

Media release

2014 first-half-year results

CPH returns to profit

The CPH Group generated net sales of CHF 242.9 million in the first six months of 2014. The net sales result, which is broadly in line with prior-year levels, was achieved in a challenging business environment. Thanks to further efficiency enhancements and a lower depreciation base, group first-half EBIT was improved by CHF 22.9 million to a positive CHF 9.3 million. CPH also successfully issued its first-ever Swiss-franc bond.

The CPH Group (ticker CPHN) generated net sales for the first six months of 2014 of CHF 242.9 million, virtually unchanged (-0.9%) from the net sales result for the same period last year. Group EBIT for the period was increased by CHF 22.9 million to CHF 9.3 million.

“About 50 per cent of these improvements can be attributed to our enhanced profitability,” says Peter Schildknecht, CEO of the CPH Group. “On top of this, our first-half performance also benefited from the lower depreciation base that we now have following last year’s asset impairments. As a result, we are able to post our first black-ink group-level EBIT result since 2009.” The net group result for the period was also positive with a profit of CHF 7.8 million, which compares to a loss for the same period last year.

Group equity amounted to CHF 437.7 million at the end of June 2014, giving an equity ratio of 66.6%. CPH issued its first Swiss-franc corporate bond on the Swiss capital markets. The five-year CHF 120 million bond with a coupon of 2.75% was successfully placed. The funds raised will be used to restructure debt and finance future growth plans.

Differing divisional developments

CPH’s two biggest divisions, Paper and Packaging, both made positive contributions to the Group’s first-half operating result. The Chemistry Division, by contrast, felt weakened demand in the markets served by its Swiss business units. The pricing pressures from its competitors – especially those based in Asia – are posing substantial challenges for the division’s Swiss operations, which remained underutilized for the period. On a brighter note, the continuing demand for molecular sieves for use in the ethanol production and shale gas extraction sectors had a positive impact on business trends in the USA. Overall, though, the Chemistry Division failed to match its prior-year net sales levels, and posted a negative EBIT for the period.

The Paper Division achieved a small increase in its net first-half-year sales, benefiting from both slight year-on-year price rises and higher sales volumes. The actions taken to enhance profitability also had their effect, and the division posted a positive EBIT for the period.

Europe’s pharmaceuticals markets saw a slight weakening in their growth, and with it an easing of the demand for the film products of CPH’s Packaging Division, which are largely used in the manufacture of medicinal blister packs. The division’s net sales remained virtually at prior-year levels, but divisional EBIT for the period suffered a year-on-year decline.

Outlook for the year: Packaging expanding to China

The Chemistry Division is likely to see the same broad levels of demand for its products in the US market for the rest of the year. The division has also responded to the intensified competition in Europe by optimizing its raw materials sourcing and reinforcing its sales efforts. But, while the second half of the year should see some improvements, the division will be hard pressed to match its 2013 net sales levels. EBIT should also improve, but will remain negative for the year.

Demand in Europe's paper markets continues to decline; and with continued overcapacities, paper prices will remain under pressure in the second half-year. The Paper Division is confident of selling its higher production volumes, however; and with further efficiency enhancements, the division expects to post a black-ink annual EBIT result.

The Packaging Division has resolved to expand its production to China, to play a greater role in the growth of the Asian pharmaceuticals market. Land is being acquired near Shanghai to this end. The new facility, which will be designed to meet GMP standards, should commence operations in 2016. For 2014 the division expects to achieve net sales that are in line with prior-year levels and a positive EBIT.

CPH expects to report a slight increase in its group net sales for 2014 as a whole. "Thanks to the actions that are continuing in all our divisions to improve our profitability, our Group will also post a positive EBIT for the year," says Peter Schildknecht. "This 'return to the black' is due reward for all the endeavours of our Group's personnel. And for these we offer our people our warmest thanks."

Hanspeter Balmer stepped down from the Board of Directors of CPH Chemie + Papier Holding AG on 30 June for health reasons. CPH offers him its sincere thanks for his more than 17 years of dedication to the CPH Group, and offers him every good wish. Mr. Balmer's position as chair of the Board's Finance & Auditing Committee has been assumed by Max Walter; and further Board member Tim Talaat has joined the Committee on an interim basis until the 2015 Annual General Meeting.

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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 generated net sales of CHF 481.3 million last year. The shares of its holding company CPH Chemie + Papier Holding AG (ticker: CPHN) are listed on the SIX Swiss Exchange.

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 | 1 st half 2014 | 1 st half 2013 | Change (%) |
|---|---------------------------|---------------------------|------------|
| The CPH Group | | | |
| Net sales | 242.9 | 245.0 | -0.9 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 26.7 | 15.3 | 75.0 |
| in % of net sales | 11.0 | 6.2 | |
| Earnings before interest and taxes (EBIT) | 9.3 | - 13.6 | |
| in % of net sales | 3.8 | -5.5 | |
| Earnings before taxes and extraordinary items | 7.6 | -15.3 | |
| in % of net sales | 3.1 | -6.2 | |
| Net result for the period | 7.8 | -16.5 | |
| in % of net sales | 3.2 | -6.7 | |
| Personnel | 868 | 880 | -1.4 |
| By division | | | |
| Chemistry | | | |
| Net sales | 28.6 | 32.7 | -12.7 |
| EBITDA | 0.0 | 1.9 | |
| EBIT | -1.5 | -0.7 | |
| Paper | | | |
| Net sales | 153.1 | 151.4 | 1.1 |
| EBITDA | 21.1 | 5.1 | 313.6 |
| EBIT | 8.8 | -17.6 | |
| Packaging | | | |
| Net sales | 61.2 | 60.9 | 0.5 |
| EBITDA | 5.1 | 7.5 | -32.3 |
| EBIT | 2.3 | 4.7 | -51.6 |