

Media release

The 2013 business year

CPH makes impairment to realign its balance sheet to a difficult market environment

The CPH Group faced another challenging market environment in 2013 in operational terms. The Group generated net sales of CHF 481.3 million and achieved consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of CHF 30.9 million for the year. As already communicated at the beginning of 2014, the radically-changed market environment has prompted the Group to effect a CHF 250.9 million impairment to tangible fixed assets. Earnings before interest and taxes (EBIT) declined accordingly to CHF –277.6 million, and the net result for the year to CHF –271.5 million. Even after the impairment, however, the CPH Group remains in sound financial health with a balance sheet equity ratio of 64%.

The CPH Group

in CHF million	2013	2012	Change
Net sales	481.3	488.7	-1.5%
Earnings before interest, taxes, depreciation and amortization (EBITDA) in % of net sales	30.9 6.4	38.1 7.8	-18.9%
Earnings before interest and taxes (EBIT) before impairment in % of net sales	-26.6 -5.5	-22.2 -4.5	-19.8%
Earnings before interest and taxes (EBIT) after impairment in % of net sales	-277.6 -57.7		

Perlen, 17 February 2014 – The economic climate in Europe, the prime sales market for the products of the CPH Group (SIX: CPHN), improved only marginally in 2013. On the whole, the continent's economies still showed sideways trends. To date, only the Group's Packaging Division, with its consistent focus on the pharmaceuticals sector, has benefited from the slight recovery in market conditions. The Chemistry and Paper Divisions were confronted with high overcapacities and corresponding pricing pressures throughout the year. The persistent strength of the Swiss franc also continues to have a substantial impact on the Group's earnings results. Swiss-franc exchange rates are extremely influential, because the Swiss currency accounts for only 15% of the CPH Group's earnings but 70% of its costs. The further efficiency enhancements, cost savings and increases in sales volumes achieved all proved insufficient to compensate in full for these market adversities.

In the Chemistry Division, demand from project-related business in the markets served by CPH's Swiss-based operations still showed no sign of any sustainable recovery and, after strong growth in 2012, net sales here suffered a renewed decline. Even the encouraging sales increases in the USA were unable to fully offset this.

Until October 2013 sales in the Paper Division were maintained above their prior-year levels up. But the fire in the winder of the PM 4 paper machine at the end of October resulted in the halting of all magazine paper manufacture until the end of the year – a production loss of some 32,300 tonnes. Despite this, the division posted sales volumes for the year that were slightly above their 2012 level, thanks not least to the sale of bought-in products. The continuing paper price declines weighed heavily on net sales, though, which were down on the previous year.

The Packaging Division gained further market share in Europe and again reported encouraging net sales growth. The favourable Packaging performance was unable to fully offset the Chemistry and Paper declines, however, and the CHF 481.3 million net sales for the CPH Group as a whole were slightly down on the prior-year result.

Paper dominates Group results

The Paper Division's contribution to total net sales remained unchanged in 2013 at 64%. Packaging's contribution increased further from 22% to 24%, while Chemistry's share declined from 14% to 12%. Europe (including Switzerland) remains the CPH Group's prime sales market: the region accounted for 84% of total net sales in 2013, unchanged from the previous year. The bulk of these sales are from the Paper Division, which distributes almost all its products within Switzerland and to neighbouring European markets.

Ongoing positive EBITDA

Materials were the biggest cost item for the CPH Group in 2013, making up 52% of total operating expenditure. Overall, raw materials prices were slightly higher in 2013, though the increase was successfully offset by efficiency enhancements and further progress on the procurement front. Personnel cost accounted for 18% of total operating expense, a slight increase on 2012. The CPH Group employed 859 personnel at the end of 2013, compared to 849 a year before. The increase was due to the further expansions within the Packaging Division. Energy costs remained constant at 16%. Despite a still-challenging business and market environment, the Group again achieved positive consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), which amounted to CHF 30.9 million.

Gearing up for constant predatory competition

The market environment in the paper sector has changed radically since CPH decided to invest in its new PM 7 paper machine back in 2008. Demand for newsprint and magazine paper has suffered steep declines; and the resulting overcapacities on the European market have spawned fierce predatory competition. This in turn has put strong pressure on prices, which have fallen some 30% in the intervening period. As a result, more and more volumes of paper products have had to be sold to achieve the same net sales.

In 2013 the Paper Division sold 514,398 tonnes of product, a new annual record. "We sold some 200,000 tonnes or about 60% more paper last year than we did five years ago, yet our net sales for 2013 were still only around their 2008 levels," points out Peter Schildknecht, CEO of the CPH Group. "That's how dramatically our business is feeling the steep fall in paper prices and the strength of the Swiss franc." Demand is likely to continue to decline on the European paper markets – and the predatory competition to persist accordingly – in the years ahead.

In the chemistry segment, the Group's Swiss-based operations faced substantial competitive pressure from low-price suppliers in China which are forcing their way into the markets in Europe and the Middle East. The trend looks set to continue. On the currency front, too, the Swiss franc is not expected to lose its present strength any time soon.

In view of these developments, the Board of Directors and Group Executive Management have conducted a reassessment of the value of CPH's tangible fixed assets. After doing so, they concluded that an impairment of CHF 250.9 million should be effected to fixed assets in Switzerland. The bulk of this – CHF 235.0 million – is on the Perlen paper manufacturing facilities, while the remaining CHF 15.9 million is on assets and inventories at the Uetikon chemistry operation.

A sound capital base

“Even after this impairment, the CPH Group's balance sheet equity ratio still remains high at 64%,” Peter Schildknecht confirms. “The impairment we have effected gives us a firm foundation for bringing our consolidated results back into the black.” The Group's net debt amounted to CHF 66.7 million at the end of 2013, a CHF 13.6 million improvement on the CHF 80.3 million of the previous year.

EBIT strongly affected by impairment

Consolidated earnings before interest and taxes (EBIT) before impairment for 2013 amounted to CHF –26.6 million, slightly down on the prior-year result. The Chemistry and Paper Divisions posted negative EBITs, and only the Packaging Division improved on its prior-year EBIT performance. Had it not been for the loss of PM 4 paper machine production following the winder fire, the CPH Group would have reported a consolidated EBIT for 2013 which, despite the tougher market conditions, was broadly in line with prior-year levels.

The CHF 250.9 million impairment to fixed assets and inventories in the Chemistry and Paper Divisions reduced consolidated EBIT to CHF –277.6 million. The net result for the year was also correspondingly negative at CHF –271.5 million. The CHF 8.1 million positive net result of 2012 was achieved thanks to real-estate disposals. No significant income was generated from real-estate sales in 2013.

Following the company's pattern of dividends and as the impairment effected to tangible fixed assets does not affect the Group's liquidity, the Board of Directors will recommend to the Ordinary General Meeting of 10 April 2014 that, as for 2012, a dividend of CHF 13.00 per share be distributed for the 2013 business year.

Change on the Board of Directors

After 25 years of service, Dr. Franz-Josef Albrecht will step down from the Board of Directors of the CPH Group on the occasion of the Annual General Meeting of 10 April 2014. Under his 17-year chairmanship, which ended in 2010, CPH set major future courses, invested in its PM 4 and PM 7 paper machines, further internationalized its business operations and consolidated its three operating pillars of chemistry, paper and packaging. CPH offers Franz-Josef Albrecht its deepest thanks for all his energies and endeavours on the Group's behalf, together with every good wish for the future.

Outlook for 2014

Developments in the business of its Paper Division still dominate the overall results of the CPH Group. The persistent declines in demand and the resulting market overcapacities will continue to depress paper prices; but with a combination of volume increases, efficiency enhancements and further cost savings (especially through lower energy prices), the division will be able to improve its earnings results. The Chemistry and Packaging Divisions will maintain their focus on higher-margin products and on tapping new markets in growth regions. The lower ordinary depreciation required as a result of the impairment effected for 2013 should also add some CHF 20 million to the 2014 EBIT result; and, in view of this, a net profit is expected for the year.

Further information **today Monday 17 February:**

- **telephone conference for analysts and investors**
09:30-10:30, phone +41 58 262 07 11 (code 085636)
- **telephone media conference on the 2013 annual results**
11:00-12:00, phone +41 58 262 07 11 (code 919126)

The provisional 2013 Annual Report and the presentation for the above telephone conferences will be available at <http://www.cph.ch/en/media/reports.htm> from 07:30 today (17 February).

The investors' conference and the annual results media conference originally planned for Thursday 27 February will not be held.

The final 2013 Annual Report will be published on 27 February.

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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 and its subsidiaries maintain production facilities at five locations in Switzerland, Germany and the USA, and have a total workforce of around 860 employees. The shares of its holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange (SIX: CPHN).

This 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	2013	2012	Change
The CPH Group			
Net sales	481.3	488.7	- 1.5%
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in % of net sales	6.4	7.8	
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in % of net sales	5.5	-4.5	
Earnings before interest and taxes (EBIT)	-277.6	-22.2	
in % of net sales	-57.7	-4.5	
Financial result	-3.9	-6.1	- 36.1%
Earnings before taxes and extraordinary items	-281.4	-24.3	
Net result for the year	-271.5	8.1	
in % of net sales	-56.4	1.7	
in % of equity	-62.5	1.1	
in % of total capital	-39.8	0.8	
Cash flow	27.3	28.8	- 5.2%
Gross investments in tangible fixed assets	18.2	10.9	+ 67.0%
Free cash flow	13.7	62.1	- 78.5%
Balance sheet total	681.8	972.4	- 29.9%
Fixed assets	467.3	752.4	- 37.9%
in % of balance sheet total	69	77	
Equity	434.3	709.8	- 38.8%
in % of balance sheet total	64	73	
Net financial debt	66.7	80.3	- 16.9%
Personnel at year-end	859	849	+ 1.2%
By division			
Chemistry			
Net sales	59.2	67.1	- 11.8%
EBIT before impairment	-5.3	0.1	
EBIT	-21.2	0.1	
Paper			
Net sales	305.7	314.3	- 2.7%
EBIT before impairment	-29.7	-24.8	
EBIT	-264.7	-24.8	
Packaging			
Net sales	116.4	106.5	+ 9.3%
EBIT	7.1	5.0	+ 42.0%
CPH Chemie + Papier Holding AG			
Net profit/loss for the year	-216.4	12.8	
Equity	435.4	655.6	- 33.6%
Per-share statistics			
Consolidated equity per share in CHF	1 447	2 366	
Consolidated net result per share in CHF	-904.93	26.87	
Consolidated cash flow per share in CHF	90.92	96.04	
Dividend per share in CHF	13.00	13.00	

* Board's recommendation to the 2014 Ordinary General Meeting