

**CPH GROUP**

## Return to profit

The CPH Group generated net sales of CHF 242.9 million in the first six months of 2014. The net sales result, which is broadly in line with prior-year levels, was achieved in a challenging business environment. With further efficiency enhancements and a lower depreciation base, group first-half EBIT was improved by CHF 22.9 million to a positive CHF 9.3 million. CPH also successfully issued its first-ever Swiss-franc bond.

The CPH Group (ticker CPHN) generated net sales for the first six months of 2014 of CHF 242.9 million, virtually unchanged (-0.9%) from the net sales result for the same period last year.

The continued demand for molecular sieves in the ethanol and shale gas production sectors had a positive impact on the Chemistry Division's US business unit. But pricing pressures from competitors – especially those based in Asia – posed problems for the division's Swiss operations, where utilizations remained less than satisfactory. As a result, the division failed to match its prior-year sales levels, and posted a negative EBIT for the period. The Paper Division achieved a small increase in its net first-half-year sales, benefiting from both slight year-on-year price rises and higher sales volumes. The actions taken to enhance profitability also had their effect, and the division posted its first black-ink EBIT result since 2009. The Packaging Division felt a slight weakening in the growth of Europe's pharmaceuticals markets, and with it an easing of the demand for its blister film products. The division's net first-half sales remained virtually at prior-year levels, but divisional EBIT for the period suffered a year-on-year decline.

With paper production being CPH's dominant business segment, the Paper Division's higher net first-half-year sales and operational enhancements both had a strong impact on overall group results. Group EBITDA was raised 75% to CHF 26.7 million, while group EBIT was increased by CHF 22.9 million to a positive CHF 9.3 million. About half of these improvements can be attributed to the Group's lower depreciation base following the impairments effected last year. The net group result for the first-half period improved from the CHF 16.5 million loss of 2013 to a profit of CHF 7.8 million.

Equity amounted to CHF 437.7 million at the end of June 2014, giving an equity ratio of 66.6%. CPH also issued its first-ever corporate bond on the Swiss capital markets. The CHF 120 million bond has a term of five years and carries a coupon of 2.75%. The funds raised will be used to restructure debt and finance future growth plans.

**Outlook for the year** – The Chemistry Division should enjoy continued favourable demand in its US markets for the rest of 2014. The division has also responded to the intensified competition in Europe by enhancing its raw materials sourcing and strengthening sales efforts. But, while some improvement can be expected in the second six months, the division will be challenged to emulate its prior-year annual net sales levels. Divisional EBIT should also improve, but is likely to remain negative for the year.

The European paper market continues to shrink, and with the present over-capacities paper prices will remain under pressure in the second half of the year. The Paper Division is, however, confident of increasing its overall sales volumes. And with further efficiency enhancements, the division expects to post a positive annual EBIT.

The Packaging Division has resolved to expand its production to China, to play a greater role in the growth of the Asian pharmaceuticals market. Land is being acquired near Shanghai to this end. The new facility, which will be designed to meet GMP standards, should commence operations in 2016. For 2014 the Packaging Division expects to achieve net sales that are broadly in line with prior-year levels, and a positive EBIT.

The CPH Group expects to report net sales for 2014 which are a slight increase on the previous year. The Group will also post a positive net annual result, thanks to the continued actions in all divisions to enhance profitability. This "return to the black" is due reward for all the endeavours of the Group's personnel. And for these we offer our people our warmest thanks.

Hanspeter Balmer stepped down from the Board of Directors of CPH Chemie + Papier Holding AG on 30 June for health reasons. We offer him our sincere thanks for all his over 17 years of work, service and dedication to CPH, and wish him all the very best. Max Walter has succeeded him as chair of the Board's Finance & Auditing Committee, and Tim Talaat has become an interim member thereof until the 2015 Annual General Meeting.

Perlen, 22 July 2014

Peter Schaub  
Chairman of the Board

Dr. Peter Schildknecht  
Group CEO

in CHF thousand	First-half 2014	First-half 2013	Change (%)
<b>Net sales</b>	<b>242 926</b>	<b>245 039</b>	<b>-0.9</b>
<b>EBITDA</b>	<b>26 694</b>	<b>15 250</b>	<b>75.0</b>
in % of net sales	11.0	6.2	
<b>EBIT</b>	<b>9 302</b>	<b>-13 572</b>	
in % of net sales	3.8	-5.5	
<b>Earnings before taxes and extraordinary items</b>	<b>7 615</b>	<b>-15 261</b>	
in % of net sales	3.1	-6.2	
<b>Net result</b>	<b>7 766</b>	<b>-16 471</b>	
in % of net sales	3.2	-6.7	
Earnings per share (CHF)	25.89	-54.90	
<b>Cash flow</b>	<b>22 502</b>	<b>12 021</b>	<b>87.2</b>
in % of net sales	9.3	4.9	
<b>Number of employees</b>	<b>868</b>	<b>880</b>	<b>-1.4</b>

## Cautious markets and pressure on margins

The markets for molecular sieves in North and South America and the Far East were buoyed by continued demand for their use in shale gas extraction, ethanol production and the purification of oxygen for medical applications. The division's focus on developing and manufacturing higher-margin products at its Louisville facility in the USA is also reaping rewards. At the same time, the sales of the molecular sieves produced in Switzerland declined, especially in the price-sensitive volume business for the chemicals and energy sectors, and the division's Swiss facilities were underutilized in the period. Sales efforts were further intensified to raise earnings levels, while action was also taken on the raw materials sourcing front.

The division's net first-half sales amounted to CHF 28.6 million, 12.7% down on the prior-year period. And with the lower sales from its Swiss operations, first-half EBITDA remained just positive, while EBIT declined from CHF -0.7 million to CHF -1.5 million.

**Outlook for the year** – With the slow-but-steady recovery in the local economy and the recent increases in domestic gas production, demand in

the US market should remain largely stable. But the pricing pressures in Europe from China-based suppliers are also likely to persist. Further impetus here could come from the Middle and Far East. For 2014 as a whole, the division will be challenged to match its prior-year net sales level. EBIT will be an improvement, thanks mainly to the asset impairments effected in 2013; but the year is expected to deliver another red-ink result.

in CHF thousand	First-half 2014	First-half 2013	Change (%)
<b>Net sales</b>	<b>28 552</b>	<b>32 714</b>	<b>-12.7</b>
<b>EBITDA</b>	<b>39</b>	<b>1 935</b>	<b>-98.0</b>
in % of net sales	0.1	5.9	
<b>EBIT</b>	<b>-1 476</b>	<b>-676</b>	
in % of net sales	-5.2	-2.1	
<b>Number of employees</b>	<b>178</b>	<b>175</b>	<b>1.7</b>

## High utilizations and a positive EBIT

Europe's consumption of newsprint and magazine paper declined a further 3-4% in the first-half period. And with production failing to scale back to the same degree, the sector continued to suffer from overcapacities. Slight price rises and increases in its volumes of higher-margin products impacted positively on the Paper Division's sales. And both its paper machines remained well utilized. Net first-half sales stood at CHF 153.1 million, up 1.1%.

The division continued to focus on enhancing its production and associated processes, to further raise efficiency and profitability. As a result of the actions taken, half of the goals that were set here two years ago have now been achieved. To take one example, over 50% of the recovered paper used in production is now domestically sourced. The shift to procuring electricity from the free market also had a beneficial impact.

As a result, divisional EBITDA for the period was more than quadrupled to CHF 21.1 million. Last year's asset impairments also lowered the division's depreciation base; and EBIT improved accordingly, rising CHF 26.4 million from the CHF -17.6 million of 2013 to a positive CHF 8.8 million.

**Outlook for the year** – With market demand expected to suffer further declines, the prices for printing paper are likely to remain stable at best in the second half of the year. The Paper Division will continue to focus on implementing its planned efficiency enhancements, and will post a positive annual EBIT.

in CHF thousand	First-half 2014	First-half 2013	Change (%)
<b>Net sales</b>	<b>153 148</b>	<b>151 419</b>	<b>1.1</b>
<b>EBITDA</b>	<b>21 073</b>	<b>5 095</b>	<b>313.6</b>
in % of net sales	13.8	3.4	
<b>EBIT</b>	<b>8 750</b>	<b>-17 620</b>	
in % of net sales	5.7	-11.6	
<b>Number of employees</b>	<b>363</b>	<b>382</b>	<b>-5.0</b>

## New production facility to be built in China

The pharmaceuticals markets experienced slightly slower growth in the first six months of 2014, and the growth in demand for medicinal blister packagings eased accordingly, too. The general trend did, however, show sizeable regional variations, from low-single-digit percentage growth in Europe (which is the Packaging Division's prime sales market) to almost double-digit growth in Asia.

The division generated net sales of CHF 61.2 million for the period, a slight increase on the first half of 2013. But higher personnel, production and strategic project costs depressed first-half EBITDA 32.3% to CHF 5.1 million, while EBIT fell 51.6% to CHF 2.3 million. Perlen Packaging earned the ASCO Award for the earnings enhancement project that it has successfully conducted over the past few years.

**Outlook for the year** – The Packaging Division is to build a new production facility in China to better tap the Asian pharmaceuticals market, which is currently seeing above-average growth. Some 17 000 square metres of

land are being acquired in Wujiang (near Shanghai) to this end. Construction should begin next year. Perlen Packaging will be the first international supplier to establish a blister film manufacturing plant in China. For the full 2014 business year the division expects its net sales to be largely in line with 2013's, while EBIT for the year is likely to decline.

in CHF thousand	First-half 2014	First-half 2013	Change (%)
<b>Net sales</b>	<b>61 226</b>	<b>60 906</b>	<b>0.5</b>
<b>EBITDA</b>	<b>5 087</b>	<b>7 511</b>	<b>-32.3</b>
in % of net sales	8.3	12.3	
<b>EBIT</b>	<b>2 254</b>	<b>4 660</b>	<b>-51.6</b>
in % of net sales	3.7	7.7	
<b>Number of employees</b>	<b>314</b>	<b>311</b>	<b>1.0</b>

## Consolidated income statement

in CHF thousand	First-half 2014	First-half 2013
<b>Net sales</b>	<b>242 926</b>	<b>245 039</b>
Changes to semi-finished and finished inventories / other operating income / goods and services on own account	14 114	7 852
<b>Total income</b>	<b>257 040</b>	<b>252 891</b>
Operating expense	-230 346	-237 641
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>26 694</b>	<b>15 250</b>
Depreciation and value adjustments	-17 392	-28 822
<b>Earnings before interest and taxes (EBIT)</b>	<b>9 302</b>	<b>-13 572</b>
Financial result	-1 687	-1 689
<b>Earnings before taxes and extraordinary items</b>	<b>7 615</b>	<b>-15 261</b>
Non-operating result	1 268	12
<b>Earnings before taxes</b>	<b>8 883</b>	<b>-15 249</b>
Income tax and deferred taxes	-1 117	-1 222
<b>Net result for the period</b>	<b>7 766</b>	<b>-16 471</b>

## Income statement by division

2014 in CHF thousand	Chemistry	Paper	Packaging	Other / consolidation	First-half Group
<b>Net sales</b>	<b>28 552</b>	<b>153 148</b>	<b>61 226</b>		<b>242 926</b>
<b>EBITDA</b>	<b>39</b>	<b>21 073</b>	<b>5 087</b>	<b>495</b>	<b>26 694</b>
in % of net sales	0.1	13.8	8.3		11.0
<b>EBIT</b>	<b>-1 476</b>	<b>8 750</b>	<b>2 254</b>	<b>-226</b>	<b>9 302</b>
in % of net sales	-5.2	5.7	3.7		3.8
Financial result					-1 687
<b>Earnings before taxes and extraordinary items</b>					<b>7 615</b>
Non-operating result					1 268
<b>Earnings before taxes</b>					<b>8 883</b>
Income tax and deferred taxes					-1 117
<b>Net result for the period</b>					<b>7 766</b>
in % of net sales					3.2

2013 in CHF thousand	Chemistry	Paper	Packaging	Other / consolidation	First-half Group
<b>Net sales</b>	<b>32 714</b>	<b>151 419</b>	<b>60 906</b>		<b>245 039</b>
<b>EBITDA</b>	<b>1 935</b>	<b>5 095</b>	<b>7 511</b>	<b>709</b>	<b>15 250</b>
in % of net sales	5.9	3.4	12.3		6.2
<b>EBIT</b>	<b>-676</b>	<b>-17 620</b>	<b>4 660</b>	<b>64</b>	<b>-13 572</b>
in % of net sales	-2.1	-11.6	7.7		-5.5
Financial result					-1 689
<b>Earnings before taxes and extraordinary items</b>					<b>-15 261</b>
Non-operating result					12
<b>Earnings before taxes</b>					<b>-15 249</b>
Income tax and deferred taxes					-1 222
<b>Net result for the period</b>					<b>-16 471</b>
in % of net sales					-6.7

## Consolidated balance sheet

in CHF thousand	30.06.2014	31.12.2013
Current assets	201 096	214 524
Fixed assets	455 938	467 264
<b>Total assets</b>	<b>657 034</b>	<b>681 788</b>
Current liabilities	77 825	105 045
Long-term liabilities	141 472	142 480
Group equity	437 737	434 263
<b>Total equity and liabilities</b>	<b>657 034</b>	<b>681 788</b>

## Consolidated cash flow statement

in CHF thousand	First-half 2014	First-half 2013
<b>Net result for the period</b>	<b>7 766</b>	<b>-16 471</b>
Depreciation, changes in provisions and profits realized on real-estate sales	14 736	28 492
<b>Cash flow</b>	<b>22 502</b>	<b>12 021</b>
Changes in net current assets	-30 446	-7 888
<b>Cash flow from operating activities</b>	<b>-7 944</b>	<b>4 133</b>
Cash flow from investment activities	-6 445	-6 214
<b>Free cash flow</b>	<b>-14 389</b>	<b>-2 081</b>
Financial liabilities / other long-term liabilities	-15 500	-7 392
Dividends to shareholders	-3 900	-3 900
<b>Cash flow from financing activities</b>	<b>-19 400</b>	<b>-11 292</b>
Currency translation effects	88	-473
<b>Net change in cash and cash equivalents</b>	<b>-33 701</b>	<b>-13 846</b>

## Consolidated equity

in CHF thousand	30.06.2014	31.12.2013
Share capital	30 000	30 000
Capital reserves	12 300	16 200
Own shares	-61	0
Profit reserves	395 498	388 063
<b>Group equity</b>	<b>437 737</b>	<b>434 263</b>

## Agenda

### 27 February 2015

Annual Results Media Conference and Meeting for Investors

### 1 April 2015

Annual General Meeting in Lucerne

### July 2015

2015 Half-Year Report

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## Notes

These consolidated financial statements for the first half of 2014 have been compiled in accordance with Swiss GAAP Accounting and Reporting Recommendations (ARRs), particularly ARR 12 (Interim Reporting). They have been compiled and are presented with full and due observance of the consistency principle.

This half-year report contains forward-looking statements. These reflect the management's current assessment of market terms and conditions and future developments and events, and are thus subject to certain risks, uncertainties and assumptions. Unforeseen events can result in actual developments deviating from the statements made in this report and from other published information. To this extent, all the forward-looking statements contained in this report are made with this proviso.

Dieser Halbjahresbericht ist auch in deutscher Sprache erhältlich. The original language is German.