THE CPH GROUP

Net sales increased in all business divisions

The CPH Group achieved net sales of CHF 231.7 million for the first six months of 2017, a 5.5% increase on the prior-year period, and posted a slightly positive first-half EBIT result. The Chemistry and Packaging divisions reported favourable earnings for the period, while higher recycled paper prices depressed earnings results for the Paper Division.

The CPH Group generated total net sales of CHF 231.7 million for the first six months of 2017, a 5.5% improvement on the same period last year. Net sales were increased at all three business divisions.

The Chemistry Division felt the benefit of a broader economic recovery and achieved above-average growth in its higher-margin businesses. To meet the stronger demand, the division is investing in expanding its capacities for manufacturing the molecular sieves used to purify oxygen and for producing deuterated compounds. The division's realignment is proceeding as planned. Following the sale of the Uetikon site in March 2016, the manufacture of standard molecular sieves has been transferred to the division's Chinese operation. The first sod has also been cut for the new facility in Zvornik (Bosnia and Herzegovina), which will be ready to produce molecular sieve powders, chromatography gels and special zeolites by the end of this year. Conversion work is also on schedule at the new Swiss Rüti site, whose products will include deuterated compounds. In view of this, the division's Chemie Uetikon AG and CU Deutero + Agro AG companies were merged into Zeochem AG with retroactive effect to 1 January 2017. The reorganization of the Chemistry Division had a positive impact on its first-half EBIT result, which was an almost fourfold improvement on the prior-year period.

The Paper Division operates in a still-shrinking market. European market demand for newsprint and magazine paper saw further declines in the first-half period, and paper prices remained under pressure. This was especially true of high-quality coated paper products, partly because the overcapacities are greater here and partly because customers are increasingly switching to cheaper alternatives. On a positive note, the division raised its net sales for the period through higher sales volumes. But with the cost of recycled paper rising substantially in the period and less coated paper volume sold, the division posted a negative first-half EBIT result. The conversion of the Perlen residue incinerator to a biomass facility is reducing costs and further lowering carbon dioxide emissions at the Perlen plant.

The Packaging Division gained a further share of the stagnant European pharmaceuticals market and raised its net first-half sales. Production in China is being further ramped up. Operating margins fell somewhat short of their record prior-year levels, owing largely to the rising expense of PVC and to the already-foreseen start-up costs of the new Chinese operation.

The actions taken to raise efficiency and lower costs within the CPH Group were nullified in the first-half period mainly by rising raw materials costs. Group EBITDA suffered accordingly, declining 24.8% to CHF 16.5 million. Group EBIT for the first-half period amounted to CHF 1.1 million. With the absence of the prior year's non-recurring extraordinary expense, however, the net result for the period improved slightly to CHF –2.2 million. Group liquid funds rose 9.5% to CHF 77.0 million. With an equity ratio of 55.4% the CPH Group remains soundly capitalized. Total employee numbers declined by 22 full-time equivalents to 979, owing mainly to workforce reductions at the Uetikon site.

Outlook for 2017 – The Chemistry Division will move into its new Rüti and Zvornik facilities by year-end. Its net sales growth and operating margin are expected to continue their first-half trends in the second six months. The Paper Division continues to face overcapacities in Europe and correspondingly high paper pricing pressures; but price increases are not entirely impossible in certain product areas. The Packaging Division will intensify its activities in emerging economies, to take full advantage of the growth opportunities offered by the local pharmaceuticals markets. All in all, the CPH Group expects to post higher net sales for 2017, with favourable results in its Chemistry and Packaging divisions offset by still-difficult conditions in the markets of the Paper Division. In operating terms, the Group will strive to post a breakeven EBIT result. And with extraordinary income from real-estate sales, it is confident of reporting a positive net result for the year.

Perlen, 21 July 2017

Peter Schaub	Dr. Peter Schildknecht
Chairman of the Board of Directors	Group CEO

in CHF thousand	First half 2017	First half 2016	Change (%)
Net sales	**231 664**	**219 500**	5.5
EBITDA	**16 536**	**21 980**	–24.8
in % of net sales	7.1	10.0	
EBIT	**1 107**	**6 013**	–81.6
in % of net sales	0.5	2.7	
Earnings before taxes and non-operating items	**–999**	**2 653**	
in % of net sales	–0.4	1.2	
Net result (including minorities)	**–2 220**	**–2 470**	10.1
in % of net sales	–1.0	–1.1	
Earnings per share (CHF)	–0.39	–0.43	10.6
Cash flow	**12 640**	**23 035**	–45.1
in % of net sales	5.5	10.5	
Employees	**979**	**1 001**	–2.2

CHEMISTRY New alignment bears fruit

The Chemistry Division's production facilities were very well utilized in the first half of 2017, with demand for its high-margin products particularly strong. In response, further investments were made in expanding its US capacities for producing the high-value molecular sieves used in oxygen purification processes. The deuterated compound product segment also increased its capacities to meet the demand for the solvents used in NMR spectroscopy, as building blocks in active pharmaceutical ingredients and in the manufacture of organic light-emitting diodes (OLEDs). The deuterated compound business is being integrated into Zeochem's operations. And to this end the division's CU Deutero + Agro AG and Chemie Uetikon AG companies were merged into Zeochem AG. Fertilizer production ceased at the Uetikon site in mid-2017. The transfer of standard molecular sieve production to China has now been completed; and the construction of the new plant in Bosnia and Herzegovina is proceeding on schedule. The new alignment of the Chemistry Division is already bearing fruit. Net first-half sales were up a further 8.7% on the prior-year period at CHF 38.0 million; and EBIT for the period was almost quadrupled to CHF 1.9 million, giving the division a first-half EBIT margin of 4.9%.

Outlook for 2017 – Zeochem will move into its new Swiss premises in Rüti by the end of this year. The new production facility in Bosnia and Herzegovina will also commence operations in the fourth-quarter period. For 2017 as a whole the Chemistry Division expects to report continued net sales growth and an operating margin that is broadly in line with its first-half level.

in CHF thousand	First half 2017	First half 2016	Change (%)
Net sales	**38 044**	**34 991**	8.7
EBITDA	**3 605**	**2 461**	46.5
in % of net sales	9.5	7.0	
EBIT	**1 855**	**469**	295.5
in % of net sales	4.9	1.3	
Employees	**272**	**301**	–9.6

PAPER EBIT depressed by rising recycled paper costs

Demand in Europe for newsprint and magazine paper fell some 6% in the first half of 2017, compared to a 5% decline in the prior-year period. Paper prices remained accordingly pressured. The Paper Division raised its sales volumes; but it also saw a decline in the proportion of higher-value products sold as customers switch increasingly to lower-cost alternatives. In spite of these trends, the division posted an encouraging 5.1% increase in net sales for the period, which totalled CHF 128.1 million. Despite a reduction in fixed costs, however, first-half EBIT declined from the CHF –0.9 million of the prior-year period to CHF –6.0 million. This was due primarily to the price of recycled paper, the division's prime raw material, which saw a double-digit percentage increase in Europe year on year. This in turn was caused by higher demand for such paper from Europe's packaging manufacturers and a further increase in the recycled paper volumes exported to Asia in the past few months. Perlen Papier imports about half of its recycled paper from Switzerland's neighbours. The conversion of the Perlen residue incinerator into a biomass facility is raising the efficiency of the division's Perlen power plant, and will further enhance Perlen's carbon emissions credentials.

Outlook for 2017 – The prospect of slight price increases for certain types of paper cannot be entirely ruled out in the second-half period. But the market overcapacities remain high. The Paper Division expects to raise its net sales for 2017 as a whole; but the division will post a negative EBIT result for the year. The ongoing efficiency enhancement endeavours will continue undiminished.

in CHF thousand	First half 2017	First half 2016	Change (%)
Net sales	**128 106**	**121 933**	5.1
EBITDA	**4 752**	**9 905**	–52.0
in % of net sales	3.7	8.1	
EBIT	**–6 013**	**–905**	–564.4
in % of net sales	–4.7	–0.7	
Employees	**345**	**351**	–1.7

PACKAGING Further share gains in European markets

The European pharmaceuticals sector, which is the prime sales market for the Packaging Division, remained broadly stagnant in the first half of 2017. But by raising its sales of pharmaceutical films, the division succeeded in gaining further European market share. Net sales for the period totalled CHF 65.5 million, a 4.7% improvement on the first half of 2016. The solid sales trend was attributable partly to the continuing success of the division's high-barrier film products (which better protect blister pack medications from outside influences such as oxygen and humidity), and partly to an above-average increase in the volumes of uncoated monofilms sold. The new manufacturing facility in China is currently ramping up its production. At CHF 5.5 million, the division's first-half EBIT result fell slightly short of the record level which had been achieved for the same period last year. The slight EBIT decline was due mainly to higher raw materials costs: the price of PVC saw a substantial increase in the first-half period. The start-up costs for the new Chinese plant also had their impact on the division's first-half earnings results as expected. EBIT margin for the first-half period slipped accordingly to 8.4%.

Outlook for 2017 – Work orders will continue to be transferred from the Swiss to the Chinese production facility. As well as its expansion in the Asia-Pacific region, the division plans to further expand its business overall. For 2017 as a whole the Packaging Division expects to report higher net sales and an EBIT result that is broadly in line with its prior-year level.

in CHF thousand	First half 2017	First half 2016	Change (%)
Net sales	**65 514**	**62 576**	4.7
EBITDA	**8 380**	**8 828**	–5.1
in % of net sales	12.8	14.1	
EBIT	**5 485**	**6 129**	–10.5
in % of net sales	8.4	9.8	
Employees	**352**	**340**	3.5

Consolidated income statement

in CHF thousand	First half 2017	First half 2016
Net sales	**231 664**	**219 500**
Changes to semi-finished and finished inventories/other operating income/ goods and services on own account	–5 438	12 472
Total income	**226 226**	**231 972**
Operating expense	–209 690	–209 992
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**16 536**	**21 980**
Depreciation and value adjustments	–15 429	–15 967
Earnings before interest and taxes (EBIT)	**1 107**	**6 013**
Financial result	–2 106	–3 360
Earnings before taxes and non-operating items	**–999**	**2 653**
Non-operating result	604	0
Extraordinary result	0	–3 451
Earnings before taxes	**–395**	**–798**
Income tax	–1 825	–1 672
Net result	**–2 220**	**–2 470**
– attributable to shareholders of CPH Chemie + Papier Holding AG	–2 325	–2 600
– attributable to minorities	105	130
Earnings per share (CHF)	**–0.39**	**–0.43**

Income statement by division

2017 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	First half 2017 Group
Net sales	**38 044**	**128 106**	**65 514**		**231 664**
EBITDA	**3 605**	**4 752**	**8 380**	**–201**	**16 536**
in % of net sales	9.5	3.7	12.8		7.1
EBIT	**1 855**	**–6 013**	**5 485**	**–220**	**1 107**
in % of net sales	4.9	–4.7	8.4		0.5
Financial result					–2 106
Earnings before taxes and non-operating items					**–999**

2016 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	First half 2016 Group
Net sales	**34 991**	**121 933**	**62 576**		**219 500**
EBITDA	**2 461**	**9 905**	**8 828**	**786**	**21 980**
in % of net sales	7.0	8.1	14.1		10.0
EBIT	**469**	**–905**	**6 129**	**320**	**6 013**
in % of net sales	1.3	–0.7	9.8		2.7
Financial result					–3 360
Earnings before taxes and non-operating items					**2 653**

Consolidated balance sheet

in CHF thousand	30.06.2017	31.12.2016
Cash and cash equivalents	77 044	70 387
Other current assets	149 706	151 736
Fixed assets	445 457	450 304
Total assets	**672 207**	**672 427**
Current liabilities	100 167	92 408
Long-term liabilities	199 416	199 237
Total equity including minorities	372 624	380 782
Total equity and liabilities	**672 207**	**672 427**

Consolidated cash flow statement

in CHF thousand	First half 2017	First half 2016
Net result for the period (including minorities)	**–2 220**	**–2 470**
Depreciation and changes in provisions	14 860	25 505
Cash flow	**12 640**	**23 035**
Changes in net current assets	9 140	–8 922
Cash flow from operating activities	**21 780**	**14 113**
Cash flow from investment activities	–11 565	–4 153
Free cash flow	**10 215**	**9 960**
Financial liabilities/other long-term liabilities	590	16 401
Dividends to shareholders	–3 900	–3 600
Cash flow from financing activities	**–3 310**	**12 801**
Currency translation effects	–248	–1 662
Net change in cash and cash equivalents	**6 657**	**21 099**

Consolidated equity

in CHF thousand	30.06.2017	31.12.2016
Share capital	30 000	30 000
Capital reserves	904	4 804
Treasury shares	–168	–162
Goodwill	–37 903	–37 903
Profit reserves	377 098	381 362
Group equity excluding minorities	**369 931**	**378 101**
Minorities	2 693	2 681
Group equity including minorities	**372 624**	**380 782**

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Notes

Foreign currency translation

Positions in foreign currencies were translated at the following rates:

Balance sheet:	EUR 1.092 (31.12.16: EUR 1.072)
	USD 0.958 (31.12.16: USD 1.016)
	CNY 14.13 (31.12.16: CNY 14.62) CHF per 100 CNY
Income statement	EUR 1.076 (30.06.16: EUR 1.096)
	USD 0.994 (30.06.16: USD 0.982)
	CNY 14.47 (30.06.16: CNY 15.02) CHF per 100 CNY

Non-operating result

The CHF 0.6 million non-operating result contains income and expenditure relating to the real estate in Uetikon, Perlen and Full-Reuenthal.

Extraordinary result

The extraordinary result for the prior-year period relates to the sale, closure and restructuring of the Uetikon site, which generated income of CHF 20.0 million and incurred costs of CHF 23.5 million.

Valuation of production facilities

The calculations for possible impairments as of 30 June 2017 confirmed the present valuations of the assets concerned. These calculations were based on a WACC of 5% (prior year: 5%) and an EUR/CHF exchange rate for the three-year plan period that is close to the present rate.

The EUR/CHF exchange rate of 1.14 (prior year: 1.1825) used to calculate residual values was derived from the current exchange rate as of 30 June 2017 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

20 February 2018
Annual Results Media Conference and Meeting for Investors

14 March 2018
Annual General Meeting in Lucerne

July 2018
2018 Half-Year Report