

**THE CPH GROUP**

## CPH back in the black in operational terms

The CPH Group's extensive endeavours to offset the adverse impact of a strong Swiss franc paid off in all three business divisions in the first six months of 2016. Total net first-half sales were increased 10.1% to CHF 219.5 million; and first-half EBITDA and EBIT were both raised by well over CHF 20 million, to CHF 22.0 million and CHF 6.0 million respectively. CPH expects to post a positive operating result for 2016 as a whole.

The CPH Group achieved total net sales of CHF 219.5 million for the first six months of 2016, an encouraging 10.1% improvement on the prior-year period. All three business divisions contributed to the net sales growth.

Besides organic growth, net sales for the Chemistry Division were boosted by the integration of Jiangsu ALSIO Technology Co. Ltd. of China, whose results have been consolidated since March 2016. CPH sold the division's Uetikon site to Canton Zurich in March: the canton has earmarked the location for a new cantonal high school. CPH has leased the site back for a further two years, to ensure an orderly transfer of production to other operating locations. The Chemistry Division performed well in operating terms, and achieved a positive EBIT result for the first-half period. The Paper Division further raised production volumes and also benefited from slightly higher paper prices. Net sales rose accordingly; and with further efficiency enhancements the division posted an almost breakeven EBIT result. The division's first-ever Environmental Impact Statement confirmed it to be well above the European average in energy efficiency terms. The Packaging Division increased its net first-half sales, and also delivered the first coated films manufactured by its new Chinese production plant to pharmaceuticals customers in Asia. The division saw an above-the-group-average increase in its first-half EBIT result.

The extensive actions taken to further enhance efficiency and lower costs were clearly reflected in the CPH Group's first-half operating results. EBITDA was raised CHF 22.7 million to CHF 22.0 million, producing an EBITDA margin of 10.0%. And after an EBIT of CHF –18.5 million for the first half of 2015 (due primarily to the repercussions of the Swiss National Bank's January abolition of its previous minimum Swiss franc/euro exchange rate), first-half EBIT for 2016 was a CHF 24.5 million improvement at CHF 6.0 million. The sale of the Uetikon site had a net impact (after taxes and restructuring costs) of CHF –3.8 million on the net first-half result, which improved from the CHF –28.7 million of the prior-year period to CHF –2.6 million. Group liquid funds rose CHF 21.1 million to CHF 74.3 million. The CPH Group remains soundly capitalized, with an equity ratio of 57%.

CPH has appointed Richard Unterhuber as its new Group CFO. Richard Unterhuber can draw on some 20 years of experience in finance and controlling, and was most recently CFO of the internationally active Multi-Contact industrial group of Allschwil, Switzerland. He will assume his new duties on 1 October. Total group workforce numbers had risen to 1 001 as of 30 June 2016. The increase is due largely to the addition of the two new Chinese production facilities.

**Outlook for 2016** – The Chemistry Division will transfer its present Uetikon molecular sieve manufacturing to its sites in China and the USA in the second half-year. For its production of high-quality GMP gels and deuterated solvents, the division is evaluating a new location near the present Uetikon

site. The division expects to post higher net sales and is seeking a positive EBIT result for the year as a whole. The Paper Division still faces market overcapacities and uncertain paper price trends. The division will continue undiminished with its efficiency enhancement programme. The new paper products recently brought to market will raise sales volumes, and the division expects to report higher annual net sales and a breakeven EBIT result. Prospects remain promising for the Packaging Division. The Asian pharmaceuticals markets continue to see above-average growth, and can now be supplied with coated films directly from the new Chinese production plant. The division is confident of achieving higher net sales and a further-improved EBIT in its full-year results.

Provided currency exchange rates and paper prices remain broadly stable in the second half-year, the CPH Group should report higher net sales and a positive operating result for 2016 as a whole. The strategic alignment of the Chemistry and Packaging divisions to the growth markets in Asia will have a positive impact on business development; and the Paper Division will continue to strive to be the cost leader in its regional sales markets.

Perlen, 22 July 2016

Peter Schaub  
Chairman of the Board of Directors

Dr. Peter Schildknecht  
Group CEO

in CHF thousand	First half 2016	First half 2015	Change (%)
<b>Net sales</b>	<b>219 500</b>	<b>199 309</b>	<b>10.1</b>
<b>EBITDA</b>	<b>21 980</b>	<b>–748</b>	<b>n.a.</b>
in % of net sales	10.0	–0.4	
<b>EBIT</b>	<b>6 013</b>	<b>–18 494</b>	<b>n.a.</b>
in % of net sales	2.7	–9.3	
<b>Earnings before taxes and extraordinary items</b>	<b>2 653</b>	<b>–28 311</b>	<b>n.a.</b>
in % of net sales	1.2	–14.2	
<b>Net result</b>	<b>–2 600</b>	<b>–28 693</b>	<b>90.9</b>
in % of net sales	–1.2	–14.4	
Earnings per share (CHF)	–0.43	–4.78	90.9
<b>Cash flow</b>	<b>23 035</b>	<b>–9 885</b>	<b>n.a.</b>
in % of net sales	10.5	–5.0	
<b>Number of employees</b>	<b>1 001</b>	<b>854</b>	<b>17.2</b>

## CHEMISTRY

## Uetikon operating site sold

Two events stood out for the Chemistry Division in the first-half period: the sale of its Uetikon site to Canton Zurich and the integration of China-based molecular sieve manufacturer Jiangsu ALSIO Technology Co. Ltd., whose results have been consolidated since March. Both developments have an impact on production in Uetikon, whose molecular sieve manufacturing will be transferred to the division's Chinese and US plants in the second half of the year. Uetikon's production of fertilizers will also cease in mid-2017. These moves affect some 80 personnel at the Uetikon site. For the present production in Uetikon of deuterated solvents and high-value (GMP) gels, a new location in the vicinity is currently being evaluated.

Demand in the Chemistry Division's sales markets was modest in the first-half period while the economy continued to grow, particularly in Asia. Thanks to intensified sales efforts, the division gained further market share. Its manufacturing facilities also remained well utilized at all locations throughout the first-half period, especially for higher-value products. Net sales for the period were raised 16.6% to CHF 35.0 million, and EBIT was improved CHF 1.9 million to CHF 0.5 million.

**Outlook for 2016** – The integration of ALSIO will raise efficiency and enhance the division's competitive credentials, and this in turn will have a positive impact on its sales and earnings results. The division will also grow organically in 2016, and net annual sales will be above their prior-year levels. The division is confident of posting a positive annual EBIT result.

in CHF thousand	First half 2016	First half 2015	Change (%)
<b>Net sales</b>	<b>34 991</b>	<b>30 008</b>	<b>16.6</b>
<b>EBITDA</b>	<b>2 461</b>	<b>216</b>	<b>1 039.4</b>
in % of net sales	7.0	0.7	
<b>EBIT</b>	<b>469</b>	<b>-1 394</b>	<b>n.a.</b>
in % of net sales	1.3	-4.6	
<b>Number of employees</b>	<b>301</b>	<b>181</b>	<b>66.3</b>

## PAPER

## Tangible increases in sales and earnings

The decline in demand for newsprint and magazine paper in the European market slowed to around 5% in the first-half period. Paper prices also recovered slightly from their levels in the second half of 2015. The Paper Division's newsprint production capacities were well utilized, while its magazine paper capacities became somewhat underused in the second-quarter period. Buoyed also by the slight recovery in paper prices, the division raised its first-half net sales by 7.0% to CHF 121.9 million.

The division continues to put a prime focus on efficiency enhancements. Its first-ever Environmental Impact Statement, for 2015, confirmed that its Perlen operating site is a European leader in energy efficiency terms. Its carbon emissions have also been reduced to 114 kilos of carbon dioxide per tonne of paper produced, almost half the level of five years ago. The division has also invested in improving its materials and water cycles, and launched its new "PerlenJoy" paper line. The higher productivity and lower costs combined to produce an almost breakeven operating result for the period: first-half EBIT was CHF 18.9 million above its prior-year level, partially offsetting the adverse impact of the stronger Swiss franc.

**Outlook for 2016** – The newsprint segment should permit slight price increases in the second half of the year, while prices may well remain under pressure in the magazine paper sector. The Paper Division's efforts to achieve cost leadership will continue undiminished. The division will further increase its net sales this year, and should post a broadly breakeven annual EBIT result.

in CHF thousand	First half 2016	First half 2015	Change (%)
<b>Net sales</b>	<b>121 933</b>	<b>113 975</b>	<b>7.0</b>
<b>EBITDA</b>	<b>9 905</b>	<b>-7 058</b>	<b>n.a.</b>
in % of net sales	8.1	-6.2	
<b>EBIT</b>	<b>-905</b>	<b>-19 761</b>	<b>95.4</b>
in % of net sales	-0.7	-17.3	
<b>Number of employees</b>	<b>351</b>	<b>359</b>	<b>-2.2</b>

## PACKAGING

## Production begun at new Chinese plant

The Packaging Division gained further shares of the stagnant European pharmaceuticals market in the first half of 2016. But it was in Asia and North America that the division saw its greatest sales growth. Total divisional net sales for the period were raised 13.1% to CHF 62.6 million. The positive trend is attributable to the larger proportion of higher-margin products and the higher production volumes achieved by expanding coating capacities at the Perlen plant. The films produced are used mainly for blister packs, to protect their medicinal contents from outside influences.

The new production plant in Wujiang, China commenced operations in the second-quarter period. When fully completed, the plant will double the division's coatings production capacities. Its first products have already been delivered to Asia-based customers, though GMP certification for the Chinese market will still take some time to secure. The division's "Smart Move Forward" cost reduction programme further enhanced production efficiency. Divisional EBIT for the period amounted to a record CHF 6.1 million, a well-above-the-group-average increase of 146.6%.

**Outlook for 2016** – Production at the new Chinese plant will be further ramped up in the second half of the year, and work orders for the Asia region are being steadily transferred from Switzerland to the new facility. The division expects to report increased net sales for 2016 as a whole, and an annual EBIT result that is a substantial improvement on the previous year.

in CHF thousand	First half 2016	First half 2015	Change (%)
<b>Net sales</b>	<b>62 576</b>	<b>55 326</b>	<b>13.1</b>
<b>EBITDA</b>	<b>8 828</b>	<b>5 137</b>	<b>71.9</b>
in % of net sales	14.1	9.3	
<b>EBIT</b>	<b>6 129</b>	<b>2 485</b>	<b>146.6</b>
in % of net sales	9.8	4.5	
<b>Number of employees</b>	<b>340</b>	<b>305</b>	<b>11.5</b>

## Consolidated income statement

in CHF thousand	First half 2016	First half 2015
<b>Net sales</b>	<b>219 500</b>	<b>199 309</b>
Changes to semi-finished and finished inventories/other operating income/ goods and services on own account	12 472	1 249
<b>Total income</b>	<b>231 972</b>	<b>200 558</b>
Operating expense	-209 992	-201 306
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>21 980</b>	<b>-748</b>
Depreciation and value adjustments	-15 967	-17 746
<b>Earnings before interest and taxes (EBIT)</b>	<b>6 013</b>	<b>-18 494</b>
Financial result	-3 360	-9 817
<b>Earnings before taxes and extraordinary items</b>	<b>2 653</b>	<b>-28 311</b>
Non-operating result (restructuring cost)	-3 451	0
<b>Earnings before taxes</b>	<b>-798</b>	<b>-28 311</b>
Income tax and deferred taxes	-1 672	-382
<b>Net result before minority interest</b>	<b>-2 470</b>	<b>-28 693</b>
Minority interest	130	0
<b>Net result after minority interest</b>	<b>-2 600</b>	<b>-28 693</b>
<b>Earnings per share (CHF)</b>	<b>-0.43</b>	<b>-4.78</b>

## Income statement by division

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

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

## Consolidated balance sheet

in CHF thousand	30.06.2016	31.12.2015
Current assets	224 048	187 033
Fixed assets	453 804	436 922
<b>Total assets</b>	<b>677 852</b>	<b>623 955</b>
Current liabilities	83 714	71 362
Long-term liabilities	208 563	149 887
Group equity	385 575	402 706
<b>Total equity and liabilities</b>	<b>677 852</b>	<b>623 955</b>

## Consolidated cash flow statement

in CHF thousand	First half 2016	First half 2015
<b>Net result for the period</b>	<b>-2 600</b>	<b>-28 693</b>
Depreciation, changes in provisions	25 635	18 808
<b>Cash flow</b>	<b>23 035</b>	<b>-9 885</b>
Changes in net current assets	-8 922	16 036
<b>Cash flow from operating activities</b>	<b>14 113</b>	<b>6 151</b>
Cash flow from investment activities	-4 153	-8 847
<b>Free cash flow</b>	<b>9 960</b>	<b>-2 696</b>
Financial liabilities/other long-term liabilities	16 401	-15 648
Dividends to shareholders	-3 600	-3 898
<b>Cash flow from financing activities</b>	<b>12 801</b>	<b>-19 546</b>
Currency translation effects	-1 662	2 621
<b>Net change in cash and cash equivalents</b>	<b>21 099</b>	<b>-19 621</b>

## Consolidated equity

in CHF thousand	30.06.2016	31.12.2015
Share capital	30 000	30 000
Capital reserves	4 802	8 402
Goodwill	-35 549	-25 722
Own shares	-167	-160
Profit reserves	386 489	390 186
<b>Group equity</b>	<b>385 575</b>	<b>402 706</b>
Minority interest	-2 592	0
<b>Group equity excluding minority interest</b>	<b>382 983</b>	<b>402 706</b>

## Investor Relations contact

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## Notes

### Foreign currency translation

Positions in foreign currencies were translated at the following rates:

Balance sheet:	EUR 1.083 (31.12.15: EUR 1.087)
	USD 0.974 (31.12.15: USD 1.001)
Income statement:	EUR 1.096 (30.06.15: EUR 1.057)
	USD 0.982 (30.06.15: USD 0.947)

### Sale of the Uetikon site

The income from the sale of the Chemistry Division's Uetikon site amounted to CHF 20.0 million, while the associated costs totalled CHF 23.8 million. In addition to taxes, these costs consisted of: writeoff of residual value (CHF 15.9 million), personnel-related restructuring costs (CHF 4.3 million) and provisions for site closure and dismantling operations (CHF 3.2 million).

### Valuation of production facilities

The calculations for possible impairments as of 30 June 2016 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 1.1825 used to calculate residual values was derived from the current exchange rate as of 30 June 2016 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

### 24 February 2017

Annual Results Media Conference and Meeting for Investors

### 21 March 2017

Annual General Meeting in Lucerne

### July 2017

2017 Half-Year Report