

Diversified. Leading. Innovative.

The CPH Group is a diversified industrial concern which provides innovative and sustainable solutions that create value for its customers. And it's been doing so for over 200 years.

1 Vision

The CPH Group is a stable, diversified and profitable industrial concern whose business divisions operate independently in their various markets. With its technology leadership and its innovative products, the Group provides its customers with clear added value and, by doing so, occupies a leading position in its chosen market segments.

2 Strategy

The CPH Group comprises the three business divisions of Chemistry, Paper and Packaging, each of which operates independently in its specific markets, in each of which it seeks to achieve and maintain either market or cost leadership. The three business divisions pursue differing business models in their separate target markets, which helps smooth out the fluctuations in the various market cycles.

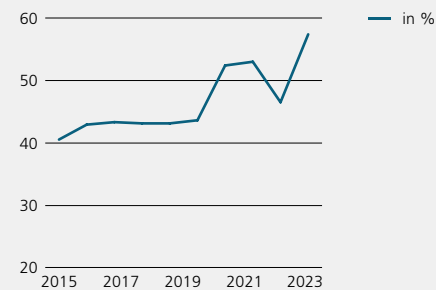
Economic sustainability is the bedrock of the CPH Group's activities, with a prime focus on continuous long-term development. The Group's sustainability strategy is part of its overall corporate strategy, and has provided a vital foundation for its more than 200 years of business and industrial success. Its sustainable alignment and approach are reflected not least in its carbon intensity, which, for its paper manufacturing operations, has been reduced to a quarter of the industry average over the past few years. These efforts have been promoted in particular by the elimination of the use of heavy fuel oil, the replacement of gas with carbon dioxide-free steam procured from the adjacent Renegia waste incinerator for the Group's paper production, and the use of the Group's own biomass power plant to thermally re-use recovered paper waste. The Group's sustainability strategy was further developed and refined in the year under review. Our reporting thereon is correspondingly more extensive, and will be found in our expanded sustainability report from Page 30 onwards.

2.1 Strategic thrusts

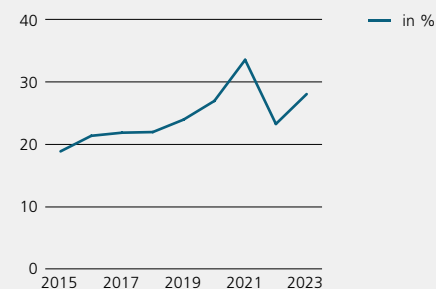
The European market for wood-based graphic printing paper is in decline. The Paper Division essentially pursues a policy of making maximum use of its paper manufacturing capacities without further expanding its existing production facilities. One key element of the overall CPH Group strategy is to reduce the proportionate contribution of the Paper Division to the Group's overall business by expanding the Chemistry and Packaging divisions, to ensure that they make a great aggregate contribution to total Group sales and thereby become divisions of equal revenue weight.

Key strategic thrusts

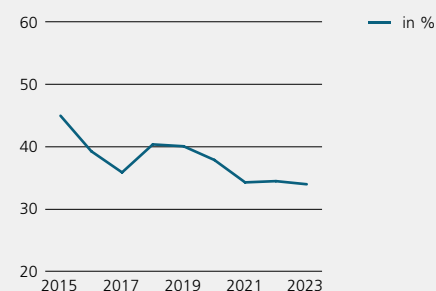
Raise Chemistry and Packaging's share of net sales



Raise share of net sales from outside Europe



Lower proportion of costs in Swiss francs



With European sales markets saturated, the CPH Group is further increasing its market share in the growth markets outside Europe and in emerging economies. By developing new production capacities outside Switzerland, the Group has also substantially reduced its previously high exposure to Swiss-franc currency movements over the past few years. By pursuing these actions, the share of total Group costs incurred in Swiss francs should continue to decline, and with it the corresponding exchange-rate exposure. The progress achieved in these three strategic directions is presented in graph form on Page 13.

Chemistry is the smallest of the CPH Group's three business divisions. In addition to the mid-single-digit-percentage organic growth in its annual net sales, various strategic options are being considered to effect the division's further expansion. The Packaging Division seeks to achieve higher single-digit-percentage organic net sales growth by expanding its presence in the international pharmaceuticals market. The Chemistry and Packaging divisions both pursue a differentiation strategy, further developing their product ranges with a clear focus on high-value products and services. And they both plan further strategic investments in their production and distribution to strengthen their position in the growth markets of Asia and Latin America.

The Paper Division pursues a strategy of cost leadership in its Western European regional sales market, to ensure that it can survive and thrive among the market's predatory competition in the longer term. With its almost carbon-neutral production, the division positions itself as a sustainable supplier of publication paper. The division is also a major recycler of waste wood from Swiss sawmill and forest management operations.

2.2 Strategic success factors

The CPH Group's prime strategic success factors include:

- its leading position in its chosen sales markets
- its diversification into various markets and business models
- its focus on markets with above-average growth prospects and potential
- its constant product innovations to maintain its competitive edge
- its own production facilities in Europe, Asia and North and South America
- its sustainable corporate management with a stable management team
- its lean organization and skilled and experienced personnel
- its strong anchor shareholders among the descendants of the founding families

3 Markets

3.1 Megatrends

The CPH Group aligns its business activities to sectors with above-average growth prospects and potential. Its key value drivers are the long-term megatrends of healthcare, energy and the circular economy.

Healthcare

The world's population is growing by some 80 million people a year. The growth is primarily attributable to increasing longevity, and average life expectancy is projected to further rise to over 77 in the next 30 years. One of the reasons for this is rising living standards, and the concomitant greater value attached to healthcare among the population. Thanks to medical advances, treatments and medications are available today for many illnesses which offered few prospects of recovery not too long ago. Verified Market Research expects the global healthcare market to continue to grow by some 9% a year to a total volume of USD 782 billion between 2022 and 2030. The more developed an economy is, the more its people will tend to spend on health. In industrialized countries, healthcare accounts for 10% or more of gross domestic product.

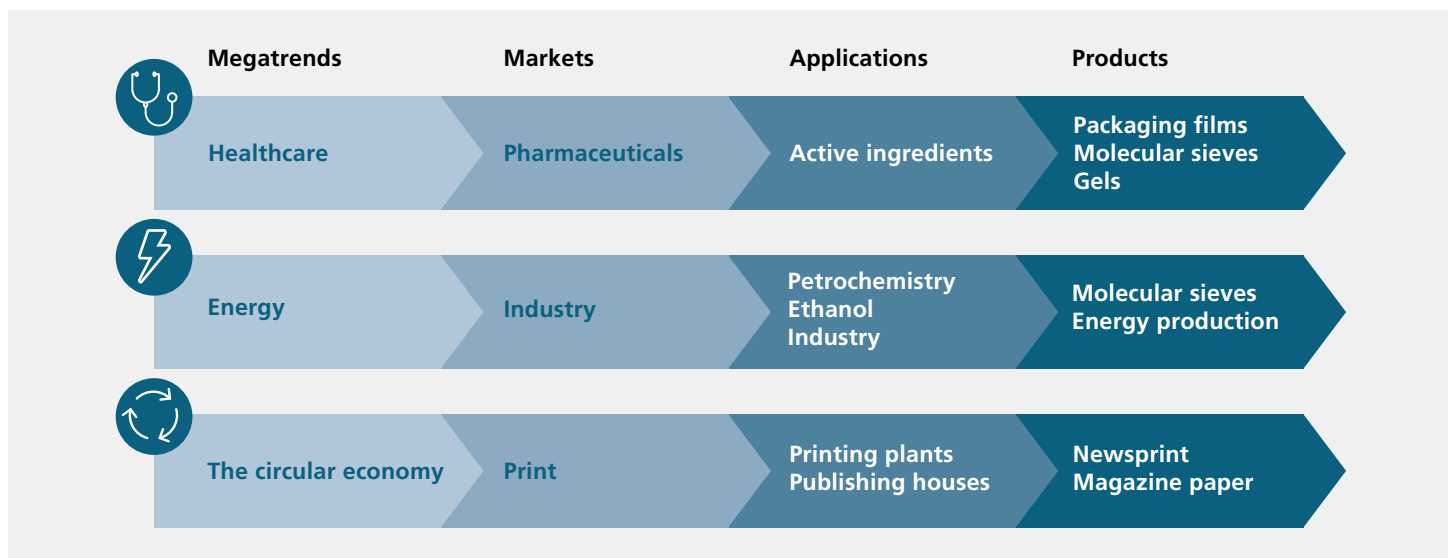
The pharmaceutical industry plays a vital role in healthcare provision. For the CPH Group, healthcare is a prime value driver, and the pharmaceutical industry is a key sales market. The Packaging Division is firmly aligned to the pharmaceuticals market, and many of the products of the Chemistry Division are also destined for use in the healthcare sector.

Energy

Providing its growing population with energy is one of the major challenges the world will face in the next few decades. According to the US Energy Information Administration's International Energy Outlook for 2023, global energy needs could rise a further 34% between now and 2050. To achieve the climate goals set by the United Nations and limit global warming, sustainable energy sources such as biomass, geothermal, hydro, solar and wind energy must be further developed. But despite the substantial growth in such sustainable energy supplies, fossil fuels such as natural gas, oil and coal will remain the prime sources of energy worldwide in the short- and medium-term future.

Any gases which are to be used in industrial processes must first be cleaned and freed of any impurities such as water or sulphur. Adsorbents supplied by CPH's Chemistry Division ensure that such unwanted elements are removed from natural gas, ethanol, methane and other gaseous substances.

At the CPH Group's Perlen location, a biomass power plant thermally processes on-site the sludge and the wood waste produced by its paper manufacturing operations. The Perlen site also accommodates a hydro power plant which generates electricity for CPH's use. And the local Renergia waste incineration facility, in which the CPH Group holds a 10% equity interest, incorporates a large power plant that provides energy for the local region and supplies the Paper Division's production plant with carbon dioxide-free steam.



The circular economy

The Earth's resources are finite. And there is already a sizeable awareness among many of its people that waste should be minimized, sorted and re-used as much as possible. Items such as metals, glass, plastic, cardboard and paper are consistently collected separately and recycled in numerous countries. The European Union also approved a Circular Economy Action Plan in 2020 which should help make Europe cleaner and more competitive under the broader European Green Deal agenda. The CPH Group plays its part in the circular economy, too, through the products it manufactures and provides.

The CPH Group recycled 331 700 tonnes of household waste paper into new newsprint and magazine papers in 2023. Waste paper can be collected, reprocessed and turned into new publication paper seven times. After this the remaining fibres are too short and need to be replaced. The fresh fibres added to this end come from waste sawmill and forest management wood that is processed into wood pulp at the Perlen factory.

The molecular sieves manufactured by the Chemistry Division are of mineral origin. They can be regenerated by heating multiple times, and therefore offer customers sustainable and long-lasting solutions for purifying and concentrating gaseous substances.

The Packaging Division primarily manufactures PVC films which are combined with aluminium to make pharmaceutical blister packs. The division is working on developing alternatives to these with smaller carbon footprints.

3.2 Leading market positions

The Chemistry Division is active in the molecular sieve, chromatography gel and deuterated solvent product segments. In its largest such segment – molecular sieves for industrial applications – the division is one of the world's top three suppliers, and is the market leader in

providing such products for the demanding process of concentrating oxygen. On the molecular sieve front, UOP, Arkema and Grace are among CPH's biggest competitors.

The Paper Division has raised its share of the Western European graphic printing paper market to around 10% over the past few years. For logistical reasons, the sales market here tends to be restricted geographically to a radius of some 700 kilometres from the Perlen manufacturing site. In Switzerland the Paper Division is the clear number-one supplier of graphic printing paper, accounting for about half the total market volume. The division's competitors include UPM, Norske Skog and Palm.

The Packaging Division is the only provider of packaging films in the world that focuses solely on the pharmaceutical industry. The division is one of the world's top three suppliers of coated barrier films for pharmaceutical applications and the leader in the provision of films with high-barrier properties. Its competitors include Klöckner Pentaplast and Liveo Research.

3.3 Three market segments

The CPH Group aims its products primarily at the pharmaceutical, industry and print markets.

Pharmaceuticals

The pharmaceutical industry plays a key role in ensuring and maintaining human health, and is almost entirely independent of economic fluctuations. The IQVIA institute expects the global medicines market to grow in value by 3% to 6% a year between now and 2027, or by as much as 7% to 10% in the emerging economies. The CPH Group produces PVC-based films for use in the pharmaceutical industry's blister packs. With the exception of the USA, where medicines are primarily supplied in bottles, blister packs are the preferred packaging form for tablets and capsules today. With production sites in Europe,

Asia and North and South America, the CPH Group has a local presence in all the key pharmaceutical markets, and offers a wide range of film products ranging from mono films to coated films that meet the highest barrier demands. The Group also manufactures molecular sieves for concentrating medical oxygen and gels for separating complex pharmaceutical agents.

Industry

Many of the processes in the petrochemical, chemical and manufacturing industries (such as steelmaking) involve the use of gaseous substances, particularly oxygen, hydrogen, natural gas, ethanol and olefin. The CPH Group manufactures molecular sieves which purify or concentrate these gases on an industrial scale. Molecular sieves are also used as industrial desiccants, such as in vehicle braking systems or to prevent misting between the panes of multipane windows. The CPH Group manufactures a wide range of high-quality molecular sieves at its production plants in Europe, Asia and the USA. Thanks to its strong innovation credentials, the Group is a global leader in the manufacture and provision of complex lithium-based molecular sieves that are used to concentrate oxygen, a field in which it has shown particular excellence in developing new products in close collaborations with its key customers.

Print

The CPH Group manufactures and distributes newsprint and magazine paper – graphic printing papers of the kind supplied to printing works and publishing houses, where they are used to produce newspapers, magazines and advertising supplements. The demand for graphic printing papers has been declining since 2010 as a result of fundamental structural change: the increasing replacement of printed products by electronic media.

The demand for printing paper is likely to continue to decline in the years ahead. But since print products still hold numerous advantages over digital formats, the CPH Group remains confident that supply and demand in the segment will even out again in the medium term, albeit at a lower volume level. With its advanced manufacturing machinery, its efficient production processes and its sustainable and almost carbon-neutral quality paper products, the CPH Group has established itself as a reliable partner within the paper market.

3.4 Global presence

With 11 production sites of its own, the CPH Group has an industrial presence in Europe, Asia and North and South America. This broad geographical spread enables full use to be made of the locational advantages of the various countries concerned, while also lowering currency movement risks.

The international customers of the CPH Group attach great value to the local links and assistance that such geographical distribution provides, and also appreciate the shorter and more direct communications channels. Maintaining such a local presence is essential for the Group to swiftly and effectively respond to customer wishes and needs. The resulting shorter transport journeys also help tangibly reduce the environmental impact of CPH's business operations. A local presence further lays a firm foundation for lasting customer relations that are based on trust and respect. In addition to its own experienced local distribution and service specialists in its main markets, who are well familiar with local customs and culture, the CPH Group can also draw on a comprehensive network of distribution partners in all its target markets.

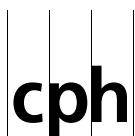
3.5 A consistent branding policy

Corporate brands

The CPH Group pursues a clear branding policy. At the corporate level the Group maintains five brands, which are aimed at differing markets and target groups. CPH Chemie+Papier Holding (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 trademarked corporate brands of 'Zeochem', 'Perlen Papier AG', 'Perlen Packaging' and 'APS Altpapier Service Schweiz AG'. The Group's corporate brands enjoy outstanding acceptance and high familiarity in their target markets, where they are bywords for both innovation and tradition. Perlen Papier has been operating since 1873; the Packaging Division has been trading under its Perlen Packaging brand since 2010; and the Zeochem brand has been used since 1979, and originated at the Chemistry Division's US operation.

The corporate brands of the CPH Group



ZEOCHEM®



perlen
packaging



perlen papier ag



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, Zeochem's product names generally begin with 'Zeo-' (such as Zeoprep), Perlen Papier's are prefixed 'Perlen-' (such as Perlentop) and Perlen Packaging's product names begin with 'Perla-' (such as Perlalux). The product names are also registered as trademarks wherever possible, to protect them from counterfeiting activities.

4 An over 200-year history

It was back in 1818 that the Schnorf brothers started producing sulphuric acid and iron and copper sulphates in Uetikon by Lake Zurich. In 1881 the Schnorf family acquired a financial interest in the Perlen paper factory, expanding into a related process industry. By around 1900, the Uetikon chemicals factory was Switzerland's biggest producer of sulphuric acid, nitric acid and hydrochloric acid.

1962 saw the creation of the packaging operation in Perlen, which went on to specialize in plastic coatings. The manufacture of molecular sieves began at the Uetikon site in 1973. Six years later the chemistry business embarked on a joint venture in the USA by the name of Zeochem, under which the Chemistry Division continues to trade today. (The US joint venture was subsequently acquired in full in 1997.)

The last 15 years have been marked by international expansion and market cultivation, with new companies founded, others acquired and production plants established in Germany, China, Bosnia and Herzegovina and Brazil, together with the closure of the original Uetikon site. The Perlen paper factory celebrated the 150th anniversary of its foundation in 2023.

Continuity is assured through the Group's holding company's anchor shareholders, who are among the present-day descendants of the founding families. Further details on CPH's history will be found at <https://cph.ch/en/the-cph-group/history>.

5 Attractive to investors

Megatrends drive value

The three business divisions of the CPH Group are all aligned to the long-term megatrends of healthcare, energy and the circular economy. The Group's business model is based on a diversification into differing industrial activities that helps partially smooth out the varying fluctuations and cycles within its target markets. The Group seeks to achieve organic volume growth over the medium term of at least 3 % a year by specifically positioning itself in growth markets in both product and geographical terms.

Success through constant innovation

The CPH Group invests constantly in developing new products and solutions and further enhancing its processes, to ensure it remains a market leader with the activities of its Chemistry and Packaging divisions and a cost leader in its Paper Division's production. The Group also operates development centres in Switzerland, Germany and the USA to generate further added value for its customers.

An outstanding track record

The members of CPH's Board of Directors and Group Executive Board are entrepreneurially minded individuals with a broad range of skills and expertise. They can draw on many years of management and industry experience, and are well familiar with the specific cycles and challenges in the various markets of the CPH Group.

The Group is further backed by anchor shareholders from the descendants of the founding families, who maintain a long-term outlook and perspective that strongly colour the Group's philosophy and approach and who are represented by the Chairman of the Board of Directors.

A sound financial foundation

With its firm focus on efficiency enhancements, its consistent alignment of its business portfolio to market needs and demand and its annual operational investments of between CHF 20 and 25 million, the CPH Group aims to achieve an average annual EBITDA margin of more than 12 % over the business cycles. With an equity ratio of more than 70 % and with net liquid assets of over CHF 100 million, the Group is in very sound financial health.

The CPH Group maintains a consistent dividend policy with a dividend distribution – with due regard to liquidity and free cash flow both current and projected – of 25 % to 50 % of its net annual result. With one sole exception, the Group has awarded shareholders a dividend every year since it was first listed on the Swiss Stock Exchange in 2001.

Sustainable success

The CPH Group strives to make a positive impact on the environment with its product portfolio. To explicitly underpin such aspirations, the Group had the shareholders at its 2023 Annual General Meeting enshrine its commitment to long-term and sustainable value creation in its Articles of Incorporation. The Group is also working to achieve net-zero emissions. More than half of its net sales are already earned through products that are of ecological benefit and that support the circular economy. The Group is constantly further improving its energy efficiency, too. It has reduced its carbon dioxide emissions by around 90 % in the past ten years, despite the substantial international expansion of its Chemistry and Packaging divisions over the same period. The Group can also count on a diverse workforce all over the world – a diversity which is the foundation of its creativity, its innovation and its lasting success.