

Media release

The 2015 business year

CPH Group impacted by paper price declines and a strong Swiss franc

The strength of the Swiss franc and lower paper prices both impacted negatively on the business and results of the CPH Group in 2015. Net group sales for the year fell 14.7% to CHF 420.0 million, and consolidated annual EBIT also declined to CHF –21.8 million. For 2016 the Group aims to return to profit with its operating result.

in CHF million	2014	2015	Change
Net sales	492.5	420.0	–14.7%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	50.8	12.2	–76.0%
in % of net sales	10.3	2.9	
Earnings before interest and taxes (EBIT)	16.0	–21.8	n.a.
in % of net sales	3.3	–5.2	
Net result for the year	10.5	–33.1	n.a.
in % of net sales	2.1	–7.9	

Perlen, 26 February 2016 – Two developments had a particularly strong effect on business at the CPH Group in 2015. The Swiss National Bank's abolition in January of its previous minimum Swiss franc/euro exchange rate impacted negatively on all three business divisions. CPH generated 60% of its net sales in the Eurozone last year. At the same time, its Chemistry and Packaging Divisions produce partly and its Paper Division entirely in Switzerland. So absorbing an adverse currency movement of more than 10% poses a major challenge for such an export-oriented group.

The second development related only to the Paper Division (though this, at 59%, accounted for the largest share of the group's net sales). The demand for newsprint and magazine paper has been declining for some years now for structural reasons within the media industry. And the resulting production overcapacities further depressed paper prices last year, a development that tangibly affected the Paper Division's business performance. While its annual sales volumes were raised to 538 000 tonnes, the division's net sales for the year declined by more than 20%.

Sales volumes raised in all three divisions

As a result of these two developments, the CHF 420.0 million total net sales which the CPH Group generated in 2015 were a 14.7% decline on the previous year. “If we exclude the exceptional impacts of the strengthened Swiss franc and the fall in paper prices, our net group sales for 2015 were a 1.7% year-on-year improvement,” notes Dr. Peter Schildknecht, CEO of the CPH Group. All three business divisions raised their annual sales volumes and increased their market shares.

Strong franc reduces earnings; Chemistry and Packaging above prior year

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for the CPH Group amounted to CHF 12.2 million. The decline from the CHF 50.8 million of 2014 was due largely to the difficult market conditions within the paper segment. The stronger Swiss franc and lower paper prices also eroded some CHF 25 million and CHF 30 million respectively from consolidated earnings before interest and taxes (EBIT) for the year. As a result, and despite the productivity improvements achieved, consolidated EBIT fell from the CHF 16.0 million of 2014 to CHF –21.8 million. “Our Chemistry and Packaging Divisions were both able to improve their annual EBIT results,” Peter Schildknecht emphasizes, “despite a challenging market environment and despite the strong Swiss franc.”

The financial result of CHF –12.1 million was substantially below the CHF –5.6 million of 2014, owing primarily to the strengthening of the Swiss franc from January onwards. Non-operating income amounted to CHF 2.0 million, and the net result for the year was clearly negative at CHF –33.1 million.

Dividend of CHF 0.60 per share proposed

The Board of Directors will recommend to the Ordinary General Meeting of 23 March 2016 that, as a further confirmation of the CPH Group’s consistent dividend policy, a dividend of CHF 0.60 per share be distributed for the 2015 business year, in the form of a corresponding capital repayment from the capital contribution reserve.

Expansion drive in Asia

Business performance at the CPH Group is strongly influenced by developments in the paper segment and the Swiss franc’s movements against other key currencies. The Group has already taken targeted action to reduce the proportion of its total costs which are incurred in

Swiss francs from 70% to around 50%. And to further lessen its dependence on the paper markets and the Swiss-franc currency zone, CPH is investing in new markets and new production capacities outside Switzerland and the paper segment.

The Packaging Division resolved back in 2014 to construct a new coatings factory in Wujian, China. Work on this commenced in spring 2015, and the project is well on track. The new plant should begin production in mid-2016, so its first coated films should be delivered to customers in the Asian pharmaceuticals market in the course of this year.

The Chemistry Division announced the purchase of the Jiangsu ALSIO Technology company, which is based in Jiangsu Province, China, towards the end of 2015. ALSIO is a leading Chinese manufacturer of molecular sieves, and employed 120 personnel at the end of last year. ALSIO well complements the Zeochem product programme, and its acquisition enhances the Chemistry Division's global competitive credentials. The company and its production facilities will be assimilated into the Zeochem Group in the first quarter of this year.

Outlook for 2016

Following their strong fluctuations in 2015, currency exchange rates have now settled at their new levels. But the Swiss franc remains substantially overvalued compared to the currencies of key trading partners in purchasing power parity terms. The expanded presence of the Chemistry and Packaging Divisions in Asia will help lessen the impact of currency factors and lower the Group's high production costs.

Once again, however, the operational success of the CPH Group in 2016 will be heavily contingent on developments at its Paper Division. Paper prices are showing signs of slight recovery. "With this and the actions we have already initiated to further improve its efficiency, our Paper Division should be able to deliver a breakeven operating result this year," says Peter Schildknecht. Efficiency enhancements will also continue to be pursued with undiminished vigour in the other business divisions. "And for 2016," Peter Schildknecht concludes, "the CPH Group aims to achieve an increase in its consolidated net sales and a return to profit at the operating level."



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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. From 2016 the Group and its subsidiaries will maintain production facilities at seven locations in Switzerland, Germany, the USA and China. The shares of the Group's holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange (ticker: 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.

Presentation of the CPH Group's 2015 annual results

Annual Results Media Conference (in German)

Date:	Friday 26 February 2016
Time:	11:00 (CET)
Speakers:	Peter Schildknecht, Group CEO Marcel Bernet, Deputy Group CFO
Venue:	CPH Head Office, Perlenring 1, 6035 Perlen

Key figures

in CHF million	2014	2015	Change
The CPH Group			
Net sales	492.5	420.0	-14.7%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	50.8	12.2	-76.0%
in % of net sales	10.3	2.9	
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in % of net sales	3.3	-5.2	
Financial result	-5.6	-12.1	n.a.
Earnings before taxes and extraordinary items	10.4	-33.9	n.a.
Net result for the year	10.5	-33.1	n.a.
in % of net sales	2.1	-7.9	
in % of equity	2.4	-8.2	
in % of total capital	1.5	-5.3	
Cash flow	40.8	7.2	-82.4%
Gross investments in tangible fixed assets	19.2	21.9	+14.3%
Free cash flow	0.4	1.4	+215.1%
Balance sheet total	688.4	624.0	-10.1%
Fixed assets	456.0	436.9	-4.2%
in % of the balance sheet total	66.2	70.0	
Equity	442.0	402.7	-8.9%
in % of the balance sheet total	64.2	64.5	
Net cash	-75.4	-80.2	n.a.
Personnel at year-end	860	858	-0.1%
By division			
Chemistry			
Net sales	60.2	62.5	+3.8%
EBIT	-3.6	-2.9	n.a.
Paper			
Net sales	314.4	247.8	-21.2%
EBIT	12.5	-28.0	n.a.
Packaging			
Net sales	117.8	109.7	-6.8%
EBIT	5.1	5.9	+15.9%
CPH Chemie + Papier Holding AG			
Net profit/loss for the year	-0.3	-31.0	n.a.
Equity	431.1	396.1	-8.1%
Per-share statistics (in CHF)			
Consolidated equity per share	73.67	67.12	-8.9%
Consolidated net result per share	1.75	-5.52	n.a.
Consolidated cash flow per share	6.80	1.20	-82.4%
Dividend (capital repayment from capital contribution reserve)	0.65	0.60*	-7.7%

* Board's recommendation to the 2016 Ordinary General Meeting