

Media release

2015 first-half results

Chemistry and Packaging improve first-half EBIT; Paper Division feels impact of weak euro and lower paper prices

All three business 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 on the prior-year period. On a brighter note, and despite a strong Swiss franc, the Chemistry and Packaging divisions achieved slight year-on-year improvements in their first-half EBIT results.

The 13% year-on-year fall in the value of the euro against the Swiss franc 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. “All our business divisions raised their sales volumes in the first six months of this year,” says Group CEO Peter Schildknecht. “And our Chemistry and Packaging divisions also improved their first-half earnings, despite having to contend with a highly overvalued Swiss franc.” The Paper Division continued to pursue its efficiency enhancements; but these were still not sufficient to fully offset the impact of adverse currency movements and falling newsprint prices. Net sales for the CPH Group as a whole amounted to CHF 199.3 million, an 18.0% year-on-year decline.

Chemistry and Packaging improve their earnings results

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. And the division’s first-half EBIT result also represented a slight year-on-year improvement.

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. Higher sales volumes only partially offset currency-related losses,

and net sales for the period were correspondingly down. The division improved its first-half EBIT result, though, thanks to further efficiency enhancements.

In addition to the weakness of the euro, the Paper Division suffered from declines in paper prices. These two adverse trends 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.

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 of CPH Chemie + Papier Holding AG, the Group's holding company. 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: currency movements crucial

The Chemistry Division should continue to benefit from steady 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.

Prospects for the Packaging Division remain favourable. The expansion in China is making good progress, and work has begun on the new Wujiang production facility. The first coated films for the local pharmaceuticals sector should be available from this in mid-2016. 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 EBIT for 2015 that is roughly in line with its prior-year level.

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 more action to enhance its efficiency, by further 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.

“For 2015 the CPH Group expects to report lower net sales than last year and a negative annual earnings result,” summarizes Peter Schildknecht. “But in the medium term, CPH will return to profit, as we demonstrated already last year.” To this end, the Group will continue to pursue its strategy of expanding 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.

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Further information

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About CPH

CPH is an internationally active and diversified industrial group which is headquartered in Switzerland. The CPH Group develops, manufactures and distributes chemical products, wood-based paper and pharmaceutical packaging films. The Group maintains production facilities at five locations in Switzerland, Germany and the USA, and generated net sales of CHF 492.5 million last year. The shares of the Group's holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange (SIX: CPHN).

This media release 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 release's compilation, but they may deviate from actual future events.

Key figures

in CHF million	1st half 2015	1st half 2014	Change
The CPH Group			
Net sales	199.3	242.9	-18.0%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-0.7	26.7	
in % of net sales	-0.4	11.0	
Earnings before interest and taxes (EBIT)	-18.5	9.3	
in % of net sales	-9.3	3.8	
Earnings before taxes and extraordinary items	-28.3	7.6	
in % of net sales	-14.2	3.1	
Net result for the period	-28.7	7.8	
in % of net sales	-14.4	3.2	
Personnel	854	868	-1.6%
By division			
Chemistry			
Net sales	30.0	28.6	+5.1%
EBITDA	0.2	0.0	
EBIT	-1.4	-1.5	
Paper			
Net sales	114.0	153.1	-25.6%
EBITDA	-7.1	21.1	
EBIT	-19.8	8.8	
Packaging			
Net sales	55.3	61.2	-9.6%
EBITDA	5.1	5.1	+1.0%
EBIT	2.5	2.3	+10.2%