 million, a 37.3% decline. After ordinary depreciation and amortization of CHF 30.5 million, the CPH Group reported consolidated earnings before interest and taxes (EBIT) for 2020 of CHF 24.7 million.

The financial result was a slight improvement on 2019 at CHF -4.7 million. The year also brought non-recurring income of CHF 25.9 million. This derived largely from two sources: the release of provisions previously made for the clean-up of the former Uetikon operating site, and the transfer (at market value) of real estate in Perlen to a newly-founded subsidiary, which generated deferred tax income of CHF 11.9 million. After taxes, the CPH Group reports a net result for 2020 of CHF 47.0 million, which is broadly in line with that of 2019.

Proposed dividend of CHF 1.80 per share

In line with the company's consistent dividend policy, the Board of Directors will recommend to the Ordinary General Meeting of 18 March 2021 that a dividend of CHF 1.80 per share again be distributed for the 2020 business year, of which CHF 0.70 per share should be taken from the capital contribution reserve.

Change on the Board of Directors

Dr. Mauro Gabella will not stand for re-election to the Board of Directors of CPH Chemie+Papier Holding AG at the 2021 Ordinary General Meeting. Dr. Gabella has been a Board member since 2005, and served as Chair of its Personnel & Compensation Committee from 2010 to 2019. The Board thanks Mauro Gabella for his long and committed contribution to the continued development of the CPH Group. To succeed Dr. Gabella the Board proposes Dr. Claudine Mollenkopf. Claudine Mollenkopf can draw on more than 25 years of experience in the chemicals industry, and is Senior Vice President and General Manager Silicas at Germany's Evonik Industries specialty chemicals company. She is a German and French dual national, and holds a doctorate in chemistry from Strasbourg's Louis Pasteur University.

A cautious outlook for 2021

According to IMF projections, the economy should recover slowly from the coronavirus pandemic in 2021, with global growth for the year of some 5.5%. The CPH Group expects to see net sales growth of differing degrees in all three of its business divisions, although the scale thereof will depend on the pace and the extent of such economic recovery. The Chemistry and Packaging divisions will seek to further raise their earnings results, but the Paper Division is unlikely to return to a positive EBIT performance in the present market environment. With the adversities in the paper market only likely to intensify, the improved results expected for Chemistry and Packaging may well be more than nullified by the Paper earnings trends. As a consequence, both group EBIT and the net group result (excluding non-recurring income) for 2021 are unlikely to improve from their 2020 levels.

The planned investments of some CHF 40 million in tangible fixed assets are primarily intended to further enhance efficiency. The Packaging Division also aims to expand its Latin American production capacities.

Sincere thanks

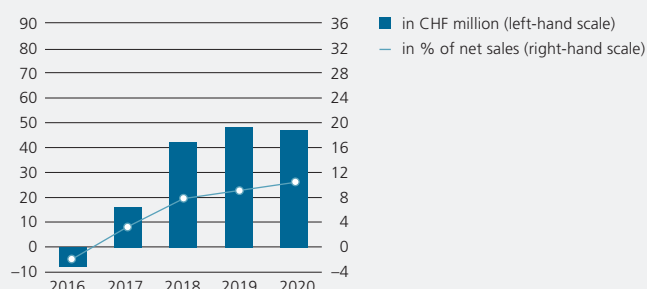
The coronavirus pandemic made sizeable additional demands on our employees in 2020. We offer them all our deepest thanks for all their energies and commitment. We thank our business partners, too, for their loyalty to our company. And we extend our sincere thanks to our shareholders for the confidence they continue to place in the people, the management and the Board of Directors of the CPH Group.



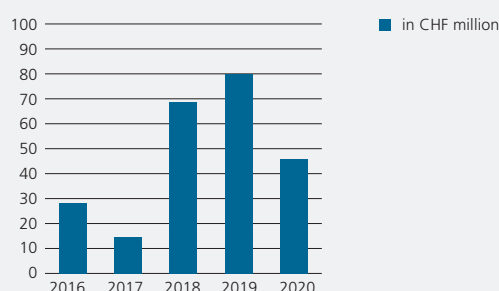
Peter Schaub
Chairman of the Board

Peter Schildknecht
Group CEO

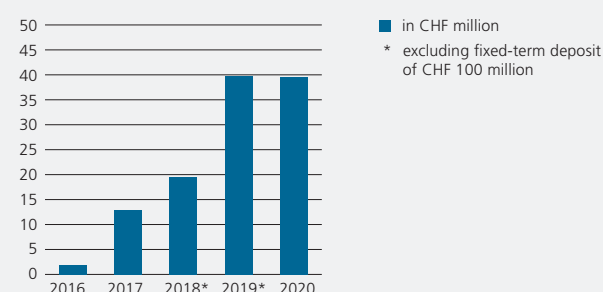
CPH Group net result trends



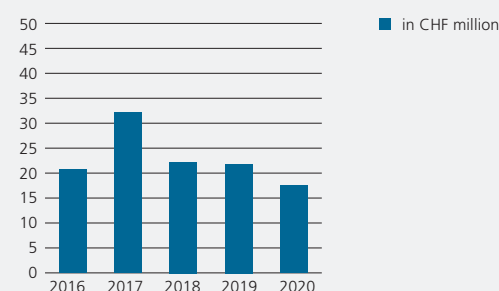
CPH Group cash flow trends



CPH Group free cash flow trends



CPH Group investments in tangible fixed assets



The best by far

The coronavirus crisis posed major challenges in 2020 for the people of the CPH Group. They responded with discipline, commitment, creativity and the requisite distancing to keep their customers supplied.

The CPH Group's Chinese production sites were the first to be confronted with the coronavirus and its ramifications in the year under review. After the holidays for the Chinese New Year festivities, they were unable to resume their operations on 25 January in view of official orders to remain closed. But just two weeks later, following internal deliveries to China of protective facemask equipment and the local adoption of a strict hygiene and safety concept, the Group's Suzhou plant was one of the first in its region to return to production. By the end of February the Group's Donghai facility was also back in full operation.

Countering the effects of the coronavirus crisis required innumerable actions to be taken within the CPH Group in both strategic and operational terms. The Group's Pandemic Plan, which had been developed seven years previously in the wake of SARS and had only recently been updated, was immediately activated, and the corresponding taskforces set about taking the steps needed at the Group's various business and operating locations, in compliance with local official provisions. The Group's Swiss operations were able to demonstrate that their products were systems-relevant as defined by the Swiss Federal Office for National Economic Supply. As a result, all three business divisions could have continued with their Swiss production activities even if a severe economic lockdown of the level required in certain parts of Canton Ticino had been locally imposed.

Thanks to its early experiences in China, the CPH Group was already well prepared for possible consequences when the coronavirus crisis reached Europe and the Americas, too. It was now the Group's Chinese operations' turn to help out by supplying protective equipment and providing capacities to ease the production pressures on its European plants. As a result, the Group was able to maintain its delivery capabilities at all its business divisions, even under challenging operating conditions. Rotating teams were adopted to minimize disruption risks, video-conferencing replaced face-to-face meetings, and IT systems enabled administrative work to continue to be performed away from the usual offices.



Photo: A rigorous hygiene and safety concept was adopted at the Donghai plant in spring 2020.





Award-winning workshops

Perlen Packaging Suzhou was honoured to receive the Provincial Exemplary Intelligent Workshop Award from China's Jiangsu Province in January 2020. The Suzhou team of (from left) Sisi Lian, Kelvin Yu, Colin Tham and Alex Ding impressed the judging panel with their unique fabrication process that utilizes state-of-the-art technologies and ensures full process traceability in a cleanroom environment.



Carbon-neutral paper

Sustainable production is a prime CPH Group priority and concern. The Paper Division has been steadily phasing out its use of fossil fuels: between 2013 and 2020, the division reduced its carbon dioxide (CO₂) emissions by 89%. Under its Ten Toes Model, the Confederation of European Paper Industries estimates Perlen Papier to have an overall carbon footprint that is roughly one quarter of the size of those of its European competitors. And from 2021, the Paper Division will be the first supplier in the world to offer customers the option of offsetting the CO₂ generated in the manufacture of the products they obtain, making their newsprint and magazine paper supplies entirely carbon-neutral.

Following the example of the Paper Division, which has done so since 2015, the Chemistry and Packaging divisions conducted their first-ever annual environmental audits in 2020, for the 2019 period. The expanded documentation will help the Group even better plan and take actions to further reduce its carbon emissions in the years ahead.



Profitability increased despite decline in demand



The coronavirus crisis dampened the demand for products of the Chemistry Division, and net sales for the year declined 6.3% to CHF 73.3 million. Thanks to rigorous cost controls, however, EBIT was improved to CHF 4.6 million and EBIT margin to 6.3%.

Strategy

Zeochem has established itself as one of the world's three leading suppliers in the silicate chemistry field. Each of the Chemistry Division's four production sites has its own specialization. The US facility manufactures high-value molecular sieves which are used in areas such as concentrating medical oxygen ("medox"). The plant in Bosnia and Herzegovina maintains product lines of molecular sieve powders, of chromatography gels which are employed in pharmaceutical separation processes and of special zeolites which are used to adsorb odours in plastics. The Swiss site supplies deuterated products that are used in analytical procedures and in the manufacture of OLED screens. And the production plant in China manufactures standard molecular sieves which are employed in industrial installations to dry gaseous substances and to remove impurities.

2020 brought the development of a new generation of molecular sieve products for "medox" applications that offer customers an enhanced product performance. The first batches of these have already been trialled and delivered to customers. The Chemistry Division aims to achieve further growth in the high-value product segment and gain additional market share.

The year also saw the compilation of the division's first-ever "Oekobilanz" environmental audit, based on data from 2019. The new document provides the foundation required to determine the impact of the actions that the division has taken on its products' environmental footprint. The division has reduced carbon dioxide emissions at its operating sites by some 30% over the past five years, even though its production volumes have increased by more than 50% over the same period.

Market environment

After an encouraging start to the year and a strong first-quarter performance, the global economy felt the full force of the coronavirus pandemic. Transport and energy were among the sectors hardest hit. Many regions saw their economies brought almost to a standstill for weeks through the lockdown measures imposed. Demand for fuel collapsed, and prices duly slumped. For the first time ever, negative crude oil prices were recorded on the commodities markets. The oil, gas and ethanol sectors – which are among the prime users of molecular sieves – suffered accordingly. Investments in other industrial gas facilities were also halted or deferred. At the same time, as a result of the coronavirus pandemic, the order volumes in the product

segment supplying molecular sieves for medical oxygen concentration applications hit new record highs.

The deuterated compounds product segment, by contrast, felt the adverse impact of the actions taken in response to the coronavirus pandemic. Many research laboratories remained closed; and travel restrictions meant that new OLED screen production facilities could not open as planned. As a result of the reduced product demand, short-time working was adopted in autumn 2020 at the division's Swiss production site.

The coronavirus pandemic made great demands on the personnel responsible in the division's various product segments, as orders were modified or cancelled entirely. But even in the face of local production restrictions, all customer supply lines were constantly and consistently maintained.

Business development

While sales were increased in the medical oxygen segment, all the division's other product areas suffered net sales declines, primarily as a result of the coronavirus pandemic. Total divisional net sales for the year amounted to CHF 73.3 million, which was 6.3% down on 2019. Excluding currency factors, net sales were 0.5% below their prior-year level.

The division responded to the coronavirus crisis in spring with rigorous cost-saving measures. The encouraging result of all these endeavours is that EBITDA could be maintained at CHF 9.5 million. The EBIT for the year of CHF 4.6 million was even an improvement on the 2019 result, and EBIT margin rose to 6.3%. The year-end divisional workforce totalled 277 employees, ten fewer than a year before.

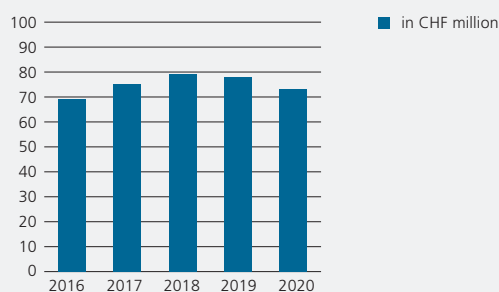
Outlook

The global economy is likely to recover somewhat from the coronavirus shock in the course of 2021, and should claw back at least some of the declines that were seen in 2020. This should also prompt a revival in the demand for products of the Chemistry Division. The division plans to invest CHF 11.0 million in tangible fixed assets over the year. An additional deuterium oxide concentration plant should be installed at the Swiss operating site. The US facility will see the construction of a new administrative building to replace office premises that are currently held or leased in four different locations. And the division's Chinese production site will be provided with a waste-water treatment plant and further operating facilities, for which some 24 000 square metres of adjacent land were recently acquired. The division expects to report slightly higher net sales for 2021 and a correspondingly improved EBIT result.

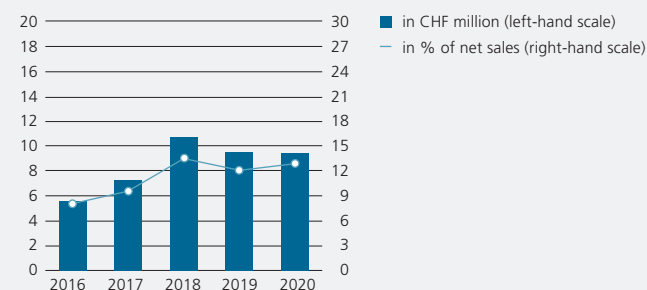
Chemistry net sales by region



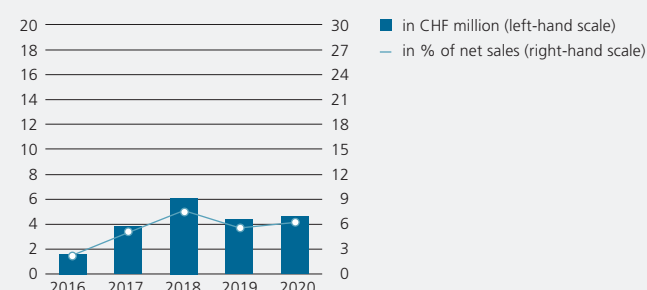
Chemistry net sales trends



Chemistry EBITDA trends



Chemistry EBIT trends







Tackling COVID-19 together

Molecular sieves are employed in various medical applications in the fight against COVID-19. Zeochem is developing a number of solutions here in close collaboration with its customers.

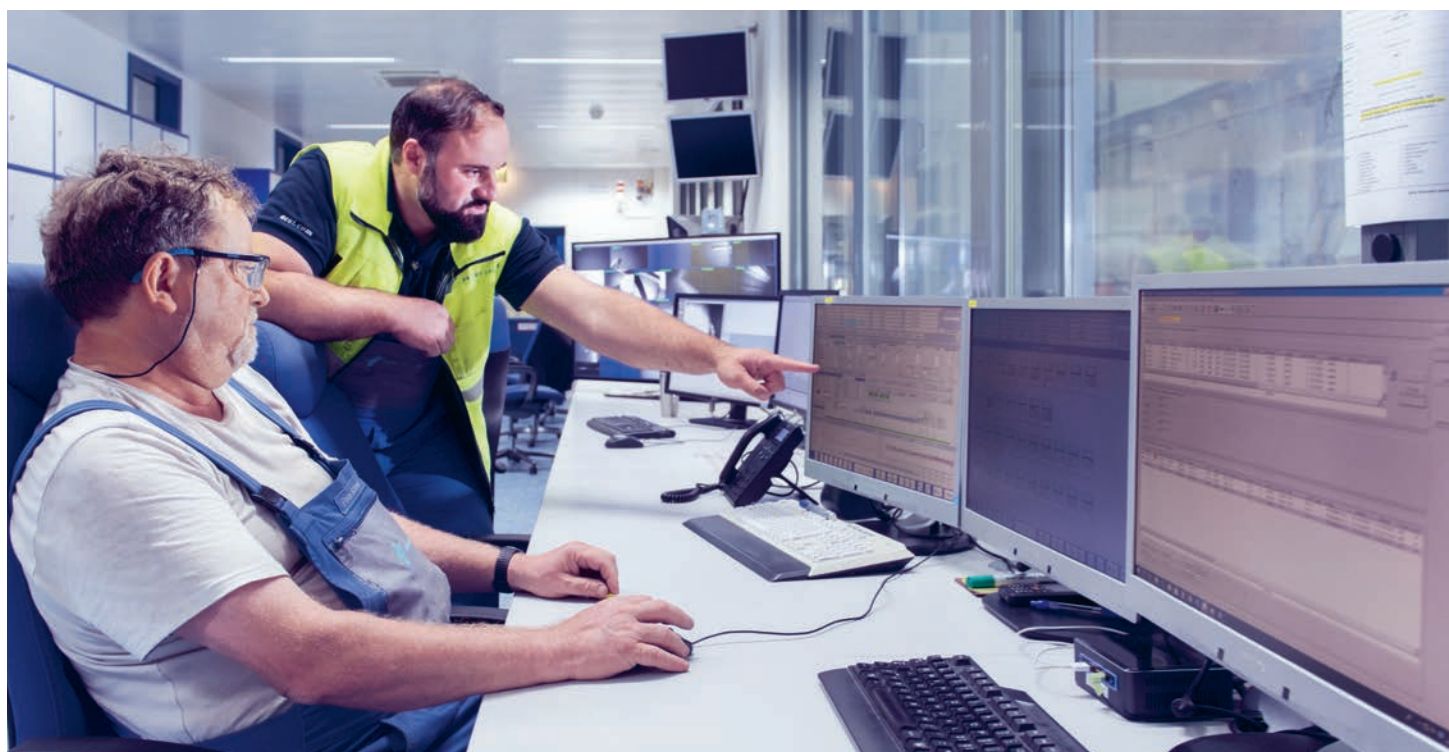
One major medical application of molecular sieves is in oxygen concentrators, which use the high-performance products of Zeochem's ZEOX line. The sieves extract nitrogen from the ambient air, which raises the levels of oxygen in the air concerned and enables patients with respiratory illnesses to breathe more easily. Chronic respiratory conditions are becoming more and more common – partly through COVID-19, but also owing to air pollution and the general ageing of populations worldwide.

Southeast DME is one of the large US service centres which repair oxygen concentrators of various brands, replace their used molecular sieves and refurbish the devices for further medical use. The company has experienced a steep increase in demand for its services since the COVID-19 outbreak began. "The specialists at Zeochem support us with their molecular sieve expertise, their enhanced solutions and their short delivery times to help us meet our customers' growing needs," says Southeast DME's CEO Paul Lassanske.

Zeochem's molecular sieves are also used in medical packagings. Europe has seen the development of a new test that should accelerate the COVID-19 detection process. The tests are supplied in packagings that include Zeochem Type 4A molecular sieves. The sieves protect the tests' organic components from humidity and thereby improve the accuracy of their results.

Photo: Southeast DME CEO Paul Lassanske (centre) in discussion with Zeochem employees (from left) Alex Hawkins, Sales Engineer; Teri Gonzalez, Customer Service Representative; Kerry Weston, Global Business Director Medical Oxygen; Douglas Huelsman, Sales Engineer; and Blake Corey, Technical Service Engineer.

Demand and net sales substantially reduced through coronavirus impact



The demand for paper slumped as a result of the coronavirus pandemic, pressuring prices and forcing temporary production shutdowns. Net sales for the Paper Division declined 28.5% to CHF 209.6 million, and EBIT fell slightly short of a breakeven result.

Strategy

The market for graphic paper products has been shrinking for years. The reasons for this can be found in the structural changes in people's media consumption: news nowadays is consumed less and less on paper and more and more via digital channels. As a result, the demand for newsprint paper has roughly halved in Western Europe over the last ten years. With producers initially hesitant to reduce their production in response to the lower demand, overcapacities have resulted. And these in turn have put sizeable pressures on product prices, prompting predatory pricing wars in which the only survivors will be those with the lowest production costs. Perlen Papier holds a major competitive asset here in the form of its PM 7, which is one of Europe's most advanced and highest-performance newsprint manufacturing machines. The company also has a further efficient paper machine for its coated magazine paper production.

A further key differentiator for CPH's Paper Division is its positioning as a sustainable supplier. Thanks to a series of actions that the division has taken, its Perlen production site is now almost carbon-neutral. Perlen Papier also conducted an extensive campaign in autumn 2020 to sensitize both its recovered paper suppliers and its customers to

how carbon dioxide (CO₂) emissions can be reduced through shorter transport journeys, particularly since the Perlen site's CO₂ emissions are only a fraction of those of the company's European competitors. The more waste paper can be recovered and recycled within Switzerland, the less distance these items need to be transported, and the lower the corresponding strain on the environment will be. Perlen Papier is presently Switzerland's only domestic waste paper recycler.

Market environment

The general decline in demand for paper owing to the structural impact of the digitalization trend was exacerbated in 2020 by the coronavirus pandemic and its radical ramifications. Several countries imposed lockdowns in the second-quarter period. These in turn prompted a slump in advertising and corresponding reductions in newspaper sizes, while some commuter freesheets ceased publication entirely. The demand for wood-based graphic printing paper in Western Europe fell by some 40% in the months concerned. And while the situation did improve somewhat after the lockdown measures were eased in subsequent months, the demand for newsprint and coated magazine paper in 2020 was still 22% and 23% down on prior-year levels at 3.3 million and 2.6 million tonnes

respectively. With the year also bringing no major withdrawals of production capacities from the market, the further increase in the existing overcapacities put additional pressure on prices. In the face of the insufficient demand, Perlen Papier's production was temporarily shut down, and short-time working was adopted for the employees concerned. Autumn brought the announcement from a number of graphic paper producers that they planned to withdraw some two million tonnes of capacity from the market in 2021. This will not yet be enough, however, to bring supply and demand back to a satisfactory balance.

Supplies of recovered paper became scarce at times during the coronavirus crisis as collection activities were curtailed. But once the situation eased, their prices settled back to relatively low levels. Energy prices also declined as a consequence of the coronavirus restrictions.

Business development

The Paper Division sold 439 000 tonnes of printing paper in 2020, which was 78 000 tonnes or 15% less than it had the year before. Of this volume, 289 000 tonnes was in the form of newsprint and 150 000 tonnes in the form of magazine paper. The reduced sales volumes were combined with lower sales prices, and net sales for the year were down a corresponding 28.5% at CHF 209.6 million. In addition to the lower sales volumes and prices, some 2.7% of the net sales decline was attributable to currency factors.

Perlen Papier's share of the Western European paper sales market in 2020 was a further slight increase on its prior-year level in both newsprint and magazine paper terms.

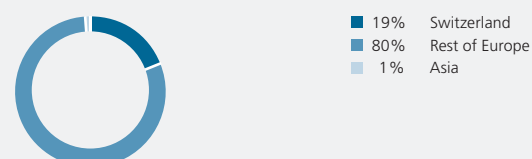
The division invested CHF 7.5 million in tangible fixed assets in the course of the year. These investments were largely in maintaining the present production machines and enhancing plant efficiency. On the cost front, the division benefited somewhat from lower recovered paper and energy costs. But annual EBITDA declined 68.1% to CHF 17.4 million, while EBIT for the year was just short of breakeven at CHF -2.2 million.

The Perlen Papier workforce consisted of 367 employees at year-end, down from 376 at the end of 2019.

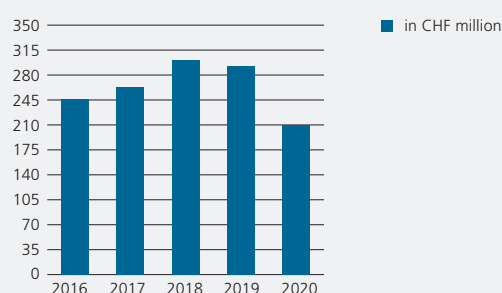
Outlook

Demand in Western Europe for wood-based graphic printing paper is likely to remain largely at its prior-year levels in 2021, according to industry association estimates. The further impact of the coronavirus pandemic is difficult to predict. What is clear already, however, is that the present market overcapacities will keep the pressures high on paper product prices. The Paper Division plans to invest CHF 11.3 million on further process enhancements in the course of 2021. Net sales for the year should be an increase on 2020; but the EBIT result is likely to remain negative, given the growing market pressures.

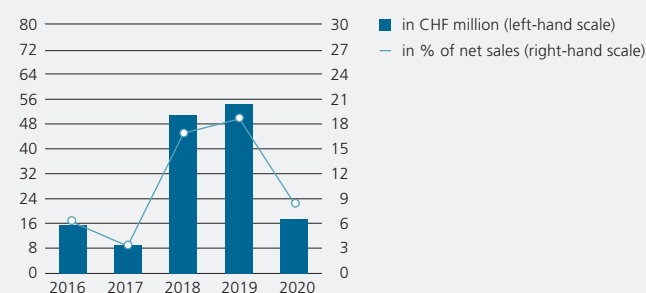
Paper net sales by region



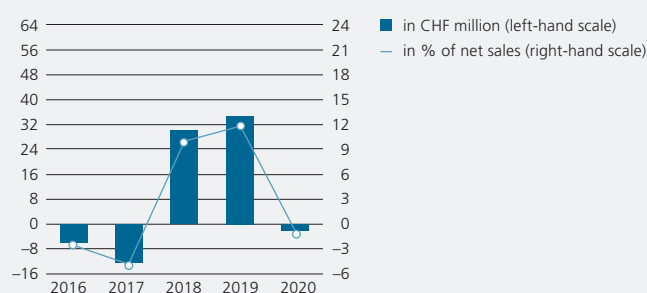
Paper net sales trends



Paper EBITDA trends



Paper EBIT trends







Sustainably supplied

Italy is the Paper Division's third-biggest sales market. Paper supplies to the country were maintained throughout its lockdown to tackle the COVID-19 crisis, thanks to the outstanding commitment of all the partners involved.

Keeping people informed is never more vital than in crisis times. So even when its economic life was paralyzed for weeks in spring 2020 as the country was hit especially hard by the spread of COVID-19, Italy's publishing houses needed to remain supplied with the newsprint they required. "Thanks to our forward-looking logistics, we ensured that publishers both in and outside Switzerland always had adequate stocks of publication paper throughout 2020, even during the coronavirus crisis," confirms Wolfgang Bucher, Perlen Papier's Head of Marketing & Sales.

The transporters of the deliveries to Italy faced particular challenges here. To protect the health of employees in high-risk groups, some of the usual vehicles could not be used. In addition, the Italian motorway network was bereft of its usual services facilities. In response, Daniel Schöni, the owner and CEO of Schöni Transport AG with its 400 employees, resolved on 6 April to assume driving duties himself, and trucked a load of some 24 tonnes of newsprint from Perlen to Rome.

Schöni Transport is a logistics partner that shares Perlen Papier's values on the sustainability front. "My personal goal is to become Switzerland's first carbon-neutral transport company," says Daniel Schöni. More than half of the Schöni Transport vehicle fleet already runs on biodiesel and liquid gas fuels.

Photo: Daniel Schöni, owner and CEO of Schöni Transport AG (left), with Wolfgang Bucher, Perlen Papier's Head of Marketing & Sales.

Net sales and earnings raised to new record highs



With the coronavirus pandemic prompting a steep rise in the demand for medicinal products, the Packaging Division raised its net sales 5.9% to CHF 162.3 million. EBIT was increased 25.3% to CHF 21.6 million, a new record level.

Strategy

The Packaging Division is the only global supplier of thermoformable blister films that focuses solely on the pharmaceutical market, where it is one of the world's three biggest suppliers. Most medicines today that are produced in tablet or capsule form are provided in blister packs. These generally consists of two elements: a thermoformed plastic film that houses the medicine and an aluminium lidding foil through which the medicine is pressed out for consumption. Since single-substance packagings are easier to recycle, the Packaging Division is now developing blister packs made solely of plastic films.

PVC mono films and coated PVdC films are the plastics most commonly used in the pharmaceutical market. Depending on the type and thickness of the coating used, these films provide barriers of varying degrees against outside influences such as oxygen or humidity.

With the active agents used in medicines today becoming ever more complex, and with the resulting products distributed all over the world (and thus having to be adequately robust for all climate zones), the protective and processing requirements of the packagings used are rising all the time. Perlen Packaging offers a full range of PVC and

PVdC films, and is the market leader in the high-barrier film segment. Its position here was further strengthened in 2020 with its introduction of a new range of products in the ultra-high-barrier segment.

The pharmaceutical industry is active globally but manufactures its products locally on a number of continents. As such, it makes similar demands of its suppliers in terms of providing local packaging solutions. Perlen Packaging has developed coating plants in Europe and Asia and slitting capacities in North and South America over the past few years. A decision was also taken in 2020 to acquire its Brazilian subsidiary in full and establish a new coating plant at its Anápolis site. The move is a further milestone in the division's pursuit of its overall global strategy, and will permit even better cultivation of the rapidly growing Latin American markets.

In view of looming capacity shortages during the coronavirus pandemic, the manufacture of parts of a family of duplex film products was transferred from Europe to China, enabling supplies to continue to be secured even with higher customer demand. The Packaging Division also compiled its first-ever "Oekobilanz" environmental audit in 2020, based on data for 2019. The document reveals that in the

entire PVdC film product cycle from acquiring the raw materials to disposal after use, Perlen Packaging is responsible for 11% of the total carbon dioxide emitted. With PVC mono films, the corresponding figure amounts to 7%. Functional tests were also concluded in 2020 for BLISTair, the innovative single-use inhaler that the division has developed for powder medications.

Market environment

Some temporary shortages of medicine supplies were seen at the start of the coronavirus pandemic. Non-prescription nutrient supplements, painkillers and fever medications were in particularly strong demand. This led in spring to a steep rise in orders from Perlen Packaging's customers, who were eager to increase their stock reserves. These order volumes abated again somewhat in later months, as consumer demand returned to more normal levels. By rigorously adopting all hygiene and distancing provisions and making mask-wearing consistently compulsory, the operations of Perlen Packaging were able to maintain their production at full capacity throughout 2020, apart from the brief lockdown in China at the beginning of the year.

Business development

The Packaging Division registered record order levels in 2020. With increased sales volumes, net sales for the year rose to CHF 162.3 million, a 5.9% improvement on 2019 or a 10.7% increase excluding currency factors. The division invested CHF 6.2 million in efficiency enhancements in the course of the year. Owing to travel restrictions, however, not all the planned fixed asset investments were effected as envisaged. Personnel numbers were increased from 416 to 448 employees to help handle the higher business volumes. Net sales for Europe and Latin America again recorded double-digit percentage growth. Perlen Packaging accounted for 30% of the European market. No reliable market data are available for its further sales regions. Raw materials prices declined in the first half of the year, and EBITDA was raised 17.2% to CHF 27.8 million. EBIT was up 25.3% at CHF 21.6 million, and EBIT margin rose to a new record high of 13.3%.

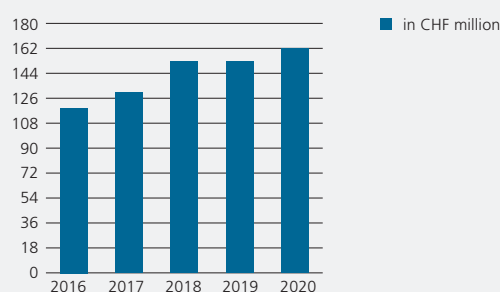
Outlook

The coronavirus pandemic has increased the demand for medicines that are used in connection with the virus infection. At the same time, the associated conduct and hygiene guidelines have prompted a decline in seasonal illnesses, and visits to the doctor have also been minimized for fear of possible COVID infection, both of which have reduced demand for medications. Further trends here in 2021 will depend to a large extent on the pandemic's further development. Perlen Packaging plans to invest CHF 15.9 million in tangible fixed assets in 2021, in the construction of the new coating plant in Brazil and in further efficiency enhancements at other operating locations. The division aims to achieve above-average growth, particularly in the Asian and Latin American markets, and expects to report a slight further increase in its net sales for the year. The EBIT result, however, is unlikely to match 2020's exceptional level.

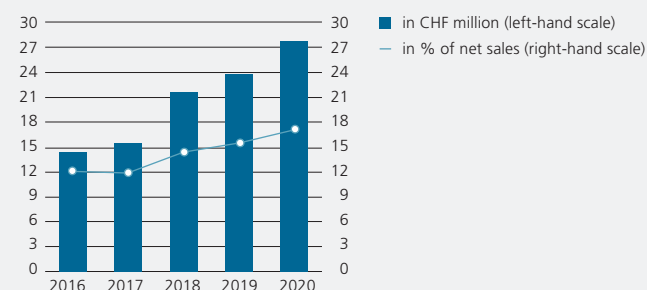
Packaging net sales by region



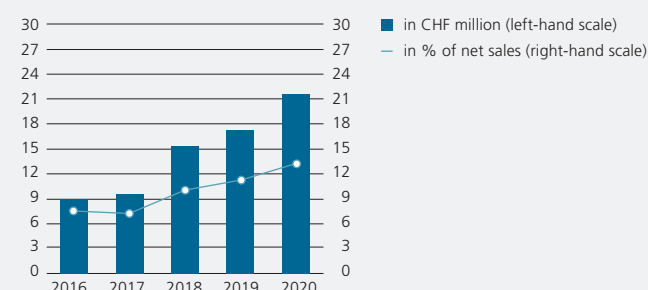
Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends







New supply chain developed

The coronavirus pandemic prompted a steep increase in the demand for medicinal items. New production capacities were created in China in record time to ensure that sufficient volumes of films could be provided for the blister packs required.

Freely available medicines such as painkillers, immunity boosters and dietary supplements were in great demand in 2020 during the coronavirus crisis months. Shortages in medicines were even seen in some countries in spring, and rationing had to be occasionally adopted for pharmacy sales. Most of the medicinal items concerned are packaged in blister packs with low- or medium-barrier films.

It became clear as early as February 2020 that the production capacities for medium-barrier duplex films might become stretched at Perlen Packaging's European manufacturing sites. Sure enough, incoming order volumes for these products doubled in the two subsequent months. So the specialists of the Packaging Division were swift to embark on preparations with their teams in Perlen, Müllheim and Suzhou to establish a new China-sourced supply chain for these product lines.

The mono films required were duly ordered from Asia-based suppliers, the Chinese production team made plans for their capacity expansion and capacities were ramped up at the Suzhou plant from May onwards. In addition to transportation by sea, this work also entailed creating new rail transport options to Europe via the Silk Road route.

"In record time, we were able to establish a second duplex film supply line for our customers worldwide and thereby enhance both our delivery reliability and our own flexibility," concludes Lars Kirchhoff, Perlen Packaging's Chief Sales Officer. "And with physical travel simply out of the question, this was all achieved through regular videoconferences among our various teams."

Photo (from left): Customer Service Officer Sara Ringli, Regional Sales Director Tomasz Falkowski, Head of Slitting & Packaging Jeton Shabani and Regional Sales Director Karl Wind of Perlen Packaging in Perlen conduct a videoconference with Perlen Packaging colleagues in Switzerland and China.

Corporate Governance Report

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

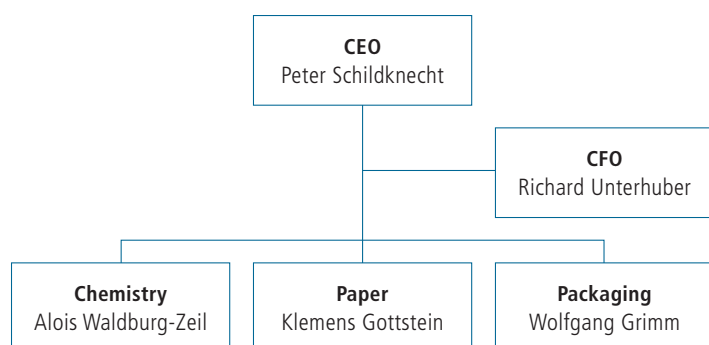
This section is structured in accordance with the corporate governance guidelines of the SIX Swiss Exchange. The CPH Group also aligns itself and its activities to the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, and applies these in a manner appropriate to its size and structure. For some items, reference is made to the consolidated financial statements from Page 48, and in particular to the additional corporate governance information in the annex to the consolidated financial statements from Page 70. This section is based on the Articles of Incorporation and the Organizational Regulations of CPH Chemie+Papier Holding AG, which are available (in German) for download at [https://cph.ch/en/investors/documentation/under "Articles of incorporation, regulations and description of duties"](https://cph.ch/en/investors/documentation/under%20Articles%20of%20incorporation,%20regulations%20and%20description%20of%20duties).

1 Group structure and shareholders

1.1 Group structure

The CPH Group comprises the three business divisions of Chemistry, Paper and Packaging, which each act autonomously in their specific markets. The parent company CPH Chemie+Papier Holding AG is domiciled in Perlen/Root, Switzerland. A list of the subsidiaries included in the consolidated financial statements will be found on Page 74. CPH Chemie+Papier Holding AG is the only stock exchange-listed company of those consolidated. Its registered shares (securities number 162471, ISIN CH0001624714) are listed on the SIX Swiss Exchange. Details of market capitalization and further share information are provided in Item 9.2 "Information for shareholders" on Page 33. The CPH Group is headed by the Group CEO, while the divisions are headed by the Divisional CEOs. Group Executive Management consists of the Group CEO, the Group CFO and the Divisional CEOs.

Organization chart



1.2 Significant shareholders

One significant shareholding was newly disclosed in 2020 in accordance with Article 120 of the "FinfraG" Financial Market Infrastructure Act. Earlier such disclosures may be viewed on the SIX Exchange Regulation website (<https://www.ser-ag.com/en/resources/notifications-market-participants/management-transactions.html#/>).

Shareholder structure (in %)	31.12.2020	31.12.2019
Uetikon Industrieholding AG	50.0	50.0
Ella Schnorf-Schmid estate	7.2	7.2
Sarasin Investmentfonds AG	5.0	5.0
Members of the Board of Directors and Group Executive Management (and related parties)	1.8	1.7
Publicly-held shares	31.9	31.8
Shares currently not listed in the Share Register	4.1	4.3
Total shareholders	916	911

The descendants of the founding Schnorf family and the Ella Schnorf-Schmid estate hold shares in CPH Chemie+Papier Holding AG both directly and via the Uetikon Industrieholding AG company. CPH Chemie+Papier Holding AG Board of Directors members Peter Schaub, Tim Talaat and Manuel Werder hold shares in Uetikon Industrieholding AG and represent the interests of the founding family's descendants on the Board. Their direct shareholdings in CPH Chemie+Papier Holding AG are shown under Note 29.2.1, "Shares held by members of the Board of Directors and Group Executive Management" in the annex to the consolidated financial statements, Page 71. There are no shareholders' agreements between individual shareholder groups.

1.3 Cross-shareholdings

CPH Chemie+Papier Holding AG has no cross-shareholdings with any other company of more than 5%, in capital or voting rights form.

2 Capital structure

2.1 Capital

As specified in Article 3 of the company's Articles of Incorporation, the fully-paid-up share capital of CPH Chemie+Papier Holding AG amounts to CHF 1.2 million. This share capital consists of 6 000 000 registered shares each of CHF 0.20 nominal value (see also Note 29.1, "Capital structure" in the annex to the consolidated financial statements, Page 70).

2.2 Authorized and conditional capital

The CPH Group had no authorized or conditional capital as of 31 December 2020.

2.3 Changes in capital in the last three years

In the 2018 financial year the nominal value of the CPH share was reduced from CHF 5.00 to CHF 2.00, with the reduction amount taken to capital reserves. In the 2020 financial year the nominal value of the CPH share was further reduced from CHF 2.00 to CHF 0.20, with the reduction amount distributed to shareholders. These actions reduced share capital in two steps from CHF 30 million to CHF 1.2 million (see Note 28.1, "Capital structure" in the annex to the consolidated financial statements, Page 70). There was no change in capital in the 2019 financial year.

2.4 Shares and participation certificates

Every voting registered share entered in the company's Share Register entitles its owner to one vote at the General Meeting. There are no transfer or voting right restrictions. No participation certificates have been issued.

2.5 Dividend-right certificates

No dividend-right certificates have been issued.

2.6 Limitations on transferability and nominee registrations

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

2.7 Convertible bonds and options

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

3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG consists of at least three members. No Board member is currently active with the company in an executive capacity or has been so in the last three years. As of 31 December 2020, the Board of Directors comprised six members. The Board's composition remained unchanged from 2019.

Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee
Peter Schaub	Chairman since 2010	Member	Member
Tim Talaat	Deputy Chmn since 2015		Chair since 2020
Dr. Mauro Gabella	2005 Member		Member
Kaspar W. Kelterborn	2015 Member	Chair since 2015	
Manuel Werder	2015 Member	Member	
Christian Wipf	2008 Member		Member

3.2 Professional background and other activities and functions

Peter Schaub

Lic. iur., attorney-at-law, born 1960 and a Swiss national; Chairman of the Board of Directors since 2010. Partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich since 1994; Chairman of the Board of Directors of Scobag Privatbank AG, Basel; Chairman of the Board of Directors of Zindel Immo Holding AG, Chur; Chairman of the Board of Directors of Mobimo AG, Lucerne; Deputy Chairman of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Deputy Chairman of the Board of Directors of UBV Holding AG, Uetikon; Member of the Board of Directors of Rüeegg Cheminée Holding AG, Zumikon. Member of the boards of directors of various further unlisted companies, and trustee of various foundations.

1990–1993 tax commissioner at the Cantonal Tax Office, Zurich; 1987–1988 junior associate at the Schellenberg Wittmer law firm, Zurich.

Tim Talaat

MSEE and MBA, born 1960 and a Swiss national; Deputy Chairman of the Board of Directors since 2015 and Chair of its Personnel & Compensation Committee since 2020. Majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon; Chairman of the Advisory Board of Single Holding GmbH, Hochdorf (Germany); Member of the Board of Directors of Bachofen AG, Uster.

2009–2015 CEO of Looser Holding AG, Arbon; 2007–2009 Managing Partner at Swiss Industrial Finance AG, Pfäffikon SZ; 2003–2007 CEO of SR Technics Switzerland and 1996–2003 Member of the SR Technics Group Executive Board, Zurich Airport.



The Board of Directors (from left): Kaspar W. Kelterborn, Manuel Werder, Tim Talaat, Peter Schaub, Mauro Gabella and Christian Wipf.

Mauro Gabella

Dr. sc. nat., born 1952 and a Swiss and French national.

2010–2011 Vice President Organizational Excellence & Project Management and 2006–2009 Vice President Central & Southern Europe, Sanofi-Aventis (now Sanofi), Paris; 2004–2006 General Manager Sanofi-Aventis (Switzerland) AG, Vernier; 1987–2004 various executive functions at predecessor companies to Sanofi-Aventis and MSD at a number of locations worldwide.

Kaspar W. Kelterborn

Lic. oec. HSG, born 1964 and a Swiss national; Chair of the Finance & Auditing Committee since 2015. CFO and Member of the Executive Committee of the Conzetta Group, Zurich since 2006; Member of the Board of Directors of Suhner Holding AG, Brugg; Member of the Board of Directors of Integra Holding AG, Zurich; Member of the Board of Directors of Wipf Holding AG, Brugg.

2002–2005 CFO and Member of the Executive Management of the Unaxis Group, Pfäffikon; 1996–2002 leading executive functions in finance and controlling both in and outside Switzerland for the Clariant Group, Muttenz.

Manuel Werder

Lic. iur. and LL.M., attorney-at-law, born 1974 and a Swiss national. Partner at the Niederer Kraft Frey AG law firm, Zurich since 2015; Member of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Member of the Board of Directors of UBV Holding AG, Uetikon; member of the boards of directors of various further unlisted companies and trustee of various foundations.

2010–2015 Senior Associate at Niederer Kraft Frey AG, Zurich; 2007–2008 secondment to Allende & Brea Abogados, Buenos Aires; 2004–2007 Associate at Niederer Kraft Frey AG, Zurich; 2002–2004 Foreign Associate at Fox Horan & Camerini LLP, New York.

Christian Wipf

Lic. oec. HSG, born 1957 and a Swiss national. Chairman and Delegate of the Board of Directors of Wipf Holding AG, Brugg; chairman of the boards of directors of various subsidiaries of the Wipf Group.

1997–2020 CEO of the Wipf Group, Brugg; 2001–2007 CEO of Wipf AG, Volketswil; 1991–1997 Member of Executive Management of Seetal Schaller AG, Brugg; 1982–1991 various executive functions with Philips AG, Zurich and Philips Electronics Ltd, Montreal.

3.3 Statutory provisions regarding the number of activities permitted under VegüV Article 12, Paragraph 1, Section 1

Under Article 21 of the Articles of Incorporation of CPH Chemie+Papier Holding AG, members of the Board of Directors may hold up to 15 additional mandates, but no more than three such mandates at stock exchange-listed companies. Not included in the above calculations are:

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

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

3.4 Election and term of office

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

3.5 Internal organizational structure

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

The Board of Directors meets as often as business demands, and at least five times a year. The Board is quorate as long as a majority of its members are present. Resolutions are passed by a simple majority of the votes cast. The Chairman also has a vote, and has a further casting vote in the event of a tie. The Board met seven times in 2020, for three half-day sessions, three full-day sessions and a strategy meeting that was reduced to a single day's duration in view of the coronavirus pandemic.

The Board's strategy meeting is devoted to strategic issues and the medium-term development of the CPH Group and its divisions. The meeting is also attended by the full Group Executive Management and – for specific topics – members of the Divisional Management teams.

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

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

The Finance & Auditing Committee

The Finance & Auditing Committee consists of Kaspar W. Kelterborn (chair), Peter Schaub and Manuel Werder. The Group CEO and CFO also attend all committee meetings as permanent guests. The committee's tasks comprise in particular:

- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining their guidelines, quality standards and content
- monitoring the assessment of corporate risks and the Group's risk management practices
- monitoring the Group's investment and hedging policies
- monitoring the Group's Internal Control System and the effectiveness thereof
- monitoring the Group's business activities in terms of their observance and implementation of board resolutions, company policy principles and directives and the relevant legal provisions, particularly those relating to stock exchange law

- assessing the work, performance, independence and remuneration of the external group and statutory auditors and making recommendations on the election of the same to the Board of Directors and the General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditors' recommendations
- monitoring the Group's real-estate strategy.

The committee met for three half-day deliberations and conducted two telephone conferences in 2020.

The Personnel & Compensation Committee

The Personnel & Compensation Committee comprises Tim Talaat (chair), Mauro Gabella, Peter Schaub and Christian Wipf. The Group CEO also attends all committee meetings as a permanent guest, unless his own compensation or other topics relating to him are being discussed. The committee's tasks comprise in particular:

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

The committee met for three half-day deliberations in 2020, and also held further meetings and telephone conferences with regard to Mauro Gabella's succession.

3.6 Definition of areas of responsibility

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

The Board of Directors has the following group-level duties:

- to determine the Guiding Principles and general corporate policy
- to determine the group structure, group policy, group objectives and general group strategy and define the strategic growth areas
- to formulate targets for operational key performance indicators, financing policy and investment returns

- to assign resources and decide on the use of funds within the Group
- to appoint the boards of directors of subsidiary companies
- to approve strategic collaboration agreements concluded by group member companies among themselves or with other companies
- to decide on entry into or withdrawal from key business segments
- to appoint and dismiss members of Group Executive Management
- to exercise supervisory authority over the group's management, particularly with regard to the observance of laws, the Articles of Incorporation, regulations and directives, and over the adoption of actions resolved
- to determine the remuneration principles for and the remuneration of the members of Group Executive Management
- to assess the risk management system and business risks.

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

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

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

Risk management

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

Assessment of significant risks at the end of 2020

The significant risks identified for the CPH Group as of the end of 2020 included the COVID-19 pandemic and its impact on sales markets and demand, the slowing of economic growth, political and economic uncertainties, Swiss franc/euro currency trends and developments in paper prices. Actions have been defined to reduce these and other risks, and such actions are now being taken in close coordination with the strategic objectives of the Group and its three divisions.

Financial risk management (see table below)

By virtue of its business activities, the CPH Group is particularly exposed to financial risks such as currency risks, credit risks, liquidity risks and interest rate risks. Its overarching risk management is focused on the unforeseeability of developments on the financial markets, and is geared to minimizing any potential negative impact thereof on the Group's financial health. Risk management is performed by the Group's Finance Department, in accordance with the guidelines approved by the Board of Directors. These specify the use of derivatives and the handling of currency risks, interest rate risks and credit risks. The Board's guidelines are binding for all group member companies. The table below provides an overview of the financial risks, their description and their management.

Risk management organization

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

Risk management principles

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

Risk overview

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

Reporting

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

Financial risks overview

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



Group Executive Management (from left): Alois Waldburg-Zeil, Wolfgang Grimm, Peter Schildknecht, Richard Unterhuber and Klemens Gottstein

4 Group Executive Management

4.1 Members of Group Executive Management

As of 31 December 2020 Group Executive Management comprised:

Name	Function	Held since
Dr. Peter Schildknecht	Group CEO	2009
Richard Unterhuber	Group CFO	2016
Dr. Alois Waldburg-Zeil	Head of Chemistry	2010
Klemens Gottstein	Head of Paper	2012
Wolfgang Grimm	Head of Packaging	2003

4.2 Professional background and other activities and functions

Peter Schildknecht

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

2001–2008 Member of Group Executive Management of Sarna Kunststoff Holding AG, Sarnen and leadership of various group divisions, most latterly Sarnafil; 1995–2001 various functions in the

Von Roll Group, including CEO of Von Roll Betec AG and Head of Industrial Services and a Member of Executive Management at Von Roll Infratec Holding AG, Bern.

Richard Unterhuber

FH Diploma in Business Administration, Certified Management Accountant, MBA, born 1967 and a Swiss and Italian national; Group CFO since joining CPH in 2016.

2006–2016 CFO and Member of Group Executive Management at the internationally active Multi-Contact industrial group, Allschwil. Previously executive finance and controlling positions at various further industrial companies: 2001–2006 Head of Shared Services and CFO of SCA Packaging Switzerland AG, Oftringen; 1998–2001 Chief Commercial Officer and Member of Executive Management at Sarnatech (Schweiz) AG, Triengen; 1997–1998 Business Controller at DCL Data Center Luzern AG, Lucerne; 1995–1997 Head of Controlling, Swiss Post Aarau, Aarau.

Alois Waldburg-Zeil

Dr. iur., born 1963 and an Austrian national; joined the CPH Group as Head of Chemistry in 2010. Member of the Board of Directors of Canaxis Pharma AG, Schlattingen.

1997–2009 various management functions with the Süd-Chemie Group (now part of Clariant), including Head of the General Secretariat and Public Relations, Sales Manager EMEA, Global Financial Manager

for Süd-Chemie Performance Packaging in Paris (France), CEO of Süd-Chemie UK in Manchester (UK) and CEO of Süd-Chemie Zeolites GmbH in Bitterfeld (Germany); 1993–1997 auditor with KPMG.

Klemens Gottstein

Industrial engineer, paper manufacturer and MBA, born 1961 and a German national; joined CPH as Head of Paper in 2012.

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

Wolfgang Grimm

BA Diploma in Business Administration, born 1957 and a German national; joined the then Perlen Group as its Head of Packaging in 1998 and appointed to his present position in 2003.

1995–1998 Schüpbach AG, Burgdorf (Switzerland), most latterly Vice President Sales Central Europe for Danisco Flexible Schüpbach AG; 1993–1995 Sales Director at VAW Europack Export GmbH, Teningen (Germany).

4.3 Statutory provisions regarding the number of activities permitted under VegüV Article 12, Paragraph 1, Section 1

Under Article 21 of the Articles of Incorporation of CPH Chemie + Papier Holding AG, members of Group Executive Management may hold up to five additional mandates, but no more than one such mandate at a stock exchange-listed company. Not included in the above calculations are:

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

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

4.4 Management contracts

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

5 Remuneration, shareholdings and loans

The remuneration and shareholdings of the members of the Board of Directors and Group Executive Management, and the responsibilities and procedures for determining these, are specified in the Remuneration Report from Page 35 onwards.

6 Shareholders' rights

6.1 Voting right restrictions and representation

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

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

6.2 Statutory quora

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

6.3 Convocation of the General Meeting

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

6.4. Submission of agenda items

In accordance with Article 4 of the Articles of Incorporation, any request by a shareholder for an item to be included on a General Meeting agenda must be submitted to the Board of Directors in writing at least 60 days in advance of the meeting concerned. Subject to the special provisions relating to general meetings at which all

shareholders are represented in full, no resolution may be passed by the meeting on any matter which has not been communicated in this way.

6.5 Entry in the Share Register

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

7 Change of control and defence measures

7.1 Obligation to make an offer

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

7.2 Change-of-control clauses

There are no change-of-control clauses.

8 Auditors

8.1 Duration of mandate and term of office of the auditor in charge

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

8.2 Auditing and other fees

The following fees were paid to the auditors and others in the 2019 and 2020 financial years:

in CHF thousand	2020	2019
Auditing fees to PricewaterhouseCoopers AG	393	373
Auditing fees to further audit companies	44	59
Other fees to PricewaterhouseCoopers AG	80	99
Other fees to further audit companies	25	1
Total	542	532

Auditing fees are the amounts paid for the auditing services which are provided each year to give an opinion on the consolidated financial statements and to compile reports on the financial statements of group member companies required under applicable local law. Other fees are the amounts paid to audit companies for other services.

8.3 Information instruments pertaining to the external audit

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

The Finance & Auditing Committee submits an annual report on these activities to the full Board of Directors. In 2020 representatives of the auditors attended all the meetings of the Finance & Auditing Committee for those agenda items which concerned them.

9 Information policy

9.1 Information tools

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

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

The official organ of publication for the CPH Group is the Schweizerisches Handelsamtsblatt (the Swiss Official Gazette of Commerce). Written company communications to shareholders as required by law are sent to the most recent address provided in the Share Register for the shareholder or their proxy for such communications.

9.2 Information for shareholders

The CPH share, which is listed on the SIX Swiss Exchange, closed at a price of CHF 72.60 on 30 December 2020, compared to CHF 79.20 at the end of the previous year. At –8.3%, the performance of the CPH share in 2020 was below that of the market in general, where the Swiss Performance Index (SPI) rose 3.8%.

Share information

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

The CPH share price

Compared to the SPI (indexed, left-hand scale) and in CHF (right-hand scale)



Per-share statistics	2020	2019	2018	2017	2016
Share price on 31 December in CHF	72.60	79.20	82.50	53.55	40.00
High in CHF	80.80	88.50	89.00	57.30	42.20
Low in CHF	57.00	74.00	54.00	39.00	29.80
Nominal value in CHF	0.20	2.00	2.00	5.00	5.00
Key figures per share ¹⁾					
Equity in CHF	78.46	73.56	67.87	66.06	63.49
Price-to-book ratio on 31 December	0.92	1.08	1.22	0.81	0.63
Net result in CHF	7.82	8.06	7.05	2.66	–1.32
Price/earnings ratio on 31 December	9.29	9.83	11.70	20.10	n.a.
Cash flow in CHF	7.64	13.33	11.50	2.41	4.71
Free cash flow in CHF	6.61	23.32	–13.42	2.14	0.32
Adjusted free cash flow in CHF ²⁾	6.61	6.66	3.25	2.14	0.32
Distribution in CHF ³⁾	1.80	1.80	1.80	0.65	0.65
Market capitalization					
Number of shares	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
Share capital in CHF million	1.2	12	12	30	30
Market capitalization in CHF million	436	475	495	321	240

¹⁾ Based on consolidated financial statements and excluding minorities

²⁾ Excluding (for 2018 and 2019) CHF 100 million fixed-term deposit of funds generated by bond issue of 12.10.2018, repaid 9.7.2019

³⁾ For 2020: recommendation

9.3 Information for bondholders

CPH had a CHF 100 million corporate bond with a coupon of 2.00% and a maturity in 2023 outstanding at the end of 2020. The bond, which is listed on the SIX Swiss Exchange, closed at 103.00 on 30 December 2020, i.e. unchanged from the end of the previous year.

The CPH 18–23 corporate bond



Bond information

CPH 18–23

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

9.4 Investor relations agenda for 2021

13 January	Baader Helvea Swiss Equities Conference
23 February	Publication of the 2020 Annual Report; media conference and investors' meeting
18 March	Ordinary General Meeting
14 June	CPH Group Investors' Day
21 July	2021 Half-Year Report
15/16 September	Investora Swiss Equities Conference
3/4 November	ZKB Swiss Equity Conference

9.5 Investor relations contact

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

Remuneration Report

The Remuneration Report provides details of the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and to Group Executive Management and their amounts in 2020.

This report is divided into two sections. Section 1 is not subject to the auditing required under Article 13 of Switzerland's VegüV Ordinance Against Excessive Remuneration at Stock Exchange-Listed Companies, whereas Section 2 is.

1 Remuneration and general information

The fundamental aim of the CPH Group is to provide remuneration that is in line with market levels. CPH regards such remuneration as a combination of a fixed and a variable salary component. The amount of each individual's overall remuneration and the components thereof are determined by regularly reappraising the current classification of each function, benchmarking the remunerations awarded and comparing these to market rates (see also the details for the Board of Directors and Group Executive Management). Any modifications proposed to the remuneration for the Group CEO or further members of Group Executive Management are submitted for approval to the full Board of Directors by its Personnel & Compensation Committee, with due reference to the market comparisons conducted.

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to each Board member. The Committee also informs the other Board members of the topics it has discussed and the background to any proposals or recommendations submitted at the next Board meeting.

The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Three such meetings and further discussions on the succession to Mauro Gabella were held in 2020.

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

Individual performance has a direct influence on the compensation paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via a variable salary component or Short-Term Incentive (STI). For each function, a target variable compensation is defined that will be paid if the targets concerned are achieved in full. The actual variable

compensation to be paid will then be determined on the basis of the degrees to which such targets are achieved, with a maximum annual variable compensation payable amounting to 150% of the target set. The variable compensation gradations between the lower and upper limits of 0% and 150% may be either linear or stepped: the details here are determined as part of the annual target-setting process. For 2020, linear gradations were adopted for all the personnel concerned.

The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a notice period of six months. There are no contractual agreements regarding severance payments. CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system remained unchanged in 2020 from the previous year.

The structure and amounts of the remuneration paid for certain functions are reappraised using external benchmarks every two to three years. The remuneration paid to the members of Group Executive Management and the three Divisional Managements was most recently analyzed by an outside company in 2019. Three benchmark groups were created to this end. Group I consisted of Swiss-based international companies in the paper, packaging and chemistry sectors (such as Acino, Dottikon, Ems-Chemie, Givaudan, Baumgartner and Vifor). Group II added further international industrial companies domiciled in Switzerland (such as Feintool, Lantal Textiles, Huber+Suhner, Stäubli, Landis&Gyr and Schaffner). Group III comprised international subsidiaries (including those of companies in Groups I and II) based in China, Germany, the USA and other countries. About two-thirds of the companies in these three benchmark groups were stock exchange-listed. The functions assessed were assigned to the appropriate benchmark group(s) using the recruitment market principle.

The proposals on the maximum aggregate remuneration for the Board of Directors and for Group Executive Management are prepared by the Board's Personnel & Compensation Committee, appraised by the full Board and submitted to the General Meeting for approval. Should the proposal be rejected, and should the Board not submit a new proposal (or have this rejected, too), an Extraordinary General Meeting should be convened within three months, or the Board may submit a further such proposal for retrospective approval at the next Ordinary General Meeting.

Long-term incentive (LTI) programme

The Articles of Incorporation of CPH Chemie + Papier Holding AG permit the use of long-term incentives (LTIs), particularly in the form of employee share ownership plans.

An employee share ownership plan exclusive to Group Executive Management members was introduced in 2020 in the form of a restricted stock plan. The shares concerned are bindingly assigned to their beneficiaries at the time they are awarded, but are subject to a three-year vesting period, during which they are not subject to any further performance or results criteria. The value of these shares varies solely on the basis of the corresponding stockmarket prices.

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

The number of shares awarded to each Group Executive Management member is based on their individual LTI target amount. Such shares are only awarded provided the individual concerned has not served or been served notice at the time of such award.

The shares required for such awards are acquired by CPH Chemie+Papier Holding AG each year on the equities market. The shares are awarded in annual tranches, immediately after their award price has been determined following publication of the corresponding annual results. Such shares carry both voting and dividend rights from the date of their award.

The shares of each annual tranche are entirely at their holder's disposal after the conclusion of their three-year vesting period.

Remuneration of the Board of Directors

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

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

In accordance with Switzerland's VegüV Ordinance against Excessive Compensation in Stock Exchange-Listed Companies and the correspondingly amended Articles of Incorporation of CPH Chemie+Papier Holding AG, the maximum aggregate amount payable to the Board of Directors in the period between two Ordinary General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the 2015 Ordinary General Meeting.

For specific remuneration payments, please see Section 2 below.

Remuneration of Group Executive Management

The remuneration awarded to the members of CPH's Group Executive Management consists of a fixed and a variable (short-term incentive or STI) component which are both fully paid in monetary form. With effect from 2020, Group Executive Management members also receive further remuneration in the form of company shares under a long-term incentive or LTI programme. The STI variable remuneration paid depends on the degree to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic salary for the Group CEO and 50% thereof for the further Group Executive Management members.

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

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

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management may make target proposals, and the Group CEO may make proposals for the remuneration of the further Group Executive Management members. The latter have their achievement of their annual targets assessed by the Group CEO, who submits appropriate recommendations to the Board's Personnel & Compensation Committee, while the Group CEO's performance is assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set, together with recommendations on the individual variable remunerations to be paid. The final decision thereon is then taken by the Board in toto, with due regard to the maxima specified by the previous Ordinary General Meeting.

With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

Since the 2015 Ordinary General Meeting, in accordance with Switzerland's VegÜV ordinance and the correspondingly amended Articles of Incorporation of CPH Chemie+Papier Holding AG, the maximum aggregate fixed and variable remuneration payable to Group Executive Management have been approved by each Ordinary General Meeting for the following business year.

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

The remuneration paid in 2020 to the members of the Board of Directors, the Group CEO (who received the highest total remunera-

tion of any Group Executive Management member) and the further members of Group Executive Management is shown in the tables in Section 2.

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

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

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

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

Remuneration paid to members of the Board of Directors

2020 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Member	319	0	20	339
Tim Talaat	1994	Deputy Chairman		Chair	91	27	7	125
Mauro Gabella	2005	Member		Member	89	8	4	101
Kaspar W. Kelterborn	2015	Member	Chair		91	24	7	122
Manuel Werder	2015	Member	Member		91	8	6	105
Christian Wipf	2008	Member		Member	91	10	7	108
Total					772	77	51	900

A maximum aggregate remuneration of CHF 930 000 was set for the period between the 2020 and 2021 Ordinary General Meetings by the 2020 Meeting. Any differences to 2019 are attributable to the higher official Swiss state AHV contributions in 2020 and to roundings to the nearest thousand.

2019 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Member	319	0	20	339
Tim Talaat	1994	Deputy Chairman		Member	91	8	6	105
Mauro Gabella	2005	Member		Chair	92	23	7	122
Kaspar W. Kelterborn	2015	Member	Chair		92	23	7	122
Manuel Werder	2015	Member	Member		91	8	6	105
Christian Wipf	2008	Member		Member	91	8	6	105
Total					776	70	52	898

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

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

Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2020 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2019 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2019 Annual Report. That remuneration could only be shown on the basis of the provisions made (on an accrual basis), however, whereas the table below shows the final amounts actually paid for 2019.

All such remuneration, both fixed and variable, is in monetary form. Since 2020, Group Executive Management members have been subject to a share ownership plan (see Page 35). The remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company pension scheme and social security contributions shown separately include those of the employer. "Further compensation" relates to the private use of the company car and any long-service awards.

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

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

Remuneration paid to members of Group Executive Management

2020 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation (STI)	LTI share-based compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	520	340	60	165	4	1 089
Further GEM members combined		1 200	400	120	324	55	2 099
Total		1 720	740	180	489	59	3 188

A maximum aggregate remuneration of CHF 3 500 000 was set for the 2020 business year by the 2019 Ordinary General Meeting. The members of Group Executive Management were assigned a total of 2 381 shares (based on a share price of CHF 75.75) in 2020 under their share-based compensation.

2019 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation (STI)	LTI share-based compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	314	–	151	4	969
Further GEM members combined		1 150	300	–	278	55	1 783
Total		1 650	614	–	429	59	2 752

Report of the statutory auditor on the Remuneration Report

We have audited the remuneration report of CPH Chemie+Papier Holding AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in chapter 2 on pages 37 to 38 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of CPH Chemie+Papier Holding AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zürich, 12 February 2021

Sustainability Report

The CPH Group aligns all its business activities to the criteria of economic, social and environmental sustainability, and makes an indispensable contribution to the circular economy.

1 Strategy

The lasting success of the CPH Group is attributable to its sustainable value creation, which has underpinned its more than two centuries of sound business development and which is firmly anchored in its corporate strategy. The Group meets the needs of its business partners, its employees and the environment through its responsible economic, social and ecological conduct. The demands of its various stakeholder groups are identified through an integrated quality management system throughout all three of its business divisions, and corresponding objectives, actions and priorities are defined and pursued on the quality, safety, environment and energy fronts.

Economic sustainability is the cornerstone of the Group's industrial activities, and continuous long-term development is the prime priority. The Group creates added value for its customers by providing high-quality products and services. The Group's employees ensure that CPH remains both innovative and competitive in its various target markets, and their safety, their health and their further training and development are all key priorities. Avoiding and reducing emissions, waste water and solid waste has been integrated into the planning within each business division for several years now. And safety, environmental and quality issues are all entrusted to specially trained employees who report directly to their divisional management.

Paper, the biggest business division, is a pure recycling company that processes recovered paper into new printing and publication paper. The Paper Division is Switzerland's biggest waste paper recycler, transforming several hundred thousand tonnes of waste paper that is collected predominantly within the country and around a hundred thousand tonnes of waste wood from sawmill and forest thinning operations into these new paper products. In doing so, the CPH Group makes a substantial contribution to saving wood resources, while also ensuring shorter journeys for the waste paper concerned and thereby reducing carbon dioxide emissions. The Group has been voluntarily setting itself carbon emission reduction targets that go beyond those required by law for several years now.

The CPH Group is also living up in full to its responsibilities for cleaning up its former Uetikon industrial site. The site's clean-up costs were incorporated into the price for its sale to Canton Zurich. CPH is also meeting 80% of the costs of cleaning up the bed of Lake Zurich adjacent to the site. The cantonal authorities awarded the lake bed clean-up contract in 2020, as a result of which part of the provisions

made for these costs in 2016 were able to be released. The CPH Group is also cleaning up – at its own expense – the Rotholz former waste disposal site in Meilen. This work should be concluded in 2021.

2 Branding policy

The CPH Group pursues a clear branding policy. At the company level the Group maintains five brands, which are aimed at differing markets and target groups. CPH Chemie+Papier Holding AG ("CPH"), the Group's holding company, is not operationally active, but serves as the industrial conglomerate's umbrella brand towards its various stakeholders. The Group's three business divisions operate under their corporate brands of "Zeochem", "Perlen Papier" and "Perlen Packaging". These were supplemented in 2018 with the addition of "APS Altpapier Schweiz" as a further corporate brand of the Paper Division.

The CPH Group's corporate brands enjoy outstanding acceptance and high familiarity in their target markets, where they are bywords for both tradition and innovation. Perlen Papier has been operating since 1873. The Packaging Division emerged from the Paper Division at the same Perlen location in 1962, and has been trading under its Perlen Packaging brand since 2010. The Zeochem brand has been used since 1979, and originated at the Chemistry Division's US operation.

Corporate brands



Product brands

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

3 Economic sustainability

The CPH Group has diversified its industrial activities into various business segments. This is intended to better cushion the Group against fluctuations in its sales markets, some of which are volatile and cyclical by nature. The Group strives to create long-term value for its stakeholders by offering products and services that are tailored to its markets and their needs, along with interesting work opportunities and attractive shareholder returns.

The Group has set itself the following medium-term financial targets:

- organic net sales growth of more than 3% a year
- an EBITDA margin of over 12%
- an equity ratio above 50%
- liquidity of at least CHF 30–50 million
- annual operating investments of CHF 20–25 million.

4 Social sustainability

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

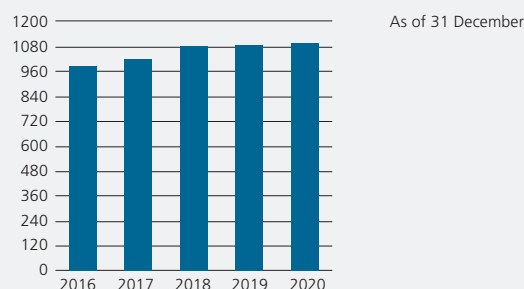
The Group strives to secure the best employees and to support and further train them as effectively as possible in the working world. An open communications culture, a management and leadership that put CPH's values into practice and a safe, healthy and varied work environment are all intended to further employees' commitment to their work and identification with the Group. CPH also attaches great importance to ensuring a sound work/life balance. The Group offers retirement preparation courses and, at some of its locations, part-time working models that make the transition to retirement a smoother and more flexible experience. Parties are also periodically held for and with the Group's employees at its various operating locations.

The CPH Group conducts surveys of its employees worldwide every three years on their workplace, professional development, leadership, communications, innovation, customers, strategy and involvement. Some 71% of employees took part in the autumn 2019 survey. Their responses produced an Engagement Index of 75%, eight percentage points up on the previous such poll in 2016. 95% of respondents also said they were more satisfied than they had been three years before. The highest grades were earned for CPH's customer focus, leadership and appreciation and its working environment. Based on more specific needs at the Group's various sites, the responses were also used to define 79 individual actions, most of which were implemented in the course of 2020. The next such survey will be conducted in 2022.

Staff turnover for the year amounted to 7.8% (compared to 9.5% in 2019). The rate derives primarily from turnover levels in China, which are substantially higher than at other sites. CPH numbers many long-serving employees: some 21% of the 2020 workforce had been with the Group for 20 years or more. Service anniversaries are marked with awards ranging from small gifts to parties, depending on local customs. Many former employees also remain close to CPH, and meet up annually at retiree events organized by their former employer.

The CPH Group supports its employees in their careers, and strives to fill at least one third of all vacant management positions with internal appointees. Some 41% of such vacancies have been filled in-house over the last five years.

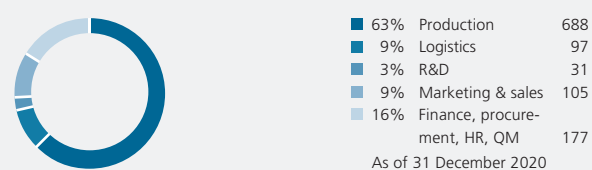
Total workforce numbers



Workforce numbers by region



Workforce numbers by function



Workforce numbers by division



Total employees

1 098

(prior year: 1 086)

Apprenticeships completed

12

(prior year: 12)

Staff turnover

7.8%

(prior year: 9.5%)

Sickness-related absence rate

2.7%

(prior year: 2.5%)

Occupational accident-related absence rate

0.1%

(prior year: 0.1%)

Diversity and equal opportunities

Every employee of the CPH Group should be able to develop their full potential. The Group maintains a fair and entirely non-discriminatory employment policy, strives for diversity and is committed to equal opportunities regardless of gender, age, ethnicity, religion or nationality. In all matters of recruitment, development and promotion, the prime emphasis is on the employee's performance, abilities and potential at the workplace concerned. The CPH workforce is drawn from 34 nations, and collaborations in multicultural teams are actively practised and promoted. The total group workforce at the end of 2020 amounted to 1 098 employees, with a high 62.7% of them involved in production. Just over half of the total are employed in Switzerland (see the chart on Page 41). Women accounted for 18.9% of the 2020 year-end workforce, compared to 18.0% a year before. In age terms, 19% of employees were under 30, 48% were between 30 and 50 and 33% were over 50 years of age.

The CPH Group does not tolerate discrimination on the basis of gender, skin colour, religion, nationality, disability, age, sexual orientation, physical or mental impairment, family status, political views or any other legally protected characteristic. All forms of physical and psychological violence, mobbing or sexual harassment at the workplace are prohibited. The Swiss Federal Gender Equality Act came into force on 1 July 2020. The CPH Group will analyze the salary equality at the companies concerned by mid-2021.

Salary policy

The CPH Group pursues a fair and reasonable salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance in various ways, such as via bonus payments or (with management positions) via a variable salary component that is linked to the achievement of individually-set performance goals and to group and/or divisional results. The Group made individual salary adjustments in 2020. The total cost of salaries, occupational pension scheme payments and basic and further training amounted to CHF 93.1 million.

Employees at the Perlen and Utzenstorf sites are subject to a collective labour agreement (CLA). Employees at the Müllheim site in Germany are subject to the CLA of the Industriegewerkschaft Bergbau Chemie Energie (IGBCE). Elsewhere, personnel work under individual employment contracts.

Initial and further training

Switzerland and Germany maintain a "dual" education system that combines company apprentice placements with attendance at vocational schools. The system is a key element in both countries' economies and business sectors, providing the skilled professionals needed to maintain their competitive credentials in the longer term. Through its own

vocational training activities at its Swiss and German sites, the CPH Group not only lives up to its social responsibility: the employees it trains play their full part, too, in achieving its business goals.

A total of 51 apprentices were on the CPH Group payroll as future automation engineers, chemistry lab technicians, commercial officers, electronics engineers, IT specialists, logistics specialists, paper technologists, plant/equipment constructors, plant operators, poly-mechanics and production and process mechanics at the end of 2020. Internships for student engineers are also offered at the Group's operations in Germany and in Bosnia and Herzegovina. Twelve apprentices completed their courses during the year, eight of whom could be given permanent positions.

CPH's apprentices meet each year at the Apprentices Day. This group-level event could not be held in 2020, however, owing to the coronavirus pandemic. Various other basic and further training events had to be cancelled in the first half of the year, only some of which could be held online instead. A CPH Group employee spent an average of 1.1 days on in-house or external training in 2020 (compared to 2.3 days the year before). The Group invested a total of CHF 0.5 million in initial and further training for its employees in the course of the year.

Continuous improvement

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

The Continuous Improvement Process (CIP) is a further key internal element in CPH's ongoing endeavours to ensure its future development and further raise quality and efficiency, and CIP training is conducted every year in all three divisions. Employees submitted 568 ideas to the CIP in 2020, and 117 group moderations were held. The proposals adopted helped enhance efficiency, improve safety and ease environmental impact, and generated an annual benefit of CHF 2.6 million.

Occupational safety

CPH conducts regular training to help identify dangers and prevent accidents at all its operating sites, and every site has its own safety officer. Trained paramedics are on duty at the Group's production facilities, and a dedicated fire service is provided at the Perlen site. Any incidents or accidents that occur are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred CPH Group employees amounted to 1.6 in 2020 (compared to 0.8 in the previous year), which is a low level for a manufacturing concern. Happily, the year remained free of any serious industrial accidents. The occupational accident-related absence rate for 2020 stood at 0.1%.

Energy consumption (GWh)

1 110

(prior year: 1 286)

Own-generated energy

24%

(prior year: 20%)

CO₂ emissions (tonnes)

14 785

(prior year: 17 307)

Solid waste (tonnes)

12 927

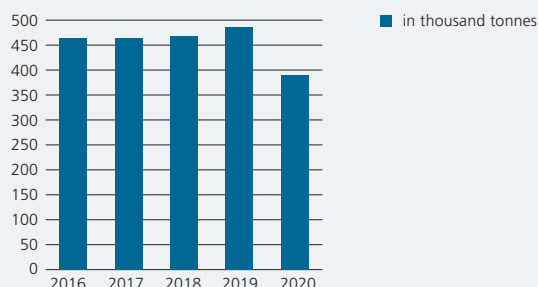
(prior year: 13 337)

Waste water (million m³)

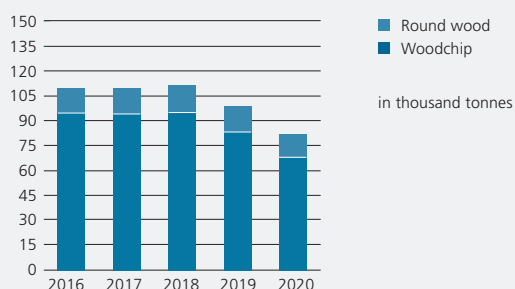
6.6

(prior year: 7.5)

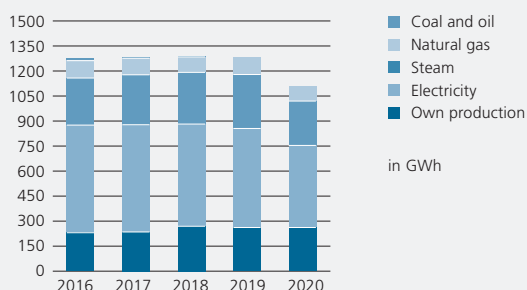
Recovered paper used



Waste wood used



Energy consumption



Healthcare

The Group's various operations offer numerous healthcare facilities, such as annual health check-ups and free flu vaccinations. A number of them also support employees' personal fitness, contributing to their gym subscriptions or participating in "Bike to Work" programmes encouraging staff to cycle their daily commute. The sickness-related absence rate for 2020 amounted to 2.7%, which is within the average range for an industrial concern. Any employees who become ill receive extensive care and attention under a health case management programme.

In handling the coronavirus pandemic, CPH's health management faced one of its greatest possible challenges in the course of the year. Through a combination of time-staggered and spatially separated shifts, compulsory mask-wearing, strict hygiene and physical distancing and working from home wherever possible, supply reliabilities were maintained. A small number of employees tested positive for COVID-19 at a few operating sites; fortunately, none of these individuals suffered any severe illness as a result.

Social involvement

Numerous employees of the CPH Group are involved in activities for the communal good both in and outside their companies. Some serve as company paramedics or company fire officers, while others take part in charity projects in their leisure time. The Group's various operations around the world also involve themselves in local community ventures.

5 Ecological sustainability

The CPH Group's environmental reporting year runs from 1 November to 31 October. The Paper Division has been conducting an annual environmental audit that is structured in line with the Carbon Disclosure Project since 2015. The Chemistry and Packaging divisions conducted their first such audits in 2020, based on data from 2019. The findings obtained will help define even more targeted efforts to further reduce carbon dioxide emissions.

Use of resources

In tonnage terms, the largest proportion of resources used within the CPH Group is in the Paper Division, where recovered paper is the key raw material. The annual total of recovered paper recycled by Perlen Papier declined in 2020 from the 486 874 tonnes of the prior year to 391 231 tonnes. Some 79% of this was collected in Switzerland, with the rest coming from abroad. About 12% of these paper supplies were delivered to Perlen by rail. Perlen Papier also turned 81 717 bone-dry tonnes of round wood and woodchip into wood fibre in 2020 (2019: 89 820 bone-dry tonnes). CPH puts a particular emphasis on sustainable operations and short transport journeys when sourcing these raw materials: all the round wood used comes from Swiss sources, and 82% of it is from FSC-certificated forestry operations. Of the woodchip used, 81% is from within Switzerland and 46% is from FSC or PEFC-certificated sources. Perlen Papier is also a member of

ECO SWISS, Swiss business and industry's environmental protection organization, and of further bodies promoting sustainable forestry.

Perlen Packaging's film manufacturing process uses unplasticized polyvinylchloride (PVC), which is composed of 43% ethylene and 57% sodium chloride. Compared with other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. Wherever possible, waste and scrap material from the various manufacturing steps are fed back into the production process as secondary raw materials. The raw material utilization rates for 2020 were unchanged at 99% for PVC, and for PVdC were raised from the 93% of the previous year to a similar 99%. Perlen Packaging is also actively involved in the VINYLPlus programme, which promotes PVC recycling.

The Chemistry Division primarily uses intermediate products – filter cakes – as the raw material in its production activities. The Zvornik plant is located adjacent to the supplier of its filter cakes, minimizing both transport costs and the associated carbon dioxide emissions.

Energy

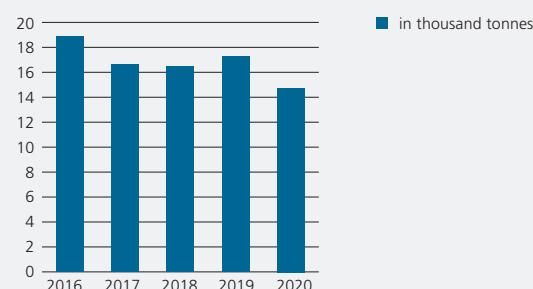
Paper manufacture is the most energy-intensive activity within the CPH Group. With paper production volumes down on their prior-year levels, the 1 110 gigawatt hours (GWh) of energy consumed by the Group in 2020 were also a 15% decline. Electricity consumption fell from 653 GWh to 551 GWh. Some 89% of all the Group's electricity was used for paper production. Steam consumption also declined, from 633 GWh to 560 GWh. Steam is primarily used to dry the paper webs. 56% of the steam used in Perlen in 2020 was obtained from the neighbouring Rennergia waste incinerator facility; the rest was generated by CPH's own biomass plant. The Group's gas consumption declined from 103 GWh to 87 GWh.

Emissions, waste water and solid waste

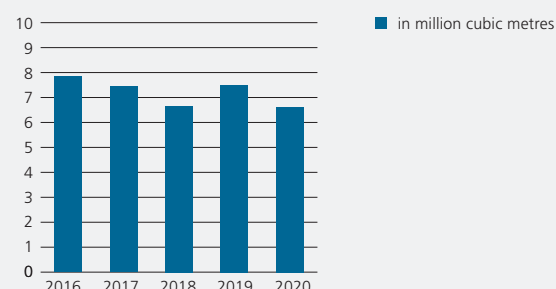
The CPH Group voluntarily sets its own goals to reduce its emissions which are more rigorous than those required by law. As a result, its Perlen facilities were exempt in 2020 from any carbon dioxide (CO₂) levy. The Perlen site emits some 10% of the maximum CO₂ legally permitted. Total CO₂ emissions from the CPH Group's sites amounted to 14 785 tonnes, down from the 17 307 tonnes of the previous year. Of this 2020 amount, 8 271 tonnes derived from paper production, 4 323 tonnes from the Chemistry Division and 2 191 tonnes from the Packaging Division. CPH's German operations have been consistently using green electricity since 2018 in line with ISO 50001 energy management standards. No carbon credit certificates were sold in 2020.

Exhaust air cleaning systems are installed at the Group's production facilities to reduce dust and filter out pollutants. The Rütli site also has its own monitored system to ensure that no such pollutants are emitted. Emergency concepts are in place to cope with any production malfunctions. The waste water produced by the Group's Perlen, Louisville and Donghai plants is processed in their own treatment

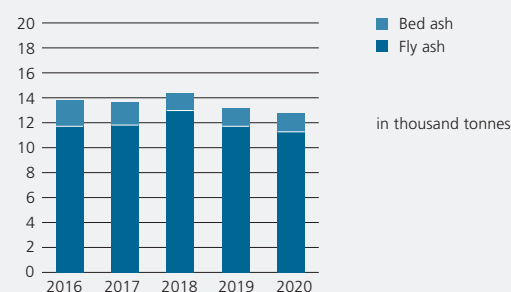
Carbon dioxide emissions



Waste water produced



Solid waste produced



facilities. For the Donghai site, adjacent land has also been acquired for a planned expansion of the present waste water treatment facility. Total groupwide waste water volume for the year was reduced from the 7.53 million cubic metres of 2019 to 6.65 million cubic metres.

Of the solid waste produced by the Group's paper processing and packaging film production activities, the biomass elements are used to generate heat and electricity in its own Perlen facility. The combustion process produces ash. Solid waste is also produced in the paper manufacturing process in the form of sludge. Some 11 252 tonnes of fly ash and 80 tonnes of paper sludge were reused in brickworks and the cement industry in 2020, while 1 595 tonnes of bed ash were deposited at waste disposal sites. The solid waste generated in the production of molecular sieves consists of silicate-aluminium-clay compounds and is of natural origin. As a result, it can be reburied.

Transport

The CPH Group has taken various actions to reduce its transport volumes. In China a local PVC supplier is taking over the provision of mono films, which previously came from the Müllheim plant in Germany. The building of a new coating facility in Brazil and the subsequent local production of PVC mono films will also eliminate long transport journeys. The Chemistry Division has switched to domestic suppliers and from truck to ship transport for its Chinese operations. The Paper Division has established a "transport exchange" in Switzerland to minimize unladen trips. And the Group's business partners have been sensitized, through a targeted campaign, to the positive effect of shorter transport journeys on carbon dioxide emissions when they opt for sustainably manufactured Perlen paper products.

6 Compliance

The employees of the CPH Group undertake to abide by all internal conduct guidelines and (needless to say) all applicable laws. The appropriate data protection processes were adopted in 2018. All employees were also trained in IT security in the course of 2020 via an e-learning tool.

No division of the CPH Group was penalized in 2020 for any violation or non-observance of any environmental provisions. The Group also promotes energy efficiency via the climate protection project of the Energy Agency of the Swiss Private Sector, and is a member of Responsible Care, a global continuous improvement initiative in the environmental, health and safety fields. The Packaging Division is a member of the EcoVadis and Ecodesk organizations.

7 Quality

Consistent high quality is a hallmark of all the products of the CPH Group. This makes stringent demands on its processes, which are audited to international standards (see the table below). Production sites are subjected to regular audits by customers and by independent certification bodies. The Packaging Division aligns its film production to the pharmaceutical sector's Good Manufacturing Practice (GMP) standards. The division's new Anápolis plant aims to secure ISO 9001 and ISO 15378 certification by 2022.

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

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Consolidated income statement

	Note	2020	2019
Net sales	1	445 189	524 657
Changes to semi-finished and finished inventories		1 227	9 330
Other operating income	2	5 623	5 600
Goods and services on own account		246	87
Total income		452 285	539 674
Material expense		214 413	260 248
Energy expense		47 481	52 537
Personnel expense	3	93 131	92 902
Outsourced maintenance/repairs		17 375	19 913
Other operating expense	4	24 734	26 080
Earnings before interest, taxes, depreciation and amortization (EBITDA)		55 151	87 994
Depreciation on tangible fixed assets	16	29 214	30 225
Depreciation on intangible assets	15	1 274	1 169
Earnings before interest and taxes (EBIT)		24 663	56 600
Financial income	5	212	491
Financial expense	6	4 864	6 138
Financial result		-4 652	-5 647
Earnings before taxes and non-operating/extraordinary items		20 011	50 953
Non-operating result	7	6 841	826
Extraordinary result	8	12 000	0
Earnings before taxes		38 852	51 779
Income taxes	9	-8 111	3 326
Net result for the year		46 963	48 453
– attributable to shareholders of CPH Chemie + Papier Holding AG		46 901	48 341
– attributable to minorities		62	112
in CHF	Note	2020	2019
Net result after minorities per share	32	7.82	8.06
Diluted net result per share	32	7.82	8.06

Consolidated balance sheet

		31.12.2020		31.12.2019	
	Note	in CHF thousand	in %	in CHF thousand	in %
Assets					
Liquid funds	10	116 265	17	93 096	13
Securities	10	20	0	25	0
Trade accounts receivable	11	52 892	8	72 395	10
Other receivables	12	17 167	2	13 979	2
Prepaid expenses and accrued income	13	6 673	1	8 567	1
Inventories	14	78 323	11	78 543	11
Short-term financial receivables		0	0	36	0
Total current assets		271 340	39	266 641	38
Intangible assets	15	5 565	1	5 596	1
Tangible fixed assets	16	352 563	50	366 382	52
Long-term financial assets	17	10 000	1	10 000	1
Assets from employer contribution reserves	3/18	11 189	2	11 078	2
Pension scheme assets	3/18	11 550	2	11 350	2
Other long-term receivables	19	29 614	4	31 148	4
Deferred tax assets	20	12 412	2	463	0
Total fixed assets		432 893	61	436 017	62
Total assets		704 233	100	702 658	100
Equity and liabilities					
Trade accounts payable	21	56 751	8	66 253	9
Other payables	22	4 576	1	3 636	1
Accrued liabilities and deferred income	23	16 815	2	16 253	2
Short-term financial liabilities	24/26	8 088	1	5 889	1
Short-term provisions	25	3 331	0	3 822	1
Total current liabilities		89 561	13	95 853	14
Long-term financial liabilities	26	9 746	1	16 770	2
Corporate bonds issued	26	100 000	14	100 000	14
Pension scheme liabilities	3/18	1 157	0	678	0
Other long-term liabilities		369	0	600	0
Long-term provisions	27	31 533	4	47 468	7
Total long-term liabilities		142 805	20	165 516	23
Total liabilities		232 366	33	261 369	37
Share capital		1 200	0	12 000	2
Capital reserves		4 150	1	4 174	1
Treasury shares	33	−27	0	−45	0
Profit reserves		418 492	59	375 241	53
Net result for the year		46 901	7	48 341	7
Total equity excluding minorities		470 716	67	439 711	63
Minorities		1 151	0	1 578	0
Total equity including minorities		471 867	67	441 289	63
Total equity and liabilities		704 233	100	702 658	100

Consolidated cash flow statement

	Note	2020	2019
Net result for the year (including minorities)		46 963	48 453
Depreciation on tangible and intangible assets	15/16	30 488	31 393
Loss/(Profit) on fixed-asset sales		-5 042	-801
Change in employer contribution reserves, pension scheme assets/liabilities	18	168	-536
Book gains on securities, other non-cash currency effects		5	4
Share-based compensation	3/33	180	0
Change in provisions	25/27	-16 057	235
Release of/(Increase in) deferred tax assets	20	-11 967	507
Further non-cash income/expense		1 103	688
Cash flow		45 841	79 943
Decrease/(Increase) in securities		0	0
Decrease/(Increase) in trade accounts receivable	11	20 486	-1 319
Decrease/(Increase) in other receivables and prepaid expenses	12/13	-143	-583
Decrease/(Increase) in inventories	14	-4 059	-10 176
Increase/(Decrease) in trade accounts payable	21	-9 002	-2 823
Increase/(Decrease) in other and accrued liabilities	22/23	1 835	-4 015
Decrease/(Increase) in net current assets		9 117	-18 916
Cash flow from operating activities		54 958	61 027
Investments in tangible fixed assets	16	-17 507	-21 888
Disposals of tangible fixed assets	16	5 234	816
Investments in intangible assets	15	-1 268	-971
Investments in business activities/minorities	28	-1 600	0
Investments in financial and other long-term receivables	19	-258	0
Disposals of financial and other long-term receivables	19	124	100 942
Cash flow from investment activities		-15 275	78 899
Free cash flow		39 683	139 926
Increase in short-term financial liabilities	24	1 370	0
Decrease in short-term financial liabilities	24	-5 759	-3 393
Issue/(Redemption) of corporate bonds	26	0	-120 000
Increase/(Decrease) in long-term financial liabilities	26	0	-1 111
Increase/(Decrease) in other long-term liabilities		-231	-214
Treasury share purchases	33	-1 543	-1 358
Treasury share sales	33	1 355	1 394
Nominal value reduction		-10 798	0
Dividends to shareholders		-16	-10 921
Cash flow from financing activities		-15 622	-135 603
Currency translation effects		-892	-245
Net change in cash and cash equivalents		23 169	4 078
Cash and cash equivalents at 1 January		93 096	89 018
Change		23 169	4 078
Cash and cash equivalents at 31 December		116 265	93 096

Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Treasury shares	Goodwill	Retained earnings	Equity excluding minorities	Minorities	Equity including minorities
As at 31.12.2018	12 000	14 975	-84	-61 736	440 333	405 488	1 656	407 144
Distribution to shareholders		-10 798				-10 798	-123	-10 921
Net result for current year					48 341	48 341	112	48 453
Treasury share purchases			-1 358			-1 358		-1 358
Treasury share sales		-3	1 397			1 394		1 394
Impact of currency translation					-3 356	-3 356	-67	-3 423
As at 31.12.2019	12 000	4 174	-45	-61 736	485 318	439 711	1 578	441 289
Distribution to shareholders						0	-16	-16
Purchases in minorities				-1 285		-1 285	-315	-1 600
Nominal value reduction	-10 800	2				-10 798		-10 798
Net result for current year					46 901	46 901	62	46 963
Treasury share purchases			-1 543			-1 543		-1 543
Treasury share sales		-20	1 375			1 355		1 355
Share-based compensation		-6	186			180		180
Impact of currency translation					-3 805	-3 805	-158	-3 963
As at 31.12.2020	1 200	4 150	-27	-63 021	528 414	470 716	1 151	471 867

The statutory reserves of the holding company and its subsidiaries amounted to CHF 24.0 million on 31 December 2020 (prior year: CHF 21.3 million). Of this amount, CHF 9.5 million (prior year: CHF 9.3 million) cannot be distributed.

The company held 376 treasury shares on 31 December 2020 (prior year: 572). For further details see Note 33.

As a result of the acquisitions of minority holdings, goodwill amounting to CHF 1.3 million was offset against equity in 2020 (prior year: CHF 0.0 million). See also Notes 15 and 28.

Consolidated accounting principles

General remarks

The consolidated financial statements of the CPH Group are compiled in full accordance with the currently valid Swiss GAAP Accounting and Reporting Recommendations (ARRs). These consolidated financial statements give a true and fair view of the financial positions, earnings and cash flows, and are based on historical values.

The Swiss GAAP ARRs were unchanged in 2020, and the consolidated accounting principles below are also unchanged from the prior year. The capitalization and valuation principles were expanded with the addition of those for shared-based compensation.

Coronavirus crisis and significant management estimates

For the compilation of the consolidated financial statements, estimates and assumptions must be made which may impact on the accounting principles to be used and on the amounts shown under assets, liabilities, income and expenditures and the presentation thereof. In view of the coronavirus crisis, further such possible ramifications have been studied in detail. On the basis of these studies, the Board of Directors and Group Executive Management have considered various scenarios, which offer no indication that business cannot continue as a going concern. The situation continues to be constantly monitored.

Definitions

“Goodwill” is an intangible asset that arises when a company or part thereof is acquired.

In accordance with the Swiss GAAP ARRs, the cash flow statement shows as funds only cash and cash equivalents (excluding securities and fixed-term deposits of more than 90 days). Cash flow is calculated using the Indirect Method.

“Related parties” are regarded as any company or person that either exerts a substantial influence on the CPH Group or is controlled by the same, together with the occupational pension schemes of group member companies.

Alternative performance measures and indicators not defined in the Swiss GAAP ARRs

For the reader's benefit, CPH has added certain specific intermediate totals which can be deduced from the tables concerned. An overview of the alternative performance measures currently used by CPH is available for download under “Investors/Alternative performance measures” on the CPH website ([https://cph.ch/en/investors/Alternative performance measures](https://cph.ch/en/investors/Alternative%20performance%20measures)).

Consolidation principles

Scope and method of consolidation

The consolidated financial statements consist of the annual financial statements of CPH Chemie + Papier Holding AG, Perlen, and of those group member companies in and outside Switzerland in which CPH Chemie + Papier Holding AG, Perlen directly or indirectly holds more than 50% of voting rights. The balance sheet date for all CPH Group member companies is 31 December. In accordance with the Purchase Method used for fully consolidated companies, assets and liabilities and income and expenditures are incorporated in full. Intercompany balances and transactions have been eliminated. The shares of minority shareholders or minority partners in the equity and the results of consolidated companies are shown separately but also as part of the consolidated equity and result. Intermediate profits on stocks from deliveries within the Group have been eliminated.

Group member companies acquired in the course of the year are consolidated from the date of CPH's assumption of control. Group member companies disposed of in the course of the year are deconsolidated from the date of CPH's cession 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 equity. In the case of successive 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.

For the scope of consolidation and changes thereto in 2020, please see Note 28 in the “Additional information on the consolidated financial statements” and the “List of major shareholdings” on Page 74.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of the Group's constituent companies are presented in the local currency. The financial statements of subsidiaries which are in currencies other than the Swiss franc are translated into Swiss francs as follows:

All assets and liabilities on the balance sheets are translated into Swiss francs at the exchange rate ruling on the balance sheet date (the Effective Date Method). Any differences arising from the use of differing translation rates in the course of such translation are taken to equity. Foreign-currency income and expenditure in the income statements are translated at the average rates ruling for the year. Any translation differences resulting from the application of different exchange rates in the balance sheet (effective date) and the income statement (average rate) are taken to equity with no impact on the

income statement. Any translation differences arising from long-term intragroup financing of an equity nature are also taken directly to equity. In the event of the disposal of a foreign subsidiary, the associated translation differences to date are taken straight to the income statement.

Positions held in foreign currencies are translated using the Effective Date Method. All assets and liabilities are translated at the exchange rate ruling on the balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling on the date of the transaction. The effects of these foreign currency adjustments are taken straight to the income statement.

For the most important foreign currencies, the following CHF translation rates were used:

	2020	2019
Balance sheets: year-end rates		
EUR	1.0820	1.0870
USD	0.8840	0.9680
CNY (CHF per 100 CNY)	13.52	13.90
SGD	0.6690	0.7200
BAM	0.5532	0.5558
BRL	0.1700	0.2400
Income statements/ cash flow statements: average rates		
EUR	1.0710	1.1120
USD	0.9380	0.9940
CNY (CHF per 100 CNY)	13.60	14.39
SGD	0.6800	0.7280
BAM	0.5476	0.5686
BRL	0.1840	0.2520

Capitalization and valuation principles

Liquid funds

Liquid funds consist of cash on hand, postal and bank account balances and fixed-term deposits originally maturing in 90 days or less.

Securities

Securities are readily marketable financial and capital investments managed internally or externally. They are stated at their current market value.

Trade accounts receivable

Trade accounts receivable consist of amounts due for deliveries made and services rendered that have been invoiced but not yet paid. Their values are generally adjusted individually. Such individual adjustments include any amounts overdue for at least 120 days. Blanket adjustments are also made, based on past experience.

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 value adjustments.

Prepaid expenses and accrued income

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

Inventories

Inventories are stated at their average purchase price or production cost, but at no higher than their realizable liquidation value. Any discounts received on purchases are treated as purchase price reductions. The Lower of Cost or Market Value Principle is applied. The values of semi-finished and finished inventories include an appropriate proportion of their production overheads. Value adjustments are effected for obsolete stock.

Short-term financial receivables

These include interest-bearing receivables with a maturity of up to one year, and are reported at nominal value less any value adjustments.

Intangible assets

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

The goodwill deriving from acquisitions is offset against retained earnings at the time of acquisition. In the event of the disposal of a part of the business, any associated goodwill previously offset against equity is taken to the income statement. The impact of any theoretical capitalization and amortization is shown in the notes. For theoretical accounting purposes, goodwill is basically written down over its useful economic life, and generally over five years.

Tangible fixed assets

Land is capitalized at its purchase price less any devaluation. Other tangible fixed assets (buildings, structures, plant, machinery, installations, vehicles, movable property, other equipment and production and business facilities) are capitalized at a maximum of their purchase price or manufacturing cost less any depreciation required under normal business practice. The useful lives assumed for depreciation purposes are as follows:

Residential property	50–100 years
Office buildings	33–66 years
Industrial buildings and infrastructure	25–50 years
Installations, production plant and machinery	5–30 years
Other plant and equipment	5–15 years
IT hardware (HW)	3–8 years
Installations in rented premises	Rental period
Vehicles	5–15 years

All depreciation is effected using the straight-line method.

Long-term financial assets

This item comprises all holdings of 20% or less in the capital of other organizations. These are shown at their purchase price less any value adjustments required.

Long-term financial receivables

This item comprises all long-term interest-bearing loans with a maturity of more than one year, which are shown at their (undiscounted) nominal value less any value adjustments.

Assets from employer contribution reserves

In accordance with Swiss GAAP ARR 16, employer contribution reserves or comparable positions are listed as assets. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel expense.

Pension scheme assets

Any economic benefits deriving from occupational pension schemes are capitalized here. Such economic benefits will be capitalized if the benefit concerned can be used for the company's future pension scheme obligations. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel expense.

Asset impairments

All assets are assessed for any impairment in value on the balance sheet date. This assessment is based on any developments and/or indications which suggest that an asset may have been overvalued in its book value. If the asset's book value exceeds its realizable value (i.e. the higher of its net market value and its value in use), the resulting impairment will be taken to 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 period will subsequently be wholly or partially reversed via the income statement.

Other long-term receivables

This item includes all other non-interest-bearing long-term receivables due for payment more than one year after the balance sheet date.

Trade accounts payable

Trade accounts payable include all non-interest-bearing short-term liabilities resulting from ordinary business activities. They are stated at their nominal value.

Other payables

Other payables are short-term liabilities that are not classified as financial liabilities but derive from business activities. They are reported at their nominal value.

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, and of income accrued before the balance sheet date for a product or service to be provided in a later accounting period.

Short-term financial liabilities

This item consists of interest-bearing liabilities maturing in up to one year. These are stated at their nominal value.

(Short-term and long-term) provisions

Provisions are effected for likely liabilities arising from an event in the past (i.e. before the balance sheet date) whose extent and/or incurrence is uncertain but may be estimated. All provisions made are regularly reappraised (at least every year). Any release of provisions is effected via the same position through which the provision was originally effected. A distinction is made between short-term provisions (for liabilities likely to be incurred in up to one year) and long-term provisions (for liabilities likely to be incurred later than this). The changes in provisions are listed in the notes to the consolidated financial statements.

Long-term financial liabilities

This item consists of interest-bearing financial liabilities (bank loans and bonds) with a contractually agreed maturity of more than one year. They are shown at nominal value.

Corporate bonds

Corporate bonds are shown at nominal value.

Pension scheme liabilities

Any economic liabilities deriving from pension schemes are capitalized here. Such liabilities will be capitalized if the criteria for making appropriate provisions are met. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel expense. The Group's Swiss-based subsidiaries maintain legally autonomous occupational pension schemes that are financed by employer's and employees' contributions. The economic impact on the Group through such schemes' overfunding or underfunding is determined on the basis of the schemes' annual financial statements and Swiss GAAP ARR 26. Any economic liabilities deriving from pension schemes outside Switzerland that meet the criteria for making appropriate provisions are capitalized.

Other long-term liabilities

This item consists of non-interest-bearing liabilities with a maturity of more than one year. They are shown at nominal value.

Leases

Finance lease agreements are shown in tangible fixed assets and other financial liabilities if the associated risks and benefits are largely transferred to the CPH group member company concerned upon the lease's signing. Investment properties are shown at the lower of the cash value of the minimum leasing instalments or the current market value. The corresponding finance lease obligations are shown under liabilities. Leasing instalments are divided into interest expense and repayment amounts using the Annuity Method. The item leased is depreciated over the shorter of its estimated service life or the lease's duration. Operating lease payments are taken to the income statement as other operating expense over the lease's duration.

Derivative financial instruments

Derivative financial instruments are treated according to their underlying motives. Hedges intended to offset currency movements are shown at their market value on the balance sheet date, with the resulting differences in value taken straight to the income statement. Hedges of future cash flows are not capitalized, but are shown in the notes to the consolidated financial statements (under Note 31.4).

Share-based compensation

Share-based compensation is valued at the share price applicable on the shares' assignment, and is shown under both equity and personnel expense. The definitively assigned shares are subject to a three-year vesting period, during which the number of shares assigned is not contingent on any further performance, results or other vesting conditions. The difference between the share price on assignment and the purchase price of the treasury shares concerned is shown under capital reserves.

Treasury shares

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. If they are later sold, the resulting profit or loss is taken directly to capital reserves.

Net sales and recording of 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 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 films are the Group's main sales generators: sales from its services are of negligible importance. Net sales are sales less price reductions, rebates, discounts, special distribution charges and value-added tax.

Changes to semi-finished and finished inventories

This item contains the changes to semi-finished inventories, to work in progress and to finished inventories.

Other operating income

The operating income shown here derives mainly from energy and water sales and from leases on and rentals of business premises.

Cost of materials

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

Personnel expense

Personnel expense comprises all the amounts paid to employees who are members of the group workforce under employment law for the work they provide. It also includes all compulsory and voluntary social security 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.

Energy costs

Energy costs include the costs of electricity and steam obtained from outside suppliers, heating oil, natural gas, water and fuel wood.

Outsourced maintenance/repairs

This item contains the costs of repairs and maintenance performed by third parties (including the materials used) which are not capitalized, plus the materials used for the Group's own maintenance and repair activities.

Research and development

Research costs are taken straight to the income statement. Development costs are only capitalized if a future economic benefit can be demonstrated. If not, these are also taken straight to the income statement.

Other operating expense

This item contains sales and administration costs and further operating expenses.

Non-operating result

The non-operating result contains any income or expenses deriving from business or events that are clearly separate from operating activities.

Extraordinary result

The extraordinary result contains any income or expenses which derive extremely rarely from ordinary business activities and cannot be foreseen.

Income taxes

Provisions are made for all tax liabilities, regardless of when they are due for payment. Deferred income tax amounts are calculated for all temporary differences using the Balance Sheet Liability Method. Such temporary differences arise from deviations between the Swiss GAAP ARR values and the taxable values of assets and liabilities. If the taxable result differs from the consolidated profit for the year based on uniform valuation principles, the anticipated additional taxes are deferred. These differences result from the use of fiscally approved degressive depreciation methods and value adjustments.

The deferred taxes due on these deviation amounts are calculated using the local tax rates that are expected to apply. In the event of any changes to such rates or deviations therefrom, the deferred tax amounts are adjusted accordingly. Any change in provisions for deferred tax amounts is taken straight to the income statement.

Deferred 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, in accordance with the consolidated accounting principles.

Additional information on the consolidated financial statements

1. Segment information

1.1 Net sales by region

in CHF thousand	2020	%	2019	%
Switzerland	48 289	11	74 494	14
Europe (excluding Switzerland)	276 755	62	322 071	62
The Americas	64 602	15	69 482	13
Asia	49 461	11	53 403	10
Rest of the world	6 082	1	5 207	1
Total	445 189	100	524 657	100

Total net sales were 15.1% (CHF 79.5 million) below their prior-year level, or 10.7% (CHF 59.8 million) down based on prior-year currency exchange rates and excluding acquisitions. The impact of currency movements amounted to –4.4% (CHF –19.7 million) while, as in 2019, acquisitions and disposals had no impact on net sales results. Average Swiss-franc currency exchange rates were down 3.7% against the euro and down 5.6% against the US dollar.

1.2 Income statement by division

2020 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	73 286	209 581	162 322		445 189
EBITDA	9 467	17 369	27 819	496	55 151
in % of net sales	12.9	8.3	17.1		12.4
EBIT	4 612	–2 035	21 626	460	24 663
in % of net sales	6.3	–1.0	13.3		5.5

2019 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	78 212	293 236	153 209		524 657
EBITDA	9 491	54 511	23 746	246	87 994
in % of net sales	12.1	18.6	15.5		16.8
EBIT	4 403	34 724	17 263	210	56 600
in % of net sales	5.6	11.8	11.3		10.8

2. Other operating income

in CHF thousand	2020	2019
Energy sales	3 116	3 198
Rental income from business premises	507	498
Income from production waste	676	744
Miscellaneous	1 324	1 160
Total	5 623	5 600

Other operating income for 2020 was broadly in line with its prior-year level.

3. Personnel expense

in CHF thousand	2020	2019
Salaries and wages	76 914	77 037
Pension scheme contributions and other social security expense	14 346	13 635
Other personnel expense	1 871	2 230
Total	93 131	92 902

Personnel expense for 2020 was a 0.2% (CHF 0.2 million) increase on the prior year. The Packaging Division saw its workforce further enlarged in response to high product demand. By contrast, personnel expense for the Paper and Chemistry divisions (excluding the special impact of US pension scheme expense, see Note 18.2) was lower as a result of the lower business demand, rigorous cost management and short-time working compensation (CHF 1.6 million). In addition to the contributions to state social security institutions, "Pension scheme contributions and other social security costs" includes the contributions to company pension schemes described in Note 18. Members of Group Executive Management were assigned a total of 2 381 shares in 2020 under their share-based compensation provisions. At a share price of CHF 75.75, the corresponding expense, which is shown under "Salaries and wages", amounted to some CHF 180 000.

4. Other operating expense

The CHF 24.7 million of other operating expense (prior year: CHF 26.1 million) includes sales and administrative costs and further operating expenses. Thanks to consistent cost management and reduced travel activities in the light of the COVID-19 pandemic, other operating expense was CHF 1.4 million or 5.2% below its 2019 level.

5. Financial income

in CHF thousand	2020	2019
Interest income	32	42
Other financial income	179	424
– currency exchange rate gains	143	399
– further financial income	36	25
Income from securities	1	25
Total	212	491

Financial income was CHF 0.3 million below its prior-year level, owing to lower exchange rate gains on amounts held in foreign currencies.

6. Financial expense

in CHF thousand	2020	2019
Interest expense	2 693	4 648
– interest paid	2 690	6 202
– changes in deferred interest due	3	–1 554
Other financial expense	2 166	1 486
– currency exchange rate losses	1 856	1 160
– further financial expense	310	326
Expenditure on securities	5	4
Total	4 864	6 138

Financial expense was CHF 1.3 million below its prior-year level owing to lower interest expense (in 2019 interest was paid on two parallel corporate bonds).

7. Non-operating result

The non-operating income of CHF 7.3 million (prior year: CHF 1.4 million) comprises rental income and sale proceeds from non-operating real estate in Buchrain (CHF 5.2 million, prior year CHF 0.8 million) and Full-Reuenthal (CHF 0.1 million, prior year CHF 0.6 million), along with the release of CHF 2.0 million of provisions made for environmental protection measures to clean up the Rotholz waste disposal site in Meilen, Canton Zurich. The non-operating expense of CHF 0.5 million (prior year: CHF 0.6 million) consists of expenditure relating to the sale and management of non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal.

8. Extraordinary result

The provisions for the lake bed clean-up at the former Uetikon site were reduced by CHF 12.0 million in 2020, with the release effected via the extraordinary result by analogy to the original creation in 2016 of the provisions concerned (see Notes 25/27). There was no extraordinary income or extraordinary expense in 2019.

9. Income taxes

in CHF thousand	2020	2019
Current income taxes	3 745	3 124
Deferred income taxes	-11 856	202
Total	-8 111	3 326

Perlen Papier AG has transferred real estate at the Perlen site to newly founded group member company Perlen Papier Immobilien AG at market rates. The transaction was effected using a previously uncanceled CHF 97.1 million of tax losses carried forward. The intragroup transaction resulted in 2020 in deferred tax assets and corresponding deferred tax income of CHF 11.9 million, as the purely tax-related upward revaluation generated a deductible temporary difference. This resulted overall in profits from income taxes of CHF 8.1 million for the year. Tax rates varied in 2020 between 10% and 34% (prior year: between 10% and 34%) depending on the country and the location.

Income taxes for 2020	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes		38 852
Weighted average tax rate expected/estimated tax expense	18.2	7 080
Impact of losses carried forward not recognized in current year in tax terms		140
Impact of losses carried forward not previously recognized in tax terms		-3 656
Impact of intragroup real-estate transaction resulting in using of losses carried forward not previously recognized in tax terms		-11 929
Taxes paid in prior years		-135
Other effects		389
Tax rate/tax expense as per income statement	-20.9	-8 111

The Group's expected income tax rate for 2020 amounted to 18.2% (prior year: 14.2%). This is the weighted average tax rate based on the individual profits/losses before taxes and tax rates for each group member company. The change in this expected income tax rate is due to the profit situation and changed tax rates at the various group member companies. The difference between the estimated income tax expense and the income tax expense shown in the income statement is attributable largely to the offsetting of losses carried forward from previous years in connection with an intragroup real estate transaction.

In accordance with the consolidated accounting principles, deferred taxes on losses carried forward are not capitalized. Uncapitalized losses carried forward declined for 2020 to CHF 65.2 million (prior year: CHF 199.5 million), with a potential tax impact of CHF 7.4 million (prior year: CHF 11.8 million), paying due regard to the multi-year plan and the provisions of and possibilities under the relevant national tax laws. The change is attributable in particular to the use of CHF 97.1 million of losses carried forward in connection with an intragroup real estate transaction. None of the losses carried forward are of indefinite duration, and CHF 5.2 million thereof will expire within a year.

Income taxes for 2019	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes		51 779
Weighted average tax rate expected/estimated tax expense	14.2	7 357
Impact of losses carried forward not recognized in current year in tax terms		18
Impact of losses carried forward not previously recognized in tax terms		-4 500
Taxes paid in prior years		-35
Other effects		487
Tax rate/tax expense as per income statement	6.4	3 326

10. Liquid funds and securities

Liquid funds increased from CHF 93.1 million to CHF 116.3 million in 2020 as a result of the positive free cash flow trends. Financial liabilities were also reduced by a net CHF 4.8 million.

11. Trade accounts receivable

in CHF thousand	2020	2019
Receivables from third parties	60 032	81 865
Receivables from associates	0	0
Provisions for doubtful debts	-7 140	-9 470
– individual adjustments	-7 135	-9 469
– blanket adjustments	-5	-1
Total	52 892	72 395

Trade accounts receivable were CHF 19.5 million below their prior-year level, owing to the lower net sales in the Paper Division.

Individual adjustments are effected to certain doubtful receivables. Such adjustments were CHF 2.3 million lower in 2020 than they had been for the prior year. A long-standing receivable issue with a Paper Division client was also resolved in the course of the year.

12. Other receivables

Other receivables were CHF 3.2 million up on their prior-year level. The increase is attributable largely to real estate activities and environmental protection actions.

13. Prepaid expenses and accrued income

Prepaid expenses and accrued income were down CHF 1.9 million from their prior-year level. 2019 had seen a substantially higher amount of outstanding state “KEV” compensation for green energy generated.

14. Inventories

14.1 Inventories by division

in CHF thousand	2020	2019
Chemistry	28 468	30 331
Paper	23 567	29 821
Packaging	26 288	18 391
Total	78 323	78 543

14.2 Inventories by type

in CHF thousand	2020	2019
Raw materials	17 367	15 460
Auxiliary and operating materials	13 997	14 888
Finished and semi-finished products	46 257	47 407
Goods for resale	702	788
Total	78 323	78 543

Inventories for 2020 were broadly at prior-year levels. Volumes of finished and semi-finished products declined in the Chemistry and Paper divisions as a result of active and cautious inventory management. Inventories for Packaging increased owing to the division's sales growth.

Inventories were subjected to an overall impairment of CHF 4.4 million (prior year: CHF 2.8 million), primarily for the Paper Division.

15. Intangible assets

Intangible assets in 2020	Software, licences and patents	Other intangible assets	Total intangible assets
in CHF thousand			
At purchase values			
Opening balance on 1.1.2020	15 769	1 173	16 942
Currency impact on opening balance	-24	-34	-58
Additions	1 268		1 268
Disposals/reclassifications	-167		-167
Currency impact on movements	2		2
Closing balance on 31.12.2020	16 848	1 139	17 987
Depreciation			
Opening balance on 1.1.2020	10 912	434	11 346
Currency impact on opening balance	-17	-14	-31
Depreciation for the period	1 251	23	1 274
Disposals/reclassifications	-167		-167
Currency impact on movements	1	-1	0
Closing balance on 31.12.2020	11 980	442	12 422
Book value on 1.1.2020	4 857	739	5 596
Book value on 31.12.2020	4 868	697	5 565

The goodwill deriving from the acquisitions of business activities and minorities was offset directly against equity (see Note 28). The "Additions" position reflects major investments in new ERP systems (software) for the Packaging Division.

Intangible assets in 2019	Software, licences and patents	Other intangible assets	Total intangible assets
in CHF thousand			
At purchase values			
Opening balance on 1.1.2019	14 968	1 202	16 170
Currency impact on opening balance	-94	-29	-123
Change in consolidated companies			0
Additions	971		971
Disposals/reclassifications	-71		-71
Currency impact on movements	-5		-5
Closing balance on 31.12.2019	15 769	1 173	16 942
Depreciation			
Opening balance on 1.1.2019	9 915	413	10 328
Currency impact on opening balance	-71	-4	-75
Depreciation for the period	1 144	25	1 169
Disposals/reclassifications	-71		-71
Currency impact on movements	-5		-5
Closing balance on 31.12.2019	10 912	434	11 346
Book value on 1.1.2019	5 053	789	5 842
Book value on 31.12.2019	4 857	739	5 596

The "Additions" position reflects major investments in adopting a new ERP system (software) in the Chemistry Division.

Goodwill is offset against equity (retained earnings) at the time of its acquisition. The impact of a theoretical capitalization of goodwill with five-year straight-line amortization on the balance sheet and income statement is shown below:

Theoretical goodwill movement

in CHF thousand	2020	2019
At purchase values		
Opening balance on 1.1.	61 736	61 736
Additions	1 285	0
Closing balance on 31.12.	63 021	61 736
Depreciation		
Opening balance on 1.1.	44 264	37 061
Depreciation for the period	7 203	7 203
Closing balance on 31.12.	51 467	44 264
Net book value of goodwill on 1.1.	17 472	24 675
Net book value of goodwill on 31.12.	11 554	17 472

Impact of goodwill on the income statement

in CHF thousand	2020	2019
Earnings before interest and taxes (EBIT)	24 663	56 600
EBIT margin in % of net sales	5.5	10.8
Depreciation of goodwill	-7 203	-7 203
Theoretical earnings before interest and taxes (EBIT), including depreciation of goodwill	17 460	49 397
Theoretical EBIT in % of net sales	3.9	9.4
Net result for the year	46 963	48 453
Depreciation of goodwill	-7 203	-7 203
Theoretical net result, including depreciation of goodwill	39 760	41 250

Impact of goodwill on the balance sheet

in CHF thousand	2020	2019
Equity as per balance sheet	471 867	441 289
Equity in % of balance sheet total	67.0	62.8
Theoretical capitalization of net book value of goodwill	11 554	17 472
Theoretical equity including net book value of goodwill	483 421	458 761
Theoretical equity including net book value of goodwill in % of balance sheet total	67.5	63.7

16. Tangible fixed assets

Tangible fixed assets for 2020	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities, IT HW	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2020	5 743	336 824	695 585	329 944	7 290	11 315	16 075	1 402 776
Currency impact on opening balance	-14	-2 347	-4 666	-246	-149	-44	-160	-7 626
Investments	1 050	214	7 529	3 463	25	177	6 031	18 489
Disposals	119	-2 524	-929	-519		-442		-4 295
Reclassifications	0	230	2 319	393			-2 942	0
Currency impact on movements	-5	-13	-44	-17	-1		3	-77
Closing balance on 31.12.2020	6 893	332 384	699 794	333 018	7 165	11 006	19 007	1 409 267
Depreciation								
Opening balance on 1.1.2020	102	151 274	412 399	218 670	2 397	8 816	0	793 658
Currency impact on opening balance	-3	-973	-3 380	-154	-142	-33		-4 685
Depreciation for the period	20	5 139	16 983	6 001	471	600		29 214
Disposals		-2 364	-778	-519		-442		-4 103
Reclassifications								0
Currency impact on movements	0	-21	-90	-5	-2	2		-116
Closing balance on 31.12.2020	119	153 055	425 134	223 993	2 724	8 943	0	813 968
Impairments								
Opening balance on 1.1.2020	0	53 225	138 732	50 779	0	0	0	242 736
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals								0
Reclassifications								0
Closing balance on 31.12.2020	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2020	5 641	132 325	144 454	60 495	4 893	2 499	16 075	366 382
Closing balance on 31.12.2020	6 774	126 104	135 928	58 246	4 441	2 063	19 007	352 563

Tangible fixed assets for 2020 include a net book value of CHF 0.5 million for leased assets (vehicles) capitalized through finance leases maturing between 2021 and 2023. Leasing liabilities amount to some CHF 0.5 million, of which CHF 0.3 million are short-term.

The production facilities of the Paper Division were assessed in terms of their current value as of 31 December 2020. No impairment was deemed necessary. The valuations were conducted using a WACC of 5.4% and EUR/CHF exchange rates of CHF 1.05 for the 2021 plan period, CHF 1.11 for 2022 and CHF 1.14 for 2023. The values of the projected income statements were adjusted to take account of the facts and findings available on the balance sheet date.

Investments in the Chemistry Division in 2020 included various optimization projects (in Louisville, USA) and real estate (in Lianyungang, China). The Paper Division invested in a range of projects to maintain and further raise the efficiency of its production plant. The Packaging Division also made major investments at multiple locations: in enhancing the efficiency of the mono film production at its Müllheim (Germany) site, in modernizing the infrastructure at its Perlen facility and in expanding its production capacities in Suzhou, China.

Tangible fixed assets for 2019	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities, IT HW	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2019	5 766	337 216	690 585	329 367	6 176	10 591	9 437	1 389 138
Currency impact on opening balance	-16	-1 576	-2 760	-317	-41	-18	-113	-4 841
Investments		401	6 104	2 469		1 471	12 456	22 901
Disposals	-7	-4	-1 337	-2 141	-2	-779		-4 270
Reclassifications		830	3 082	562	1 157	49	-5 680	0
Currency impact on movements		-43	-89	4		1	-25	-152
Closing balance on 31.12.2019	5 743	336 824	695 585	329 944	7 290	11 315	16 075	1 402 776
Depreciation								
Opening balance on 1.1.2019	95	146 495	398 071	214 678	1 966	9 043	0	770 348
Currency impact on opening balance	-3	-427	-1 820	-189	-39	-11		-2 489
Depreciation for the period	10	5 249	17 622	6 314	474	556		30 225
Disposals		-4	-1 337	-2 141	-2	-772		-4 256
Reclassifications								0
Currency impact on movements	0	-39	-137	8	-2			-170
Closing balance on 31.12.2019	102	151 274	412 399	218 670	2 397	8 816	0	793 658
Impairments								
Opening balance on 1.1.2019	0	53 225	138 732	50 779	0	0	0	242 736
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals								0
Reclassifications								0
Closing balance on 31.12.2019	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2019	5 671	137 496	153 782	63 910	4 210	1 548	9 437	376 054
Closing balance on 31.12.2019	5 641	132 325	144 454	60 495	4 893	2 499	16 075	366 382

Tangible fixed assets for 2019 included a net book value of CHF 0.8 million for leased assets (vehicles) capitalized through finance leases maturing between 2021 and 2023. Leasing liabilities amounted to CHF 0.9 million, of which CHF 0.4 million were short-term.

There were no indications as of 31 December 2019 that any impairment might be necessary on any production facilities.

17. Long-term financial assets

in CHF thousand	Long-term financial assets
At purchase values	
Opening balance on 1.1.2020	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2020	10 000
At purchase values	
Opening balance on 1.1.2019	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2019	10 000

As in 2019, the long-term financial assets consist of the 10% equity holding in waste incinerator company Renergia Zentralschweiz AG, Root, with which a supply agreement has been concluded for the provision of low-pressure steam to the Perlen paper factory.

18. Assets from employer contribution reserves and pension schemes

18.1 Pension schemes in Switzerland (547 working insureds)

Employer contribution reserve (ECR)	Nominal value	Appropriation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel expense	
in CHF thousand	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2019	2020	2019
Pension schemes	11 189				11 189	11 078	-111	0
Total	11 189	0	0	0	11 189	11 078	-111	0

Economic benefit/economic obligation and pension scheme expense	Funding surplus/shortfall as per Swiss GAAP ARR 26	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel expense	
in CHF thousand	31.12.2020	31.12.2020	31.12.2019	31.12.2020	31.12.2020	2020	2019
CPH Group Pension Scheme					3 800	3 800	3 699
Pension schemes without funding surplus/shortfall	0	0	0	0	3 800	3 800	3 699
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	664						
Perlen Group Assistance Fund	11 550	11 550	11 350	-200	0	-200	56
Employer's funds	12 214	11 550	11 350	-200	0	-200	56
Total	12 214	11 550	11 350	-200	3 800	3 600	3 755

Under the investment regulations of the CPH Group Pension Scheme, the scheme is considered to have a funding surplus if it has a fluctuation reserve amounting to 16.5% or more of its total asset investments (calculated using the Value-at-Risk Method).

The CPH Group Pension Scheme is a defined-contributions pension scheme offering old-age, death and disability benefits. Employer's contributions are strictly defined in the scheme's regulations and deed of trust. The companies concerned do not bear any primary risk, i.e. the insurance and investment risks are borne primarily by the pension scheme itself. Actuarial recalculations are regularly conducted.

The latest static recalculation of actuarial capital was performed on 31 December 2019, based on an actuarial interest rate of 2.0%, the actuarial foundations of the BVG 2015 Generation Table and a conversion factor of 5.8%. Actuarial capital has since been further developed in line with insurée numbers effective 31 December 2020. With the exception of the employer contribution reserve of CHF 11.2 million (prior year: CHF 11.1 million), all the scheme's surpluses are payable solely to its beneficiaries. According to its provisional balance sheet, the scheme had a funding ratio of 118% as of 31 December 2020 (prior-year actual funding ratio: 116%).

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund is an employer's fund for all employees at the CPH Group's companies in Uetikon and Rüti. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 0.8 million on 31 December 2020 (prior year: CHF 0.8 million).

The Perlen Group Assistance Fund, Perlen

The Perlen Group Assistance Fund is an employer's fund for all employees at the CPH Group's Perlen site. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund can also be used to finance employer's contributions to the occupational pension schemes of the Group's Perlen-based companies. The Fund paid CHF 0.0 million to these schemes for such purposes in 2020 (prior year: CHF 0.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 13.7 million on 31 December 2020 (prior year: CHF 13.5 million).

As for 2019, economic interest was calculated based on freely disposable trust capital excluding fluctuation reserves.

18.2 Pension schemes outside Switzerland

Economic benefit/ economic obligation	Funding surplus/ shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel expense	
		31.12.2020	31.12.2019			2020	2019
Pensions scheme expense in CHF thousand							
USA					474	474	492
Pension schemes without funding surplus/shortfall	0	0	0	0	474	474	492
USA	-1 157	-1 157	-678	479	0	479	-592
Pension schemes with funding shortfall	-1 157	-1 157	-678	479	0	479	-592
Total	-1 157	-1 157	-678	479	474	953	-100

In the USA the CPH Group has one defined-contributions and one defined-benefits occupational pension scheme.

The 401(k) defined contribution plan is a purely contributions-based savings scheme that does not expose the company to any liability and has neither a surplus nor a shortfall.

The defined-benefits scheme was frozen on 1 January 2016. As a result, there have been no further increases in pension obligations to beneficiaries since this date, and no further beneficiaries have been admitted. The scheme had 101 members as of 31 December 2020 (prior year: 108). The scheme currently has a funding shortfall of USD 1 309 000 (prior year: USD 700 000). The calculations were made using the Current Liability Method, under which no regard is paid to future salary increases or expected returns on investment.

The Group's occupational pension schemes in its other countries of operation are of insignificant size, and provide all the social benefits prescribed by law.

18.3 Breakdown of pension scheme costs

in CHF thousand	In Switzerland	Outside Switzerland	2020	2019
Pension scheme contributions from employer	3 800	474	4 274	4 191
Total contributions	3 800	474	4 274	4 191
+/- changes in ECR through asset development, value adjustments etc.	-111		-111	0
Contributions and changes in employer contribution reserves	3 689	474	4 163	4 191
Decrease/Increase in company's economic benefit from funding surplus	-200		-200	56
Decrease/Increase in company's economic obligation towards funding shortfall		479	479	-592
Change in economic impact on company of funding surplus/shortfall	-200	479	279	-536
Pension scheme expenses as part of personnel expense for the period	3 489	953	4 442	3 655

19. Other long-term receivables

Other long-term receivables consist mainly of a CHF 29.6 million (prior year: CHF 31.1 million) remaining receivable from Canton Zurich in connection with the sale in 2016 of the former Uetikon operating site and the cost of cleaning up the adjacent lake bed (a total of CHF 32.0 million was originally retained in this regard from the sale proceeds of CHF 52.0 million). Following a downward adjustment of the originally estimated CPH share of the lake bed clean-up costs from CHF 32 million to CHF 20 million in May 2020, some CHF 12 million should be returned to CPH after the project's completion in 2024. For further information see also Notes 25 and 27 on short-term and long-term provisions. The CHF 1.4 million of costs expected to be incurred in the following year (prior year: CHF 0.0 million) were reclassified as other short-term receivables.

20. Deferred tax assets

Temporary differences deriving from an intragroup real estate transaction resulted in deferred tax assets of CHF 11.9 million for 2020 (see also Note 9). The remaining CHF 0.5 million of this item relates to further temporary differences arising from deviations between the group consolidated value and the tax value of assets, equity and liabilities.

21. Trade accounts payable

in CHF thousand	2020	2019
To third parties	56 742	66 216
To related parties and companies	9	37
Total	56 751	66 253

Trade accounts payable declined in 2020 owing to the lower demand for the products of the Paper Division.

22. Other payables

in CHF thousand	2020	2019
To third parties	4 576	3 636
To related parties and companies	0	0
Total	4 576	3 636

The increase in other payables for 2020 is due to higher customer prepayments in the Chemistry Division.

23. Accrued liabilities and deferred income

in CHF thousand	2020	2019
Accrued interest expense	495	497
Income tax owed	1 561	925
Accrued personnel expense	6 508	5 290
Other accrued liabilities and deferred income	8 251	9 541
Total	16 815	16 253

Accrued liabilities and deferred income increased by CHF 0.6 million as a result of higher income taxes owed and accrued personnel expense.

24. Short-term financial liabilities

in CHF thousand	2020	2019
Towards third parties	8 088	5 889
– towards banks	7 818	5 532
– financial leasing liabilities	270	357
Total	8 088	5 889

Details of short-term financial liabilities are shown in Note 26.

25. Short-term provisions

in CHF thousand	Environmental protection measures	Restructuring provisions	Guarantee obligations	Other provisions	Total short-term provisions
Opening balance on 1.1.2019	0	637	567	0	1 204
Currency impact on opening balance			–2		–2
Additions		184	350		534
Use		–344	–151		–495
Releases			2		2
Reclassifications	2 579				2 579
Currency impact on movements					0
Closing balance on 31.12.2019	2 579	477	766	0	3 822
Opening balance on 1.1.2020	2 579	477	766	0	3 822
Currency impact on opening balance			–2		–2
Additions			711		711
Use	–556	–37	–207		–800
Releases	–2 023		–302		–2 325
Reclassifications	1 925				1 925
Currency impact on movements					0
Closing balance on 31.12.2020	1 925	440	966	0	3 331

The environmental protection measures relate to the lake bed clean-up at the former Uetikon site and to future waste disposal site obligations (see Note 27 for further details). The provisions for the clean-up of the Rotholz waste disposal site in Meilen were released in May 2020. The income expected from the sale of the Rotholz site should cover all its clean-up costs.

The restructuring provisions relate to the closure of the Uetikon site (and the associated lake bed clean-up).

The guarantee obligations stem from the Paper and Packaging divisions, and relate to any claims or entitlements arising from customer complaints.

26. Long-term financial liabilities

2020 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2020
Long-term bank loans	3 000	6 500					9 500
Corporate bond ¹⁾		100 000					100 000
Financial leasing liabilities	164	82					246
Total	3 164	106 582	0	0	0	0	109 746

¹⁾ unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

2019 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2019
Long-term bank loans	6 775	3 000	6 500				16 275
Corporate bond ¹⁾			100 000				100 000
Financial leasing liabilities	249	164	82				495
Total	7 024	3 164	106 582	0	0	0	116 770

¹⁾ unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

Financial liabilities for 2020

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan	CHF		1 500	2.41	30.06.2021	¹⁾
Bank loan	CHF		1 500	2.41	31.12.2021	¹⁾
Bank loan (PPPA paycheck protection program loan SBA US)	USD	1 550	1 370	1.25	open	
Industrial bond	USD	3 900	3 448	4.44	01.08.2021	
Financial leasing liabilities	CHF		270	–	various	
Total			8 088			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Bank loan	CHF		9 500	2.41	20.03.2023	¹⁾
Financial leasing liabilities	CHF		246	–	various	
Total			109 746			
Total financial liabilities			117 834			

¹⁾ Repayment in steps; debt ratio max. 2.5 (from 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. This requirement was still being met as of 31.12.2020.

The CPH Group also has an additional CHF 40 million credit facility with Swiss banks.

Financial liabilities for 2019

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan	CHF		1 500	2.41	30.06.2020	¹⁾
Bank loan	CHF		1 500	2.41	31.12.2020	¹⁾
Current account credit	CHF		1 796	3.90	unlimited	
Current account credit	USD	750	726	6.76	unlimited	
Current account credit	BRL	43	10	–	unlimited	
Financial leasing liabilities	CHF		357	–	various	
Total			5 889			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Industrial bond	USD	3 900	3 775	6.10	01.08.2021	
Bank loan	CHF		12 500	2.41	20.03.2023	¹⁾
Financial leasing liabilities	CHF		495	–	various	
Total			116 770			
Total financial liabilities			122 659			

¹⁾ Repayment in steps; debt ratio max. 2.5 (from 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. This requirement was still being met as of 31.12.2019.

27. Long-term provisions

in CHF thousand	Major repairs and renovations	Environmental protection measures	Other provisions	Deferred tax liabilities	Total long-term provisions
Opening balance on 1.1.2019	3 702	38 093	1 095	7 062	49 952
Currency impact on opening balance			–8	–88	–96
Additions			865	310	1 175
Use		–358			–358
Releases			–8	–615	–623
Reclassifications		–2 579			–2 579
Currency impact on movements			–1	–2	–3
Closing balance on 31.12.2019	3 702	35 156	1 943	6 667	47 468
Opening balance on 1.1.2020	3 702	35 156	1 943	6 667	47 468
Currency impact on opening balance			–1	–72	–73
Additions				339	339
Use		–294			–294
Releases		–12 000	–1 755	–227	–13 982
Reclassifications		–1 925			–1 925
Currency impact on movements			–1	1	0
Closing balance on 31.12.2020	3 702	20 937	186	6 708	31 533

The provisions for major repairs and renovations relate to the work required on the Perlen weir. The corresponding project was approved by Canton Lucerne in 2019, enabling the work to be performed in the next few years.

Environmental risks arise as a result of the Group's business activities.

In connection with the CHF 52.0 million sale of the Uetikon operating site in 2016, provisions of CHF 32.0 million (80% of the CHF 40.0 million estimated total costs) were made at the time for CPH's share in the expense of cleaning up the adjacent lake bed. The remaining 20% of these costs are being met by Canton Zurich. Since the site's sale was concluded, a pilot project and inspections were conducted for the lake bed clean-up between 2016 and 2018. A tender invitation for the clean-up work was issued in 2019, and a study was also commissioned on the options available. In May 2020 Canton Zurich awarded the commission for the work to a general contractor. As a result of this, the Canton now expects the total cost of the work to be CHF 25.0 million, of which 80% or CHF 20.0 million will be borne by the CPH Group. In view of this, the corresponding provisions were reduced by CHF 12.0 million, in the form of extraordinary income, in May 2020. The clean-up work is expected to commence towards the end of 2021, and will take about two years. The corresponding provisions amounted to CHF 19.0 million at the end of 2020 (prior year: CHF 31.4 million), of which CHF 1.4 million are short-term provisions and CHF 17.6 million long-term provisions. The use of these provisions since their creation in 2016 has been largely for the project work and the external consultancy and inspection services required.

The further CHF 3.8 million of provisions for environmental protection measures (CHF 0.5 million short-term, CHF 3.3 million long-term) relate to future waste disposal site running cost obligations and a possible transfer thereof to the Canton Zurich Waste Disposal Site Aftercare Fund.

"Other provisions" consist mainly of provisions for agency agreements in the Paper Division.

All provision amounts expected to be paid in the following year are reclassified as short-term provisions (see Note 25).

28. Purchase of business activities and minority shareholdings

Perlen Packaging AG acquired the remaining 40% of the capital of Perlen Packaging Anápolis Indústria e Comércio Ltda., Anápolis, State of Goia (Brazil) on 4 December 2020, and now wholly owns the company. The consideration amounted to CHF 1.6 million, of which CHF 0.3 million was accounted for in minority interest and CHF 1.3 million in goodwill.

The CPH Group acquired no business activities in 2019.

29. Additional corporate governance information

29.1 Capital structure

	2020	2019
Share capital in CHF thousand	1 200	12 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	0.2	2.0
Market capitalization in CHF thousand	435 600	475 200

The registered shares of CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange in the Swiss Reporting Standard segment. The company's share capital amounts to CHF 1.2 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 0.20 each.

29.2 Transactions with related parties and companies

All balances and business transactions between companies within the scope of consolidation were eliminated during consolidation and are not shown here. As in the previous year, all transactions with related parties and companies in 2020 were conducted at market rates. The following transactions were effected for services rendered with companies associated with the CPH Group and members of its Board of Directors:

in CHF thousand	2020	2019
UBV Immobilien Treuhand Perlen AG, Root	99	145
UBV Immobilien Treuhand AG, Uetikon	0	19
Niederer Kraft Frey AG (Manuel Werder)	20	66
Weber Schaub & Partner (Peter Schaub)	42	66
Total transactions	161	296
Total open liabilities at year-end	9	26

As in the previous year, no loans or credits were granted to related parties in 2020.

29.2.1 Shares held by members of the Board of Directors and Group Executive Management

Shares held by members of the Board of Directors (including related parties):

Number of shares	2020			2019
	Own	Related parties	Total	
Peter Schaub	0	400	400	400
Tim Talaat	9 140	43 076	52 216	52 216
Manuel Werder	7 200	42 820	50 020	50 020
Christian Wipf	400	0	400	400
Total	16 740	86 296	103 036	103 036

Shares held by members of Group Executive Management (including related parties):

Number of shares	2020 shares vested until		2020	2019
	2023	Later		
Peter Schildknecht	793	0	993	200
Klemens Gottstein	397	0	397	0
Wolfgang Grimm	397	0	457	60
Richard Unterhuber	397	0	647	250
Alois Waldburg-Zeil	397	0	797	400
Total	2 381	0	3 291	910

CPH Chemie + Papier Holding AG introduced a long-term incentive (LTI) programme for the members of Group Executive Management in 2020. The general contractual foundations and the vesting conditions thereof are detailed in the Remuneration Report. A total of 2 381 shares with a vesting period of three years were awarded under the programme in 2020.

29.2.2 Significant shareholders and numbers of shares held

Name	2020	2019
J. Safra Sarasin Investmentfonds AG	300 250	300 250
Ella Schnorf-Schmid estate	429 320	429 320
Uetikon Industrieholding AG	2 999 800	2 999 800
Total	3 729 370	3 729 370

30. Net financial liabilities

in CHF thousand	2020	2019
Liquid funds and securities	116 285	93 121
Short-term financial receivables	0	36
Total liquid funds and financial receivables	116 285	93 157
Short-term financial liabilities to banks	7 818	5 532
Short-term financial liabilities to others/financial leasing	270	357
Total short-term financial liabilities	8 088	5 889
Corporate bonds	100 000	100 000
Long-term financial liabilities to banks	9 500	16 275
Long-term financial liabilities to others/financial leasing	246	495
Total long-term financial liabilities	109 746	116 770
Net financial liabilities	1 549	29 502
EBITDA	55 151	87 994
Debt ratio (net financial liabilities/EBITDA)	0.0	0.3

31. Contingent liabilities and off-balance-sheet business

31.1 Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2020.

31.2 Pledged assets

Real estate of Jiangsu Zeechem Technology Co. Ltd. with a book value of CHF 3.2 million (prior year: CHF 2.4 million) was subject to a CHF 3.0 million (prior year: CHF 2.4 million) lien as of 31 December 2020. Liquid funds with a value of CHF 0.7 million are pledged.

31.3 Other off-balance-sheet obligations

Operating lease agreements with notice periods of more than one year amounted to CHF 0.8 million (prior year: CHF 1.0 million), and relate mainly to vehicle leases. They show the following maturities:

in CHF thousand	2020	2019
Below 1 year	421	405
1 to 5 years	330	615
Above 5 years	0	0
Total	751	1 020

Off-balance-sheet obligations relating to rental agreements amounted to CHF 4.0 million (prior year: CHF 4.7 million), and relate largely to rental agreements in Rütli (Switzerland), Utzenstorf (Switzerland) and Whippany (USA). They show the following maturities:

in CHF thousand	2020	2019
Below 1 year	1 159	926
1 to 5 years	2 788	3 211
Above 5 years	100	550
Total	4 047	4 687

Purchase obligations for the acquisition of tangible fixed assets and intangible assets totalled CHF 12.3 million as of 31 December 2020 (prior year: CHF 5.1 million).

31.4 Derivative financial instruments and foreign-currency hedges

As in the prior year, no derivative financial instruments subject to balance sheet reporting were held as of 31 December 2020.

Open foreign-currency hedges as of 31 December 2020

in CHF thousand	2020				2019			
Instrument	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Forward foreign-exchange contracts in EUR	91 888	0	1 392	Cash flow hedge	115 027	2 535	54	Cash flow hedge
Forward foreign-exchange contracts in USD	9 726	533	0	Cash flow hedge	15 321	175	7	Cash flow hedge
Total	101 614	533	1 392	Cash flow hedge	130 348	2 710	61	Cash flow hedge

The open foreign-currency hedges are forward contracts designed to secure future cash flows.

32. Net result per share

Net result per share is calculated by dividing the net result for the year by the average number of shares entitled to dividend issued, less any treasury shares. The company held an average of 474 treasury shares in 2020 (prior year: 816 shares). Since no authorized or conditional capital is currently outstanding, diluted net result per share is identical to the net result per share amount.

	2020	2019
Net result as per consolidated income statement (in CHF thousand) after minorities	46 901	48 341
Weighted average number of shares entitled to dividend	5 999 526	5 999 183
Net result per share (in CHF)	7.82	8.06

33. Treasury shares

in CHF thousand	2020			2019		
	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	572	79.20	45	1 063	79.08	84
Purchased	21 438	71.97	1 543	16 584	81.91	1 358
Sold	19 253	70.38	–1 355	17 075	81.67	–1 394
Share-based compensation	2 381	75.75	–180			0
Profit/loss			–26			–3
Closing balance on 31.12.	376	72.61	27	572	79.20	45

The company held 376 treasury shares at the end of 2020 (prior year: 572 shares).

A total of 21 438 treasury shares were purchased on the SIX Swiss Exchange in the course of 2020 (prior year: 16 584 shares) at an average purchase price of CHF 71.97 (prior year: CHF 81.91) per share. A total of 19 253 treasury shares were sold via the SIX Swiss Exchange in the course of 2020 (prior year: 17 075 shares) at an average sale price of CHF 70.38 (prior year: CHF 81.67) per share. A total of 2 381 shares with a vesting period of three years were awarded in 2020 in the form of share-based compensation.

34. Subsequent events

The Board of Directors of CPH Chemie + Papier Holding AG has proposed to the company's shareholders to acquire Uetikon Industrieholding AG, which is presently the company's largest shareholder, via a merger by absorption. Under the merger proposal, the shareholders of Uetikon Industrieholding AG will exchange their shares therein for a commensurate number of shares in CPH Chemie + Papier Holding AG, newly giving them a direct CPH shareholding. The proposal will be submitted to the shareholders concerned for approval at an Extraordinary General Meeting in early June 2021.

No further events occurred between 31 December 2020 and 12 February 2021 which would require adjustments to the book values of the Group's assets, equity and liabilities or would need to be divulged here. There are also no exceptional pending business items or risks which would need to be mentioned in the income statement.

The Board of Directors approved these consolidated financial statements at its meeting of 12 February 2021. They are also subject to the approval of the Ordinary General Meeting.

List of major shareholdings

	Registered office	Currency	Capital in thousand	Consolidation in %	Consolidation method
CPH Chemie + Papier Holding AG	Root/CH	CHF	1 200	100	F

Consolidated chemistry companies:

Zeochem AG	Rüti ZH/CH	CHF	1 000	100	F
Zeochem L.L.C.	Louisville/USA	USD	36 547	100	F
Zeochem d.o.o.	Zvornik/BA	BAM	2	100	F
Jiangsu Zeochem Technology Co. Ltd.	Lianyungang/CN	CNY	90 000	92	F
Zeochem Pte. Ltd.	Singapore/SG	SGD	1	100	F

Consolidated paper companies:

Perlen Papier AG	Root/CH	CHF	81 000	100	F
Perlen Papier Immobilien AG	Root/CH	CHF	1 000	100	F
APS Altpapier Service Schweiz AG	Root/CH	CHF	100	100	F
Perlen Deutschland GmbH	Munich/D	EUR	100	100	F

Consolidated packaging companies:

Perlen Packaging AG, Perlen	Root/CH	CHF	24 000	100	F
Perlen Packaging L.L.C.	Whippany/USA	USD	1 000	100	F
Perlen Packaging GmbH, Müllheim	Müllheim/D	EUR	1 300	100	F
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN	USD	13 000	100	F
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	BRL	2 464	100	F

Consolidation method:

F = fully consolidated

Changes in the scope of consolidation for 2020:

- The remaining 40% of the capital of Perlen Packaging Anápolis Indústria e Comércio Ltda., Anápolis, State of Goia (Brazil), was acquired on 4 December 2020.
- Perlen Papier Immobilien AG was founded on 7 December 2020.

Changes in the scope of consolidation for 2019:

- Perlen Packaging (Hong Kong) Ltd., Hong Kong/HK was liquidated on 23 April 2019.
- Zeochem AG, Rüti ZH/CH was merged with Zeowest AG, Rüti ZH/CH on 23 June 2019 with retroactive effect to 1 January 2019. Zeowest AG, Rüti ZH/CH was subsequently renamed Zeochem AG, Rüti ZH/CH.

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 2020, consolidated balance sheet as at 31 December 2020, consolidated cash flow statement and consolidated statement of changes in 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 48 to 74) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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 Auditing Standards. 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 4,400,000

We concluded full scope audit work at seven Group companies in four countries. For two additional companies, specific financial statement line items were tested. Our audit scope addressed 92% of the net sales and 83% of the total assets of the Group.

Additionally, we concluded reviews at a further two Group companies in two countries, which represented an additional 5% of the net sales and 11% of the assets of the Group.

As key audit matters, the following areas of focus were identified:

Impairment testing of tangible fixed assets of Perlen Papier

Assessment of the adequacy of the provisions for environmental 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.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall 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 4,400,000
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How we determined it	1% of net sales
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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.
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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors from the PwC network and from a third party. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component 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, a review of the risk analysis and participation in audit discussions for selected components in which local management, the local auditor and selected Group representatives also participated.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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.

Impairment testing of tangible fixed assets of Perlen Papier

Key audit matter

The business environment of the Paper Division continues to be challenging and volatile. As a result of deteriorating profitability in the 2020 financial year, tangible fixed assets of Perlen Papier with a carrying value of CHF 253 million were tested for impairment.

In view of the size of the assets and the significant scope for judgement in estimating the future cash flows that can be achieved with these assets, we consider the impairment testing of tangible fixed assets of Perlen Papier as a key audit matter.

Please refer to note 16 in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures with regard to the impairment testing of tangible fixed assets of Perlen Papier:

- Inspection of the minutes of meetings of the Board of Directors and its committees.
- Identification of potential indications of impairment.
- Discussion of the impairment tests with Management and with the Finance & Auditing Committee of the Board of Directors.
- Plausibility check of the assumptions used by Management concerning sales trends, costs and margins.
- Comparison of the assumptions used in the prior year's impairment tests with the actual results achieved to determine, in hindsight, how accurate planning had been in the past.
- Recalculation of the discount rate as derived by Management and comparison with a rate that we determined ourselves.
- Assessment and testing of the mathematical accuracy of the impairment tests, performed by Management, which were based on a DCF method.

The results of our audit support Management's chosen impairment testing method, the related assumptions and budget figures.

Assessment of the adequacy of the provisions for environmental measures

Key audit matter

As at the balance sheet date, short-term and long-term provisions for environmental measures amounting to CHF 23 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 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 measures can be found in notes 25 and 27 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 Audit 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 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 of the joint working group set up with the environmental authority of the Canton of Zurich.
- Assessment of whether the disclosure of the provisions complies with the requirements of Swiss GAAP FER.

The evidence we obtained from our audit supports the provisions for environmental measures recognised as at the balance sheet date and the related disclosures.

Responsibilities of the Board of Directors 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 Swiss Auditing Standards 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 further description of our responsibilities for the audit of the consolidated financial statements is available on the website of EXPERTSuisse: <http://expertsuisse.ch/wirtschaftspruefung-revisionsbericht>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zurich, 12 February 2021

Income statement

in CHF thousand	Note	2020	2019
Net revenue from sale of goods and services	2.1	4 930	5 041
Other income		322	342
Personnel expense		-3 246	-3 159
Other operating expense		-1 857	-1 959
Additions/Releases of impairment losses on non-current assets	2.2	0	40 000
Earnings before interest and taxes (EBIT)		149	40 265
Financial income		16 928	16 737
– Income from investments	2.3	12 197	11 443
– Interest income	2.4	4 726	5 244
– Book gains on securities held		0	0
– Other financial income	2.5	5	50
Financial expense		-2 553	-4 444
– Interest expense	2.6	-2 018	-3 743
– Book losses on securities held		-5	-4
– Other financial expense	2.7	-530	-697
Earnings before taxes and extraordinary items		14 524	52 558
Extraordinary, non-recurring or prior-period income	2.8	0	0
Extraordinary, non-recurring or prior-period expense	2.8	0	0
Earnings before taxes (EBT)		14 524	52 558
Direct taxes		-189	-5
Profit/Loss for the year		14 335	52 553

Balance sheet

in CHF thousand	Note	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.9	52 176	35 585
Other short-term receivables	2.10	4 398	4 517
– From third parties		4 398	4 517
– From group member companies		0	0
Prepaid expenses and accrued income		0	22
Short-term financial receivables		0	0
Total current assets		56 574	40 124
Financial assets		336 099	348 995
– Long-term receivables from third parties		0	0
– Long-term receivables from group member companies	2.11	336 099	348 995
Investments	2.12	150 254	150 254
Property, plant and equipment		395	431
Total non-current assets		486 748	499 680
Total assets		543 322	539 804
Equity and liabilities			
Trade payables		46	226
– To third parties		46	226
– To group member companies		0	0
Short-term interest-bearing liabilities		21	57
– Towards third parties	2.13	21	57
– Towards group member companies		0	0
Other short-term liabilities		1	56
– Towards third parties		1	56
– Towards group member companies		0	0
Accrued expenses and deferred income	2.14	1 347	1 085
Total short-term liabilities		1 415	1 424
Long-term liabilities		100 000	100 000
– Corporate bond	2.15	100 000	100 000
– Towards group member companies		0	0
Total long-term liabilities		100 000	100 000
Total liabilities		101 415	101 424
Equity	2.16	1 200	12 000
Legal capital reserves	2.17	4 207	4 207
– Capital contribution reserve		4 207	4 207
Legal retained earnings		10 016	10 016
Voluntary retained earnings		412 176	359 649
Earnings available for distribution		14 335	52 553
– Balance brought forward from prior year		0	0
– Profit/Loss for the year		14 335	52 553
Treasury shares	2.18	–27	–45
Total equity		441 907	438 380
Total equity and liabilities		543 322	539 804

Additional information

1. Valuation principles used

These financial statements have been compiled in accordance with the provisions on business bookkeeping and accounting specified in the Swiss Code of Obligations (Article 957ff). The major balance sheet items have been capitalized as described below.

No cash flow statement or certain additional notes

Since CPH Chemie + Papier Holding AG provides consolidated financial statements in accordance with recognized (Swiss GAAP ARR) accounting standards, it has – as permitted under the relevant legal provisions – elected not to provide details of auditors' fees or a cash flow statement in the present accounts.

Financial assets and investments

Financial assets are stated at their nominal value less any value adjustments required. Investments are stated at their purchase price less value adjustments. Investments are valued individually if they are material, and are not usually grouped together for such valuation because of any similarity.

Treasury shares

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. If they are later sold, the resulting profit or loss is taken directly to voluntary retained earnings.

Share-based compensation

Share-based compensation is valued at the share price applicable on the shares' assignment, and is shown under both equity and personnel expense. The definitively assigned shares are subject to a three-year vesting period, during which the number of shares assigned is not contingent on any further performance, results or other vesting conditions.

Foreign currency positions

Foreign currency positions have been translated into Swiss francs at the following conversion rates:

Foreign currency	2020 income statement	2020 balance sheet	2019 income statement	2019 balance sheet
EUR	1.0710	1.0820	1.1120	1.0870
USD	0.9380	0.8840	0.9940	0.9680

The balance sheet conversion rates are the rates that ruled on the balance sheet date of 31 December, while the conversion rates used for the income statement are the average rates for the year.

2. Notes on the financial statements

CPH Chemie + Papier Holding AG domiciled in Root

The company employed an average of six persons in 2020 (prior year: six persons) in full-time-equivalent terms.

2.1 Net revenue from sale of goods and services

The CHF 4.9 million in this item (prior year: CHF 5.0 million) represents the net revenue from goods and services provided to subsidiaries by the holding company and invoiced accordingly.

2.2 Additions/Releases of impairment losses on non-current assets

There were no such adjustments in 2020. In the prior year, in view of the positive equity situation at subsidiary Zeochem AG, Rüti ZH/CH, CHF 40.0 million of previous impairments to an intercompany loan were reversed.

2.3 Income from investments

This item includes profit distributions by certain subsidiaries.

2.4 Interest income

Interest income derives predominantly from intercompany loans. For 2020, these were subject to interest rates of between 1.00% and 2.25% (prior year: between 1.00% and 3.00%).

2.5 Other financial income

This item consists primarily of income from securities and the positive net impact of currency movements on foreign-currency amounts held.

2.6 Interest expense

This item consists largely of the CHF 2.0 million (prior year: CHF 3.7 million) interest paid on the CHF 100 million 2.00% corporate bond (duration 12 October 2018 to 12 October 2023). Interest was paid on two concurrent corporate bonds in 2019.

2.7 Other financial expense

Other financial expense for 2020 consisted largely of currency losses of CHF 0.4 million (prior year: CHF 0.6 million) and ordinary financial expense of CHF 0.1 million (prior year: CHF 0.1 million).

2.8 Extraordinary, non-recurring or prior-period income and expense

No such amounts were earned or incurred in 2020 or 2019.

2.9 Cash and cash equivalents and assets held for short-term disposal with a quoted market price

in CHF thousand	2020	2019
Cash and cash equivalents	52 156	35 560
Assets held for short-term disposal with a quoted market price	20	25
Total	52 176	35 585

2.10 Other short-term receivables

Other short-term receivables consisted largely of value-added tax credits in both 2020 and 2019.

2.11 Long-term receivables from group member companies

As a result of repayment activities, long-term receivables from group member companies decreased by a net CHF 12.9 million to CHF 336.1 million.

2.12 Investments

Name and legal form	Domicile	Remarks	Currency	Holding in 2020		Holding in 2019	
				Capital in thousand	Capital/Voting rights	Capital in thousand	Capital/Voting rights
Zeochem AG ¹⁾	Rüti ZH/CH		CHF	1 000	100 %	1 000	100 %
Zeochem L.L.C.	Louisville/USA		USD	36 547	100 %	36 547	100 %
Jiangsu Zeochem Technology Co. Ltd. ¹⁾	Lianyungang/CN		CNY	90 000	92 %	90 000	92 %
Zeochem d.o.o. ¹⁾	Zvornik/BA		EUR	2	100 %	2	100 %
Perlen Papier AG ¹⁾	Root/CH		CHF	81 000	100 %	81 000	100 %
Perlen Papier Immobilien AG	Root/CH	Founded 7.12.2020	CHF	1 000	100 %		
APS Altpapier Service Schweiz AG	Root/CH		CHF	100	100 %	100	100 %
Perlen Deutschland GmbH	Munich/D		EUR	100	100 %	100	100 %
Perlen Packaging AG, Perlen ¹⁾	Root/CH		CHF	24 000	100 %	24 000	100 %
Perlen Packaging GmbH, Müllheim	Müllheim/D		EUR	1 300	100 %	1 300	100 %
Perlen Packaging L.L.C.	Whippany/USA		USD	1 000	100 %	1 000	100 %
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN		USD	13 000	100 %	13 000	100 %
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	40 % holding purchased 4.12.2020	BRL	2 464	100 %	2 464	60 %

¹⁾ Directly held by CPH Chemie + Papier Holding AG

There were no changes to CPH Chemie + Papier Holding AG's directly held investments in 2020 or 2019.

2.13 Liabilities towards pension schemes

There were no liabilities towards pension schemes as of 31 December 2020 (prior year: CHF 0.0 million).

2.14 Accrued expenses and deferred income

Accrued expenses and deferred income for 2020 included accrued interest on corporate bonds of CHF 0.4 million (prior year: CHF 0.4 million), pending tax payments of CHF 0.3 million (prior year: CHF 0.0 million) and accruals on employees' salary and vacation entitlements of CHF 0.6 million (prior year: CHF 0.6 million).

2.15 Corporate bond

This item relates to the CHF 100.0 million 2.00% unsecured corporate bond (SIX code CPH18) issued on 12 October 2018 and maturing on 12 October 2023. The bond is listed on the SIX Swiss Exchange.

2.16 Share capital

Share capital consists of 6 000 000 registered shares with a nominal value of CHF 0.20 per share. The Ordinary General Meeting of 17 March 2020 resolved to reduce the nominal value of the CPH share by CHF 1.80 from CHF 2.00 to CHF 0.20 and to use the reduction amount of CHF 1.80 per share (CHF 10.8 million in total) as a repayment to shareholders. This was formally effected on 25 May 2020 through a corresponding amendment to the company's Articles of Incorporation. Uetikon Industrieholding AG, Uetikon holds 49.99% (prior year: 49.99%) of share capital. For the shares held by members of the Board of Directors and other significant shareholders, please see Note 29.2 in the "Additional information on the consolidated financial statements".

2.17 Legal capital reserves

The capital contribution reserve derives from the reduction in nominal value in 2018.

2.18 Treasury shares (and share-based compensation)

CPH Chemie + Papier Holding AG held 376 treasury shares at the end of 2020 (prior year: 572 shares), acquired at an average purchase price of CHF 72.61 (prior year: CHF 79.20) per share. A total of 21 438 treasury shares were purchased on the SIX Swiss Exchange in the course of 2020 (prior year: 16 584 shares) at an average purchase price of CHF 71.97 (prior year: CHF 81.91) per share, and a total of 19 253 treasury shares were sold via the SIX Swiss Exchange in the course of 2020 (prior year: 17 075 shares) at an average sale price of CHF 70.38 (prior year: CHF 81.67) per share. A further 1 190 shares of a total value of CHF 0.09 million were assigned to members of the management of CPH Chemie + Papier Holding AG in share-based compensation; and a further 1 191 shares of a total value of CHF 0.09 million were sold to subsidiaries for such assignment to their management members.

Guarantees to third parties

Contingent liabilities amount to CHF 37.9 million (prior year: CHF 41.2 million), of which CHF 27.9 million (prior year: CHF 31.2 million) consists of guarantees and securities issued by CPH Chemie+Papier Holding AG to Swiss banking institutions in respect of subsidiaries' credit limits and overdraft facilities. CPH Chemie+Papier Holding AG has also provided a guarantee of CHF 10.0 million to Canton Zurich should Zeochem AG be unable to meet the outstanding costs of the inspection, monitoring and clean-up of a waste disposal site.

Pledged assets

Liquid funds with a value of CHF 0.7 million are pledged.

Joint and several liability

CPH Chemie+Papier Holding AG is jointly and severally liable towards the Swiss federal tax authorities in Bern for current and future value-added tax payments of the CPH Group (group taxation).

Assets subject to reservation of ownership

The book value of leased property, plant and equipment amounts to CHF 0.0 million (prior year: CHF 0.0 million).

Leasing liabilities

The liabilities on leased vehicles amount to CHF 0.0 million (prior year: CHF 0.1 million).

Remuneration of members of the Board of Directors and Group Executive Management

The remuneration paid to members of the Board of Directors and Group Executive Management is detailed in the Remuneration Report on Pages 35 to 38.

Subordination agreements

Subordination agreements have been concluded between CPH Chemie+Papier Holding AG, Perlen and Zeochem AG, Rüti ZH amounting to CHF 40.0 million (prior year: CHF 40.0 million).

Subsequent events

The Board of Directors of CPH Chemie + Papier Holding AG has proposed to the company's shareholders to acquire Uetikon Industrieholding AG, which is presently the company's largest shareholder, via a merger by absorption. Under the merger proposal, the shareholders of Uetikon Industrieholding AG will exchange their shares therein for a commensurate number of shares in CPH Chemie+Papier Holding AG, newly giving them a direct CPH shareholding. The proposal will be submitted to the shareholders concerned for approval at an Extraordinary General Meeting in early June 2021. No further events occurred between 31 December 2020 and 12 February 2021.

Recommendation on the appropriation of available earnings and reserves

Movements in earnings available

in CHF thousand	2020	2019
Balance brought forward from prior year	52 553	20 173
Appropriation of reserves available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
To voluntary retained earnings	–52 553	–20 173
Distribution to shareholders	0	–10 798
Profit	14 335	52 553
Release from capital contribution reserve	0	10 798
Earnings available at end of year	14 335	52 553

Board's recommendation to shareholders on the appropriation of available earnings and reserves

in CHF thousand	2020 Board recommendation	2019 General Meeting resolution
Earnings available	14 335	52 553
Release from capital contribution reserve	4 200	0
Distribution to shareholders	–10 800	0
Transfer to voluntary retained earnings	–7 735	–52 553
Balance of earnings to be carried forward	0	0

Distribution proposal

The Board of Directors will propose to the Ordinary General Meeting of 18 March 2021 that a distribution be awarded to shareholders of CHF 1.80 per share. Of this amount, CHF 1.10 per share will derive from current earnings available and CHF 0.70 per share from the capital contribution reserve.

For the 2019 financial year, the Ordinary General Meeting resolved that the nominal value of the CPH Chemie+Papier Holding AG registered share be reduced by CHF 1.80 from CHF 2.00 to CHF 0.20, and that the CHF 1.80-per-share reduction amount (total CHF 10.8 million) be repaid to shareholders.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CPH Chemie+Papier Holding AG, which comprise the income statement for the year ended 31 December 2020, balance sheet as at 31 December 2020 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 78 to 83) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

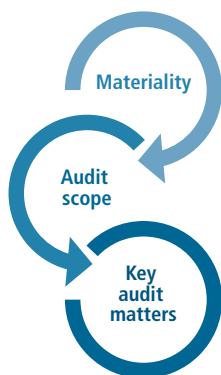
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 3,500,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

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

Valuation of long-term receivables from Group companies and of investments in Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 3,500,000
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How we

determined it

0.6% of total assets

Rationale for the materiality benchmark applied

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

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Valuation of long-term receivables from Group companies and of investments in Group companies

Key audit matter

We consider the valuation of long-term receivables from Group companies and of investments in Group companies as a key audit matter. These items are disclosed on the balance sheet in the amounts of CHF 336 million and CHF 150 million, respectively.

The valuation of long-term receivables from Group companies and of investments in Group companies depends on the financial substance and profitability of the subsidiaries. Hence, there is a risk that write-downs could be necessary if Management's expectations are not met.

Please refer to notes 2.2, 2.11 and 2.12 in the notes to the financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures with regard to the valuation of long-term receivables from Group companies and of investments in Group companies:

- For long-term receivables from Group companies, we tested the recoverability of the recognised amounts by comparing them with the debtor's net assets at Swiss GAAP FER book values.
- For significant investments in Group companies, we tested the recoverability of the investments based on the net assets valued in accordance with Swiss GAAP FER or, where necessary, on the basis of Management's capitalised earnings estimates.
- In addition, we examined whether appropriate provisions or impairments were recognised in the event that letters of comfort or subordination agreements were accorded.

Our audit supports the amounts recognised by Management with regard to long-term receivables from Group companies and investments in Group companies.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zürich, 12 February 2021

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This Annual Report contains future-oriented statements about CPH that are subject to risk and uncertainties. These statements reflect the management's opinions at the time of the Report's compilation, but they may deviate from actual future events.

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