

THE CPH GROUP

Net sales down despite higher sales volumes

All three divisions of the CPH Group increased their sales volumes in the first half of 2015 over the same period last year. But with a weaker euro and lower paper prices, net group sales for the period fell 18.0 % to CHF 199.3 million, and the first-half group EBIT of CHF –18.5 million was a CHF 27.8 million decline. The Chemistry and Packaging divisions posted encouraging slight year-on-year increases in their EBIT results.

The Swiss National Bank's abolition in January of its previous minimum Swiss franc/euro exchange rate had a tangible impact on the 2015 first-half results of the CPH Group, which generates some two-thirds of its revenues in the Eurozone. The 13 % year-on-year fall in the value of the euro against the Swiss franc was only partially offset by higher sales volumes in all three business divisions. And the net group sales for the period of CHF 199.3 million represented an 18.0 % year-on-year decline.

Thanks largely to substantially higher sales volumes, the Chemistry Division posted net sales for the first half of 2015 that exceeded their prior-year level. The production facilities in Switzerland and the USA were both well utilized. First-half EBIT was also slightly improved. In addition to the weakness of the euro, the Paper Division suffered from declines in paper prices, which could only be partially offset by higher sales volumes. And although expenditure was further reduced from its prior-year level, the division still posted a negative first-half EBIT result. The pharmaceuticals markets saw further growth in the first-half period, though in Europe – the prime sales market for the Packaging Division – this was of only low-single-digit percentage proportions. The division's higher sales volumes only partially offset currency-related losses, however, and net sales for the period were correspondingly down. The division improved its first-half EBIT result, though, thanks to further efficiency enhancements.

Since it accounts for some two-thirds of total group earnings, business developments at the Paper Division have a major influence on overall results for the CPH Group. Group EBIT for the first-half period fell from the CHF 9.3 million of 2014 to CHF –18.5 million. The strength of the Swiss franc adversely affected the financial result, too, and the net result for the period declined to CHF –28.7 million. Total equity as of 30 June 2015 amounted to CHF 404.3 million; and with an equity ratio of 64.1 %, the CPH Group remains robust in capitalization terms.

The Annual General Meeting of 1 April 2015 newly elected Manuel Werder and Kaspar W. Kelterborn to the Board of Directors. The Board reconstituted itself at its first post-AGM meeting. Tim Talaat assumed the position of Deputy Chairman from Max Walter, who had previously retired; and Kaspar W. Kelterborn was appointed chair of the Board's Finance & Auditing Committee, with further committee members Peter Schaub and Manuel Werder.

Outlook for 2015 – The Chemistry Division should continue to benefit from strong demand in the second half of the year. The division's production facilities are currently well utilized, especially for higher-margin products. Higher sales volumes and further cost economies should cushion the adverse currency impact, and both net sales and EBIT for the year as a whole are likely to be broadly at their 2014 levels. The Paper Division sees some brighter prospects for the second half of the year: several of its competitors have announced price increases for their magazine paper products. But

given the falls in demand, Europe's paper production capacities would need to be further substantially reduced to permit sustainable price recoveries. The division has already initiated further action to enhance its efficiency by improving its processes and lowering its costs. But it will be unable to emulate its net sales of 2014, and will post a clearly negative EBIT result for the year as a whole. Prospects for the Packaging Division remain favourable. Work has begun on the new production facility in China. Packaging's net sales for 2015 are likely to fall short of the previous year's, owing largely to currency trends; but with the success of the efficiency improvements it has effected, the division is confident of posting an annual EBIT that is roughly in line with its prior-year level.

For 2015 as a whole the CPH Group expects to report lower net sales than last year and a negative EBIT result. But in the medium term the Group is confident of returning to profit, as it did in 2014. To this end, the Group will continue to pursue its strategy of developing additional production capacities outside Switzerland beyond its paper business, to better tap local markets with strong growth rates and to reduce its presently high exposure to adverse currency movements.

Perlen, 22 July 2015

Peter Schaub
Chairman of the Board of Directors

Dr. Peter Schildknecht
Group CEO

in CHF thousand	First-half 2015	First-half 2014	Change (%)
Net sales	199 309	242 926	–18.0
EBITDA	–748	26 694	
in % of net sales	–0.4	11.0	
EBIT	–18 494	9 302	
in % of net sales	–9.3	3.8	
Earnings before taxes and extraordinary items	–28 311	7 615	
in % of net sales	–14.2	3.1	
Net result	–28 693	7 766	
in % of net sales	–14.4	3.2	
Earnings per share (CHF)	–4.78	1.29	
Cash flow	–9 885	22 502	
in % of net sales	–5.0	9.3	
Number of employees	854	868	–1.6

CHEMISTRY

Higher net sales despite adverse currency impact

The Chemistry Division's markets showed varying trends in the period. Economic recovery remained sluggish in the important European markets. North America, by contrast, saw a rise in second-quarter demand, especially from the natural gas industry; and increased sales were also witnessed in the products used for medical oxygen production and in special zeolites for odour adsorption purposes. Demand in Asia remained solid.

While the strength of the Swiss franc did put pressure on revenues, the division raised its first-half net sales by 5.1% to CHF 30.0 million, thanks largely to the higher sales volumes. The production facilities in the USA and Switzerland were well utilized overall, and the division's order books are also encouragingly full.

On the expenditure front, the actions taken to enhance efficiency and reduce costs in the division's procurement markets brought additional relief. And despite the rapid January rise in the Swiss franc's value, both EBITDA (at CHF 0.2 million) and EBIT (at CHF -1.4 million) were slight improvements on their prior-year levels.

Outlook for 2015 – The pricing pressure (especially in Europe) from both European competitors and China-based manufacturers will persist throughout the rest of the year. The actions taken to raise the division's efficiency are having their effect, but can only partially compensate for the negative impact of adverse currency movements. All in all, the Chemistry Division expects to post results for 2015 as a whole that are broadly in line with last year's in both sales and EBIT terms.

in CHF thousand	First-half 2015	First-half 2014	Change (%)
Net sales	30 008	28 552	5.1
EBITDA	216	39	453.8
in % of net sales	0.7	0.1	
EBIT	-1 394	-1 476	
in % of net sales	-4.6	-5.2	
Number of employees	181	178	1.7

PAPER

Burdened by lower paper prices and a strong CHF

Depending on paper type, European demand for newsprint and magazine paper fell by 5–10% in the first half of 2015. Capacities were inadequately reduced in response. So pricing pressures remained high, and the Paper Division was faced with price declines. Utilization of its production facilities was satisfactory for magazine paper and good in newsprint terms, though, enabling sales volumes to be further increased on the prior-year period.

Perlen Papier exports most of its product from Switzerland to the Eurozone. So the Swiss National Bank's January abolition of its minimum CHF/EUR exchange rate had a strong effect on net sales. And with paper prices also suffering declines, the division's CHF 114.0 million net sales for the period were a full 25.6% down on their prior-year levels.

With efficiency enhancements continuing, costs for the period were clearly below their 2014 levels. But the progress here could only partly make up for the revenue declines. Provisions for trade accounts payable further burdened earnings; and EBITDA declined from CHF 21.1 million to CHF -7.1 million, while EBIT fell from CHF 8.8 million to CHF -19.8 million.

Outlook for 2015 – Magazine paper prices could see a slight recovery in the second half-year. Projections for the newsprint sector are still hard to make. The procurement of steam from the new Renergia waste incineration facility was successfully initiated in the second-quarter period. The Paper Division is also implementing a further raft of measures to improve its profitability. Despite all these efforts, though, net sales for the year are likely to fall short of their 2014 levels; and the annual EBIT result, too, will be a clearly negative one.

in CHF thousand	First-half 2015	First-half 2014	Change (%)
Net sales	113 975	153 148	-25.6
EBITDA	-7 058	21 073	
in % of net sales	-6.2	13.8	
EBIT	-19 761	8 750	
in % of net sales	-17.3	5.7	
Number of employees	359	363	-1.1

PACKAGING

First sod cut for new Wujiang production facility

The European pharmaceuticals markets, where the Packaging Division earns most of its revenues, showed only low-single-digit percentage growth. As a result, only slight increases were seen in the demand in Europe for blister packs. The Latin American markets showed encouraging trends, while markets in Asia continued to post double-digit growth rates. The first sod was also cut on the new production facility in Wujiang, China.

The Packaging Division posted net sales of CHF 55.3 million, 9.6% below their prior-year level. This is a satisfactory result, given that the division generates almost all its revenues outside Switzerland and the Swiss franc was much stronger this year than last. The net sales result is attributable to both higher sales volumes and a larger share of higher-margin products.

While rising oil prices increased the division's raw materials costs, the overall cost of materials was further reduced. And both the EBITDA of CHF 5.1 million (+1.0%) and the EBIT of CHF 2.5 million (+10.2%) were encouraging improvements on last year's first-half earnings results.

Outlook for 2015 – Construction of the new coating films production plant in China is progressing as planned in both cost and timetable terms, and the new facility should begin production for its local markets in the summer of next year. For 2015 as a whole the Packaging Division expects its net sales to be down on 2014; but with further productivity increases, EBIT for the year should be broadly maintained at its prior-year level.

in CHF thousand	First-half 2015	First-half 2014	Change (%)
Net sales	55 326	61 226	-9.6
EBITDA	5 137	5 087	1.0
in % of net sales	9.3	8.3	
EBIT	2 485	2 254	10.2
in % of net sales	4.5	3.7	
Number of employees	305	314	-2.9

Consolidated income statement

in CHF thousand	First-half 2015	First-half 2014
Net sales	199 309	242 926
Changes to semi-finished and finished inventories/other operating income/goods and services on own account	1 249	14 114
Total income	200 558	257 040
Operating expense	-201 306	-230 346
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-748	26 694
Depreciation	-17 746	-17 392
Earnings before interest and taxes (EBIT)	-18 494	9 302
Financial result	-9 817	-1 687
Earnings before taxes and extraordinary items	-28 311	7 615
Non-operating result	0	1 268
Earnings before taxes	-28 311	8 883
Income tax and deferred taxes	-382	-1 117
Net result for the period	-28 693	7 766
Earnings per share (CHF)	-4.78	1.29

Income statement by division

2015	in CHF thousand				First-half 2015 Group
	Chemistry	Paper	Packaging	Other/consolidation	
Net sales	30 008	113 975	55 326		199 309
EBITDA	216	-7 058	5 137	957	-748
in % of net sales	0.7	-6.2	9.3		-0.4
EBIT	-1 394	-19 761	2 485	176	-18 494
in % of net sales	-4.6	-17.3	4.5		-9.3
Financial result					-9 817
Earnings before taxes and extraordinary items					-28 311
Non-operating result					0
Earnings before taxes					-28 311
Income tax and deferred taxes					-382
Net result for the period					-28 693
in % of net sales					-14.4

2014	in CHF thousand				First-half 2014 Group
	Chemistry	Paper	Packaging	Other/consolidation	
Net sales	28 552	153 148	61 226		242 926
EBITDA	39	21 073	5 087	709	26 908
in % of net sales	0.1	13.8	8.3		11.1
EBIT	-1 476	8 750	2 254	-226	9 302
in % of net sales	-5.2	5.7	3.7		3.8
Financial result					-1 687
Earnings before taxes and extraordinary items					7 615
Non-operating result					1 268
Earnings before taxes					8 883
Income tax and deferred taxes					-1 117
Net result for the period					7 766
in % of net sales					3.2

Consolidated balance sheet

in CHF thousand	30.06.2015	31.12.2014
Current assets	193 533	232 401
Fixed assets	437 568	455 987
Total assets	631 101	688 388
Current liabilities	77 102	94 528
Long-term liabilities	149 695	151 857
Group equity	404 304	442 003
Total equity and liabilities	631 101	688 388

Consolidated cash flow statement

in CHF thousand	First-half 2015	First-half 2014
Net result for the period	-28 693	7 766
Depreciation, changes in provisions	18 808	14 736
Cash flow	-9 885	22 502
Changes in net current assets	16 036	-30 446
Cash flow from operating activities	6 151	-7 944
Cash flow from investment activities	-8 847	-6 445
Free cash flow	-2 696	-14 389
Financial liabilities/other long-term liabilities	-15 648	-15 500
Dividends to shareholders	-3 898	-3 900
Cash flow from financing activities	-19 546	-19 400
Currency translation effects	2 621	88
Net change in cash and cash equivalents	-19 621	-33 701

Consolidated equity

in CHF thousand	30.06.2015	31.12.2014
Share capital	30 000	30 000
Capital reserves	8 402	12 300
Goodwill	-25 722	-25 722
Own shares	-168	-116
Profit reserves	391 792	425 541
Group equity	404 304	442 003

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Notes

Foreign currency translation

Positions in foreign currencies were translated at the following rates:
Balance sheet: EUR 1.042 (prior yr 1.214); USD 0.935 (prior yr 0.887)
Income statement: EUR 1.057 (prior yr 1.221); USD 0.947 (prior yr 0.890)

Non-recurring currency impact

As a result of the Swiss National Bank's abolition of its previous minimum CHF/EUR exchange rate on 15 January 2015, a one-off charge of CHF 14.2 million was made to the income statement on the basis of the above balance-sheet rate. Of this, CHF 6.5 million was charged to EBIT and CHF 7.7 million to the financial result.

Valuation of production facilities

The calculations for possible impairments as of 30 June 2015 confirmed the present valuations of the assets concerned. These calculations were based on a WACC of 5% (prior year: 7.25%) and an EUR/CHF exchange rate for the three-year plan period that is close to the present rate (prior year: 1.20).

The projected income statements were adjusted on the basis of the knowledge available on the balance-sheet date. This includes an assumption of a slight increase in paper prices.

The lower WACC of 5% (compared to 2014) is based on the currently very low long-term interest rates. The EUR/CHF exchange rate of 1.136 used to calculate residual values was newly derived as the average of the current exchange rate as of 30 June 2015 and purchasing power parity as calculated by various Swiss banking institutions. We consider the inclusion of purchasing power parity appropriate here because the assets concerned consist largely of plant and equipment with projected remaining service lives of more than 25 years.

Subsequent events

No significant events have occurred since the balance-sheet date.

Compliance with Swiss GAAP ARR 31

The present Half-Year Report is an interim report as defined in Swiss GAAP ARR 31, which permits a somewhat simplified presentation and disclosure compared to annual accounting requirements. All the presentations and calculations have been effected with due and full regard to the Consistency Principle.

Future-oriented statements

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.

Agenda

26 February 2016

Annual Results Media Conference and Meeting for Investors

23 March 2016

Annual General Meeting in Lucerne

July 2016

2016 Half-Year Report