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# Consolidated income statement

	Note	2017	2016
<b>Net sales</b>	1	469 767	434 835
Changes to semi-finished and finished inventories		-12 204	13 329
Other operating income	2	5 041	5 967
Goods and services on own account		615	144
<b>Total income</b>		<b>463 219</b>	<b>454 275</b>
Cost of materials		247 891	231 967
Energy costs		54 216	54 149
Personnel cost	3	84 471	88 969
Outsourced maintenance/repairs		16 507	17 510
Other operating expense	4	26 373	24 745
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>33 761</b>	<b>36 935</b>
Depreciation on tangible fixed assets	16	30 141	30 535
Depreciation on intangible assets	15	719	509
<b>Earnings before interest and taxes (EBIT)</b>		<b>2 901</b>	<b>5 891</b>
Financial income	6	1 619	645
Financial expense	7	8 223	5 711
<b>Financial result</b>		<b>-6 604</b>	<b>-5 066</b>
<b>Earnings before taxes and non-operating/extraordinary items</b>		<b>-3 703</b>	<b>825</b>
Non-operating result	8	22 840	134
Extraordinary result	9/16/24/27	0	-4 398
<b>Earnings before taxes</b>		<b>19 137</b>	<b>-3 439</b>
Income taxes	10/27	2 950	4 275
<b>Net result for the year</b>		<b>16 187</b>	<b>-7 714</b>
– attributable to shareholder of CPH Chemie + Papier Holding AG		15 983	-7 905
– attributable to minorities		204	191
<b>in CHF</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Net result after minorities per share</b>	33	<b>2.66</b>	<b>-1.32</b>
<b>Diluted net result per share</b>	33	<b>2.66</b>	<b>-1.32</b>

# Consolidated balance sheet

	Note	31.12.2017		31.12.2016	
		in CHF thousand	in %	in CHF thousand	in %
<b>Assets</b>					
Liquid funds	11	80 145	11	70 345	10
Securities	11	38	0	42	0
Trade accounts receivable	12	77 819	11	69 065	10
Other receivables	13	18 010	3	8 852	1
Prepaid expenses and accrued income		6 997	1	4 789	1
Inventories	14	59 215	8	68 939	10
Short-term financial receivables		21	0	91	0
<b>Total current assets</b>		<b>242 245</b>	<b>35</b>	<b>222 123</b>	<b>33</b>
Intangible assets	15	4 822	1	3 091	0
Tangible fixed assets	5/16	384 051	55	384 569	57
Long-term financial assets	17	10 000	1	10 000	1
Assets from employer contribution reserves	18	10 993	2	10 884	2
Pension scheme assets	3/18	11 606	2	9 010	1
Other long-term receivables	19	33 342	5	32 263	5
Prepaid taxes		493	0	487	0
<b>Total fixed assets</b>		<b>455 307</b>	<b>65</b>	<b>450 304</b>	<b>67</b>
<b>Total assets</b>		<b>697 552</b>	<b>100</b>	<b>672 427</b>	<b>100</b>
<b>Equity and liabilities</b>					
Trade accounts payable	20	69 529	10	53 085	8
Other payables	21	3 348	0	8 275	1
Accrued liabilities and deferred income	22	17 163	2	16 450	2
Short-term financial liabilities	23/25	9 802	1	6 997	1
Short-term provisions	24	5 555	1	7 601	1
<b>Total current liabilities</b>		<b>105 397</b>	<b>15</b>	<b>92 408</b>	<b>14</b>
Long-term financial liabilities	25	23 473	3	25 580	4
Corporate bonds issued	25	120 000	17	120 000	18
Pension scheme liabilities	18	564	0	1 135	0
Other long-term liabilities	26	49	0	54	0
Long-term provisions	27	51 824	7	52 468	8
<b>Total long-term liabilities</b>		<b>195 910</b>	<b>28</b>	<b>199 237</b>	<b>30</b>
<b>Total liabilities</b>		<b>301 307</b>	<b>43</b>	<b>291 645</b>	<b>43</b>
Share capital		30 000	4	30 000	4
Capital reserves		845	0	4 804	1
Treasury shares	34	-96	-0	-162	-0
Profit reserves		346 543	50	351 364	52
Net result for the year		15 983	2	-7 905	-1
<b>Total equity excluding minorities</b>		<b>393 275</b>	<b>56</b>	<b>378 101</b>	<b>56</b>
Minorities		2 970	1	2 681	1
<b>Total equity including minorities</b>		<b>396 245</b>	<b>57</b>	<b>380 782</b>	<b>57</b>
<b>Total equity and liabilities</b>		<b>697 552</b>	<b>100</b>	<b>672 427</b>	<b>100</b>

# Consolidated cash flow statement

	Note	2017	2016
<b>Net result for the year (including minorities)</b>		<b>16 187</b>	<b>-7 714</b>
Depreciation on tangible and intangible assets	15/16	30 860	31 044
Asset value impairments	16	0	2 732
Impairments to inventories and replacement parts	14	-3 491	682
Loss/(Profit) on fixed-asset sales		-22 678	-7 507
Change in employer contribution reserves, pension scheme assets/liabilities		-3 231	-141
Book gains on securities		3	3
Increase in/(Release of) of short-term provisions	24	336	10 153
Increase in/(Release) of long-term provisions	27	-695	474
Use of provisions	24/27	-2 618	-4 091
Increase Impairments to trade accounts receivable		-211	2 093
Release of/(Increase in) of prepaid taxes		5	543
<b>Cash flow</b>		<b>14 467</b>	<b>28 271</b>
Decrease/(Increase) in securities		1	-1
Decrease/(Increase) in trade accounts receivable	12	-7 711	-478
Decrease/(Increase) in other receivables and prepaid expenses		-5 275	-692
Decrease/(Increase) in inventories	14	13 608	-13 059
Increase/(Decrease) in trade accounts payable	20	15 769	1 573
Increase/(Decrease) in other and accrued liabilities	21/22	1 331	6 261
<b>Decrease/(Increase) in net current assets</b>		<b>17 723</b>	<b>-6 396</b>
<b>Cash flow from operating activities</b>		<b>32 190</b>	<b>21 875</b>
Investments in tangible fixed assets	16	-32 314	-20 720
Disposals of tangible fixed assets	16	15 391	20 503
Investments in intangible assets	15	-2 410	-1 242
Investments in business activities	28	0	-18 478
<b>Cash flow from investment activities</b>		<b>-19 333</b>	<b>-19 937</b>
<b>Free cash flow</b>		<b>12 857</b>	<b>1 938</b>
Increase/(Decrease) in short-term financial liabilities and receivables	23	1 034	112
Increase/(Decrease) in long-term financial liabilities	25	-566	19 021
Increase/(Decrease) in other long-term liabilities and receivables		152	-378
Treasury share purchases/sales	34	6	-2
Dividends to shareholders		-3 899	-3 598
<b>Cash flow from financing activities</b>		<b>-3 273</b>	<b>15 155</b>
Currency translation effects		216	105
<b>Net change in cash and cash equivalents</b>		<b>9 800</b>	<b>17 198</b>
Cash and cash equivalents at 1 January		70 345	53 147
Change		9 800	17 198
<b>Cash and cash equivalents at 31 December</b>		<b>80 145</b>	<b>70 345</b>

# Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Treasury shares	Goodwill	Retained earnings	Equity excluding minorities	Minorities	Equity including minorities
<b>As at 31.12.2015</b>	<b>30 000</b>	<b>8 402</b>	<b>-160</b>	<b>-25 722</b>	<b>390 186</b>	<b>402 706</b>	<b>0</b>	<b>402 706</b>
Dividends to shareholders		-3 598				-3 598		-3 598
Goodwill offset with equity				-12 181		-12 181		-12 181
Minorities acquired						0	2 609	2 609
Net result for current year					-7 905	-7 905	191	-7 714
Treasury share purchases			-797			-797		-797
Treasury share sales			795			795		795
Impact of currency translation					-919	-919	-119	-1 038
<b>As at 31.12.2016</b>	<b>30 000</b>	<b>4 804</b>	<b>-162</b>	<b>-37 903</b>	<b>381 362</b>	<b>378 101</b>	<b>2 681</b>	<b>380 782</b>
Dividends to shareholders		-3 899				-3 899		-3 899
Net result for current year					15 983	15 983	204	16 187
Treasury share purchases			-550			-550		-550
Treasury share sales		-60	616			556		556
Impact of currency translation					3 084	3 084	85	3 169
<b>As at 31.12.2017</b>	<b>30 000</b>	<b>845</b>	<b>-96</b>	<b>-37 903</b>	<b>400 429</b>	<b>393 275</b>	<b>2 970</b>	<b>396 245</b>

The statutory reserves of the holding company and its subsidiaries amounted to CHF 20.3 million on 31 December 2017 (prior year: CHF 16.7 million). Of this amount, CHF 16.3 million (prior year: CHF 12.5 million) cannot be distributed.

The company held 1 766 treasury shares on 31 December 2017 (prior year: 1 934). For further details see Note 33.

# Consolidated accounting principles

## General and definitions

The consolidated financial statements of the CPH Group are compiled in full accordance with the currently valid Swiss GAAP Accounting and Reporting Recommendations (ARRs). These consolidated financial statements give a true and fair view of the financial positions, earnings and cash flows, and are based on historical values.

“EBITDA” shows earnings before interest and taxes and before depreciation on tangible fixed assets and amortization of intangible assets.

“EBIT” shows earnings before interest and taxes.

“Goodwill” is an intangible asset that arises when a company or part thereof is acquired. The goodwill is the value of the acquisition not directly attributable to its assets and liabilities.

“Cash flow” shows the flow of cash before changes to net current assets and before cash flows from investment and financing activities.

“Free cash flow” shows all cash flows before financing activities and dividends to shareholders.

In accordance with the Swiss GAAP ARRs, the cash flow statement shows as funds only the liquid elements thereof (i.e. excluding securities and time deposits maturing in more than 90 days). Cash flow is calculated using the Indirect Method.

“Related parties” are regarded as any company or person that either exerts a substantial influence on the CPH Group or is controlled by the same, together with the occupational pension schemes of Group member companies.

The consolidated accounting principles below are unchanged from the prior year.

## Consolidation principles

### Scope and method of consolidation

The consolidated financial statements consist of the annual financial statements of CPH Chemie + Papier Holding AG, Perlen, and of those Group member companies in and outside Switzerland in which CPH Chemie + Papier Holding AG, Perlen, directly or indirectly holds more than 50% of voting rights. The balance sheet date for all CPH Group member companies is 31 December.

In accordance with the Purchase Method used for fully consolidated companies, assets and liabilities and income and expenditures are incorporated in full. Intercompany balances and transactions have been eliminated.

The shares of minority shareholders or minority partners in the equity and the results of consolidated companies are shown separately but

also as part of the consolidated equity and result. Intermediate profits on stocks from deliveries within the Group have been eliminated.

Group member companies acquired in the course of the year are consolidated from the date of CPH's assumption of control. Group member companies disposed of in the course of the year are deconsolidated from the date of CPH's cession of control. When a company is acquired, its net assets are determined at their current value and integrated using the Purchase Method. The resulting goodwill is offset against equity. In the case of successive acquisitions of minorities, the goodwill is determined separately for each acquisition step.

If the purchase price of an acquisition includes elements that are linked to future earnings, the value of these elements is estimated as accurately as possible at the time of acquisition for goodwill calculation purposes. Should there be deviations from these estimates when the final purchase price is determined, the goodwill offset against group equity is adjusted accordingly.

For the scope of consolidation, please see the separate “List of major shareholdings” on Page 78. There were no major changes in the scope of consolidation in 2017. Three companies were merged together in the Chemistry Division.

### Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of the Group's constituent companies are presented in the local currency. The financial statements of subsidiaries which are in currencies other than the Swiss franc are translated into Swiss francs as follows.

All assets and liabilities on the balance sheets are translated into Swiss francs at the exchange rate ruling on the balance sheet date (the Effective Date Method). Any differences arising from the use of differing translation rates in the course of such translation are taken to equity.

Foreign-currency income and expenditure in the income statements are translated at the average rates ruling for the year. Any translation differences resulting from the application of different exchange rates in the balance sheet (effective date) and the income statement (average rate) are taken to equity with no impact on the income statement. Any translation differences arising from long-term intragroup financing of an equity nature are also taken directly to equity.

Positions held in foreign currencies are translated using the Effective Date Method. All assets and liabilities are translated at the exchange rate ruling on the balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling on the date of the transaction. The effects of these foreign currency adjustments are taken straight to the income statement.

For the most important foreign currencies, the following CHF translation rates were used:

	2017	2016
<b>Balance sheets: year-end rates</b>		
EUR	1.1700	1.0720
USD	0.9750	1.0160
HKD (CHF per 100 HKD)	12.4700	13.1100
CNY (CHF per 100 CNY)	14.9600	14.6200
<b>Income statements/ cash flow statements: average rates</b>		
EUR	1.1120	1.0900
USD	0.9850	0.9850
HKD (CHF per 100 HKD)	12.6400	12.6900
CNY (CHF per 100 CNY)	14.5700	14.8300

## Capitalization and valuation principles

### Liquid funds

Liquid funds consist of cash on hand, postal and bank account balances and time deposits originally maturing in 90 days or less.

### Securities

Securities are readily marketable financial and capital investments managed internally or externally. They are stated at their current market value.

### Trade accounts receivable

Trade accounts receivable consist of amounts due for deliveries made and services rendered that have been invoiced but not yet paid. Their values are generally adjusted individually. Such individual adjustments include any amounts overdue for at least 120 days. Blanket adjustments are also made, based on past experience.

### Other receivables

Other receivables consist of short-term claims that are not based on deliveries made and/or services rendered. Other receivables are stated at their nominal value, less any value adjustments.

### Prepaid expenses and accrued income

This item consists of expenses paid in the current accounting period that will be incurred in a later accounting period, and of income not accounted until after the balance sheet date.

### Inventories

Inventories are stated at their average purchase or production costs, but at no higher than their realizable liquidation value. Any discounts received on purchases are treated as purchase price reductions. The Lower of Cost or Market Value Principle is applied. The values of semi-finished and finished inventories include an appropriate propor-

tion of their production overheads. Value adjustments are effected for obsolete stock.

### Short-term financial receivables

These include interest-bearing receivables with a maturity of up to one year, and are reported at nominal value less any value adjustments.

### Intangible assets

Intangible assets include licences, patents, brands and software acquired from third parties. These are valued at their purchase price or manufacturing cost less any amortization required. Amortization is effected on a straight-line basis over the item's useful life, up to a maximum five-year period.

The goodwill deriving from acquisitions is offset against retained earnings at the time of acquisition. In the event of the disposal of a part of the business, any associated goodwill previously offset against equity is taken to the income statement. The impact of any theoretical capitalization and amortization is shown in the notes. For theoretical accounting purposes, goodwill is basically written down over its useful economic life, and generally over five years.

### Tangible fixed assets

Land is capitalized at its purchase price less any devaluation. Other tangible fixed assets (buildings, structures, plant, machinery, installations, vehicles, moveable property, other equipment and production and business facilities) are capitalized at a maximum of their purchase price or manufacturing cost less any depreciation required under normal business practice.

The useful lives assumed for depreciation purposes are as follows:

Residential property	50 – 100 years
Industrial buildings and installations	25 – 50 years
Plant and equipment	10 – 30 years
Moveable property and vehicles	3 – 5 years

All depreciation is effected using the straight-line method.

### Long-term financial assets

This item comprises all holdings of 20% or less in the capital of other organizations. These are shown at their purchase price less any value adjustments required.

### Long-term financial receivables

This item comprises all long-term interest-bearing loans with a maturity of more than one year, which are shown at their (undiscounted) nominal value less any value adjustments.

#### **Assets from employer contribution reserves**

In accordance with Swiss GAAP ARR 16, employer contribution reserves or comparable positions are listed as assets. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel cost.

#### **Pension scheme assets**

Any economic benefits deriving from occupational pension schemes are capitalized here. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel cost.

#### **Asset impairments**

All assets are assessed for any impairment in value on the balance sheet date. This assessment is based on any developments and/or indications which may suggest that an asset has been overvalued in its book value. If the asset's book value exceeds its realizable value (i.e. the higher of its net market value and its value in use), the resulting impairment will be taken to the income statement. If the factors previously considered in the calculations of an asset's realizable value have significantly improved, an impairment effected in an earlier period will subsequently be wholly or partially reversed via the income statement.

#### **Other long-term receivables**

This item includes all other non-interest-bearing long-term receivables due for payment more than one year after the balance sheet date.

#### **Trade accounts payable**

Trade accounts payable include all non-interest-bearing short-term liabilities resulting from ordinary business activities. They are stated at their nominal value.

#### **Other payables**

Other payables are short-term liabilities that are not classified as financial liabilities but derive from business activities. They are reported at their nominal value.

#### **Accrued liabilities and deferred income**

This item consists of liabilities incurred before the balance sheet date that will not be due for payment until a later accounting period, and of income accrued before the balance sheet date for a product or service to be provided in a later accounting period.

#### **Short-term financial liabilities**

This item consists of interest-bearing liabilities maturing in up to one year. These are stated at their nominal value.

#### **(Short-term and long-term) provisions**

Provisions are effected for likely liabilities arising from an event in the past (i.e. before the balance sheet date) whose extent and/or incur-

rence is uncertain but may be estimated. All provisions made are regularly reappraised (at least every year). Any release of provisions is effected via the same position through which the provision was originally effected. A distinction is made between short-term provisions (for liabilities likely to be incurred in up to one year) and long-term provisions (for liabilities likely to be incurred later than this). The changes in provisions are listed in the notes to the consolidated financial statements.

#### **Long-term financial liabilities**

This item consists of interest-bearing financial liabilities (bank loans and bonds) with a contractually-agreed maturity of more than one year. They are shown at nominal value.

#### **Corporate bond**

The bond is shown at nominal value.

#### **Pension scheme liabilities**

Any economic liabilities deriving from pension schemes are capitalized here. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel cost.

#### **Other long-term liabilities**

This item consists of non-interest-bearing liabilities with a maturity of more than one year. They are shown at nominal value.

#### **Derivative financial instruments**

Derivative financial instruments are treated differently according to their underlying motives. Hedges intended to offset currency movements are shown at their market value on the balance sheet date, with the resulting differences in value taken straight to the income statement. Hedges of future cash flows are not capitalized, but are shown in the notes to the consolidated financial statements (under Note 30.4).

#### **Treasury shares**

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. Should they later be sold, the resulting profit or loss is taken directly to capital reserves.



**Net sales and recording of sales**

Net sales comprise the sales of products and services resulting from ordinary business activities. A sale is recorded when it is likely that its economic benefit will accrue to the Group and its amount can be reliably calculated. The sale is regarded as realized with the transfer to the customer of the benefit and the risks concerned. Silicate chemistry products, newsprint, magazine paper and coated films are the Group's main sales generators: sales from its services are of negligible importance. Net sales are sales less price reductions, rebates, discounts, special distribution charges, value-added tax and further deduction items.

**Changes to semi-finished and finished inventories**

This item contains the changes to semi-finished inventories, to work in progress and to finished inventories.

**Other operating income**

The operating income shown under this item derives mainly from energy and water sales and from leases on and rentals of business premises.

**Cost of materials**

This item contains all the costs of raw, auxiliary and operating materials, the cost of merchandise and expenses incurred through the outside manufacture or processing of the company's own products (third-party services).

**Personnel cost**

Personnel cost comprises all the amounts paid to employees who are members of the company workforce under employment law for the work they provide. It also includes all compulsory and voluntary social security contributions. And it further includes other personnel expense such as the costs of temporary personnel, recruitment, initial and further training and the reimbursement of expenses incurred in connection with professional training.

**Energy costs**

Energy costs include the costs of electricity and steam obtained from outside suppliers, heating oil, natural gas, water and recovered wood.

**Outsourced maintenance/repairs**

This item contains the costs of repairs and maintenance (including the materials used) which are performed by third parties and are not capitalized, plus the materials used for the Group's own maintenance and repair activities.

**Research and development**

The costs of research and development are taken straight to the income statement.

**Other operating expense**

This item contains sales and administration costs and further operating expenses.

**Non-operating result**

The non-operating result contains any income or expenses deriving from business or events that are clearly separate from operating activities.

**Extraordinary result**

The extraordinary result contains any income or expenses which derive extremely rarely from ordinary business activities and cannot be foreseen.

**Income taxes**

Provisions are made for all tax liabilities, regardless of when they are due for payment. Deferred income tax amounts are calculated for all temporary differences using the Balance Sheet Liability Method. Such temporary differences arise from deviations between the Swiss GAAP ARR values and the taxable values of assets and liabilities

If the taxable result differs from the consolidated profit for the year based on uniform valuation principles, the anticipated additional taxes are deferred. These differences result from the use of fiscally approved degressive depreciation methods and value adjustments.

The deferred taxes due on these deviation amounts are calculated using the local tax rates that are expected to apply. In the event of any changes to such rates or deviations therefrom, the deferred tax amounts are adjusted accordingly. Any change in provisions for deferred tax amounts is taken straight to the income statement.

Deferred taxes on temporary differences may only be recognized if they are likely to be fiscally offset through future profits. Deferred taxes on losses carried forward are not capitalized, in accordance with the consolidated accounting principles.

# Additional information on the consolidated financial statements

## 1. Segment information

### 1.1 Net sales by region

in CHF thousand	2017	%	2016	%
Switzerland	53 167	11	54 366	12
Europe (excluding Switzerland)	313 696	67	287 605	66
The Americas	57 421	12	47 288	11
Asia	42 469	9	43 166	10
Rest of the world	3 014	1	2 410	1
<b>Total</b>	<b>469 767</b>	<b>100</b>	<b>434 835</b>	<b>100</b>

Net sales were 8.0% above their prior-year level, or 6.5% above based on prior-year currency exchange rates and excluding acquisitions. Of the difference, currency movements accounted for 1.4 percentage points and acquisitions/disposals 0.1 percentage points.

### 1.2 Income statement by division

2017 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
<b>Net sales</b>	<b>75 457</b>	<b>264 087</b>	<b>130 223</b>		<b>469 767</b>
<b>EBITDA</b>	<b>7 261</b>	<b>9 098</b>	<b>15 502</b>	<b>1 900</b>	<b>33 761</b>
in % of net sales	9.6	3.4	11.9		7.2
<b>EBIT</b>	<b>3 815</b>	<b>-12 346</b>	<b>9 567</b>	<b>1 865</b>	<b>2 901</b>
in % of net sales	5.1	-4.7	7.3		0.6
Financial result					-6 604
<b>Earnings before taxes and extraordinary items</b>					<b>-3 703</b>
Non-operating result					22 840
Extraordinary result					0
<b>Earnings before taxes</b>					<b>19 137</b>
Taxes					2 950
<b>Net result for the year</b>					<b>16 187</b>
in % of net sales					3.4

2016 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	69 340	246 223	119 272		434 835
EBITDA	5 619	15 521	14 416	1 379	36 935
in % of net sales	8.1	6.3	12.1		8.5
EBIT	1 621	-5 817	9 015	1 072	5 891
in % of net sales	2.3	-2.4	7.6		1.4
Financial result					-5 066
<b>Earnings before taxes and extraordinary items</b>					<b>825</b>
Non-operating result					134
Extraordinary result					-4 398
<b>Earnings before taxes</b>					<b>-3 439</b>
Taxes					4 275
<b>Net result for the year</b>					<b>-7 714</b>
in % of net sales					-1.8

## 2. Other operating income

The other operating income of CHF 5.0 million (prior year: CHF 6.0 million) consists of CHF 2.7 million of income from energy sales (prior year: CHF 2.6 million), CHF 0.7 million of rental income from business premises (prior year: CHF 1.0 million) and miscellaneous operating income of CHF 1.6 million (prior year: CHF 2.4 million).

## 3. Personnel cost

in CHF thousand	2017	2016
Salaries and wages	71 884	73 275
Pension scheme contributions and other social security costs	10 540	13 819
Other personnel costs	2 047	1 875
<b>Total</b>	<b>84 471</b>	<b>88 969</b>

Personnel cost declined CHF 4.5 million or 5.1% as a result of the restructuring of the Chemistry Division (and the closure of its Uetikon site) and owing to revisions to the regulations of the Group's Swiss-based company pension schemes. In addition to the contributions to state social security institutions, "Pension scheme contributions and other social security costs" also includes the contributions to company pension schemes described in Note 18.

#### 4. Other operating expense

The CHF 26.4 million of other operating expense (prior year: CHF 24.7 million) includes sales and administrative costs and further operating expenses. The increase in this item is attributable to higher rental costs for the Uetikon site and to higher consultancy and travel costs incurred through the implementation of the Group's internationalization strategy.

#### 5. Impairment

##### 5.1 Impairment for 2017

The valuations of the tangible fixed assets held by the Paper Division for the 2017 business year confirmed that no impairment was required on the assets concerned. These valuations were conducted using a WACC of 5.0% (prior year: 5.0%) and EUR/CHF exchange rates of CHF 1.10 for the 2018 plan period, CHF 1.14 for 2019 and CHF 1.18 for 2020. The values of the projected income statements were adjusted to take account of the facts and findings available on the balance sheet date.

The EUR/CHF exchange rate of CHF 1.18 (prior year: CHF 1.15) used for the years beyond the plan period was derived from the exchange rate as of 31 December 2017 and purchasing-power parity as calculated by various Swiss banking institutions. We regard the inclusion of purchasing-power parity as warranted here because most of the assets concerned are plant and machinery with a remaining service life of more than 25 years.

##### 5.2 Impairment for 2016

The valuations of the tangible fixed assets held by the CPH Group for the 2016 business year confirmed that no impairment was required on the assets concerned.

#### 6. Financial income

in CHF thousand	2017	2016
Interest income	37	56
Other financial income	1 568	587
– currency exchange rate gains	1 470	324
– further financial income	98	263
Income from securities	14	2
<b>Total</b>	<b>1 619</b>	<b>645</b>

The CHF 1.0 million increase in "Other financial income" derived from the positive impact of currency movements on amounts held in foreign currencies.

## 7. Financial expense

in CHF thousand	2017	2016
Interest expense	4 385	4 277
– interest paid	4 385	4 267
– changes in deferred interest due	0	10
Other financial expense	3 835	1 431
– currency exchange rate losses	3 422	655
– further financial expense	413	776
Expenditure on securities	3	3
<b>Total</b>	<b>8 223</b>	<b>5 711</b>

The CHF 2.5 million increase in financial expense is attributable to losses on financial positions and currency hedges held.

## 8. Non-operating result

The non-operating income of CHF 27.1 million (prior year: CHF 0.8 million) includes income and sale proceeds from non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal. CHF 17.8 million derives from the sale of residential-zone real estate in Perlen and Buchrain, and CHF 8.5 million stems from the sale of industrial-zone real estate in Full-Reuenthal.

The non-operating expense of CHF 4.3 million (prior year: CHF 0.7 million) consists of expenditure relating to the sale and management of non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal.

## 9. Extraordinary result

There was no extraordinary income or extraordinary expense in the 2017 financial year.

The extraordinary result for 2016 relates to the closure/restructuring of the Chemistry Division's Uetikon operation. It consists of extraordinary income of CHF 52.0 million from the sale of the Uetikon site and extraordinary expense of CHF 56.4 million for the closure of the operation and CPH's share of the costs of cleaning up the adjacent lake bed. The latter consists of a CHF 32.0 million provision for the lake bed clean-up, CHF 15.2 million of depreciation on the residual asset value of the plant's facilities (including a CHF 2.7 million impairment), an impairment to inventories of CHF 0.7 million, personnel-related restructuring costs of CHF 3.3 million, a CHF 3.0 million provision for the closure and decommissioning of the facilities and a further CHF 2.2 million for other extraordinary expense.

## 10. Income taxes

Tax rates vary between 5% and 41% (prior year: between 5% and 41%) depending on the country and the location.

Income taxes for 2017	Tax rate in %	Tax amount in CHF thousand
<b>Earnings before taxes and extraordinary items</b>		-3 703
Weighted average tax rate applicable/estimated tax expense	-6.6	246
<b>Non-operating and extraordinary result</b>		22 840
Weighted average tax rate applicable/estimated tax expense	15.3	3 499
<b>Earnings before taxes</b>		19 137
Weighted average tax rate applicable/estimated tax expense	19.6	3 745
Impact of losses carried forward not previously recognized in tax terms		-943
Taxes paid in prior years		-61
Other effects		209
<b>Tax rate/tax expense as per income statement</b>	<b>15.4</b>	<b>2 950</b>

2016	Tax rate in %	Tax amount in CHF thousand
<b>Earnings before taxes and extraordinary items</b>		825
Weighted average tax rate applicable/estimated tax expense	-0.1	-1
<b>Non-operating and extraordinary result</b>		-4 264
Weighted average tax rate applicable/estimated tax expense	19.6	-837
<b>Earnings before taxes</b>		-3 439
Weighted average tax rate applicable/estimated tax expense	24.4	-837
Impact of losses carried forward not previously recognized in tax terms		4 202
Taxes paid in prior years		11
Other effects		899
<b>Tax rate/tax expense as per income statement</b>	<b>-124.3</b>	<b>4 275</b>

In accordance with the consolidated accounting principles, deferred taxes on losses carried forward are not capitalized. These amounted to CHF 305.7 million for 2017 (prior year: CHF 315.1 million).

### 11. Liquid funds and securities

Liquid funds were increased from CHF 70.3 million to CHF 80.1 million, thanks largely to enhanced net working capital management and the sales of real estate not required for operations.

### 12. Trade accounts receivable

in CHF thousand	2017	2016
Receivables from third parties	86 600	78 053
Receivables from associates	1	5
Provisions for doubtful debts	-8 782	-8 993
– individual adjustments	-8 778	-8 801
– blanket adjustments	-4	-192
<b>Total</b>	<b>77 819</b>	<b>69 065</b>

Individual adjustments were effected to certain doubtful receivables. The individual adjustments for 2017 were not substantially different from their prior-year levels. The CHF 1.9 million prior-year increase in individual adjustments was due largely to the insolvency of a Paper Division customer.

### 13. Other receivables

The CHF 9.2 million increase in other receivables relates to the sales of real estate and infrastructural development (see Note 8).

### 14. Inventories

#### 14.1 Inventories by division

in CHF thousand	2017	2016
Chemistry	20 421	23 007
Paper	21 700	30 101
Packaging	17 094	15 831
<b>Total</b>	<b>59 215</b>	<b>68 939</b>

#### 14.2 Inventories by type

in CHF thousand	2017	2016
Raw materials	13 843	12 660
Auxiliary and operating materials	13 307	12 915
Finished and semi-finished products	31 820	43 039
Goods for resale	245	325
<b>Total</b>	<b>59 215</b>	<b>68 939</b>

Inventories were subjected to an overall CHF 2.2 million impairment (prior year: CHF 5.7 million). CHF 3.5 million was reversed in connection with the closure of the Uetikon plant and the transfer of production within the Chemistry Division.

Inventories at the end of 2017 were substantially lower than the previous year, owing to supply chain enhancements and strong demand towards year-end.



## 15. Intangible assets

Intangible assets in 2017 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
<b>At purchase values</b>			
Opening balance on 1.1.2017	10 650	1 222	11 872
Currency impact on opening balance	170	12	182
Change in consolidated companies	0	0	0
Additions	2 400	0	2 400
Disposals/reclassifications	-322	0	-322
Currency impact on movements	4	0	4
<b>Closing balance on 31.12.2017</b>	<b>12 902</b>	<b>1 234</b>	<b>14 136</b>
<b>Depreciation</b>			
Opening balance on 1.1.2017	8 411	370	8 781
Currency impact on opening balance	145	-5	140
Change in consolidated companies	0	0	0
Depreciation for the period	696	23	719
Disposals/reclassifications	-332	0	-332
Currency impact on movements	5	1	6
<b>Closing balance on 31.12.2017</b>	<b>8 925</b>	<b>389</b>	<b>9 314</b>
<b>Impairments</b>			
Opening balance on 1.1.2017	0	0	0
Currency impact on opening balance			
Change in consolidated companies			
Disposals/reclassifications			
<b>Closing balance on 31.12.2017</b>	<b>0</b>	<b>0</b>	<b>0</b>
Book value on 1.1.2017	2 239	852	3 091
<b>Book value on 31.12.2017</b>	<b>3 977</b>	<b>845</b>	<b>4 822</b>

Major investments were made to adopt a new ERP software system in the Chemistry Division.

Intangible assets in 2016 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
<b>At purchase values</b>			
Opening balance on 1.1.2016	13 233	1 265	14 498
Currency impact on opening balance	-34	-43	-77
Change in consolidated companies	9	0	9
Additions	1 242	0	1 242
Disposals/reclassifications	-3 795	0	-3 795
Currency impact on movements	-5	0	-5
<b>Closing balance on 31.12.2016</b>	<b>10 650</b>	<b>1 222</b>	<b>11 872</b>
<b>Depreciation</b>			
Opening balance on 1.1.2016	11 741	344	12 085
Currency impact on opening balance	-22	2	-20
Change in consolidated companies	4	0	4
Depreciation for the period	485	24	509
Disposals/reclassifications	-3 795	0	-3 795
Currency impact on movements	-2	0	-2
<b>Closing balance on 31.12.2016</b>	<b>8 411</b>	<b>370</b>	<b>8 781</b>
<b>Impairments</b>			
Opening balance on 1.1.2016	0	0	0
Currency impact on opening balance			
Change in consolidated companies			
Disposals/reclassifications			
<b>Closing balance on 31.12.2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
Book value on 1.1.2016	1 492	921	2 413
<b>Book value on 31.12.2016</b>	<b>2 239</b>	<b>852</b>	<b>3 091</b>

The goodwill deriving from the acquisition of Jiangsu ALSIO Technology Co. Ltd. in 2016 was offset directly against equity.

Goodwill is offset against equity (retained earnings) at the time of its acquisition. The impact of a theoretical capitalization of goodwill with five-year straight-line amortization on the balance sheet and income statement is shown below:

#### Theoretical goodwill movement

in CHF thousand	2017	2016
<b>At purchase values</b>		
Opening balance on 1.1.	37 903	25 722
Additions	0	12 181
<b>Closing balance on 31.12.</b>	<b>37 903</b>	<b>37 903</b>
<b>Depreciation</b>		
Opening balance on 1.1.	27 752	25 722
Depreciation for the period	2 436	2 030
<b>Closing balance on 31.12.</b>	<b>30 188</b>	<b>27 752</b>
Net Book value of goodwill on 1.1.	10 151	0
<b>Net Book value of goodwill on 31.12.</b>	<b>7 715</b>	<b>10 151</b>

### Impact of goodwill on the income statement

in CHF thousand	2017	2016
Earning before interest and taxes (EBIT)	2 901	5 891
EBIT margin in % of net sales	0.6	1.4
Depreciation of goodwill	- 2 436	- 2 030
<b>Theoretical earning before interest and taxes (EBIT), including depreciation of goodwill</b>	<b>465</b>	<b>3 861</b>
<b>Theoretical EBIT-margin in % of net sales</b>	<b>0.1</b>	<b>0.9</b>
Net result for the year	16 187	- 7 714
Depreciation of goodwill	- 2 436	- 2 030
<b>Theoretical net result, including depreciation of goodwill</b>	<b>13 751</b>	<b>- 9 744</b>

### Impact of goodwill on the balance sheet

in CHF thousand	2017	2016
Equity as per balance sheet	396 245	380 782
Equity in % of balance sheet total	56.8	56.6
Theoretical activation of net book value of goodwill	7 715	10 151
<b>Theoretical equity, including net book value of goodwill</b>	<b>403 960</b>	<b>390 933</b>
<b>Theoretical equity in % of balance sheet total, including net book value of goodwill</b>	<b>57.3</b>	<b>57.3</b>

## 16. Tangible fixed assets

Tangible fixed assets for 2017 in CHF thousand	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
<b>At purchase values</b>								
Opening balance on 1.1.2017	5 942	332 525	771 426	329 122	1 905	11 715	15 400	1 468 035
Currency impact on opening balance	12	1 337	2 231	389	-43		-83	3 843
Change in consolidated companies								0
Investments		1 001	6 518	4 661	2 123	182	17 838	32 323
Disposals	-165	-8 283	-15 284	-4 564		-776	-3 823	-32 895
Reclassifications		1 241	4 024	101	20	30	-5 425	-9
Currency impact on movements		-4	-20	20		-1	425	420
<b>Closing balance on 31.12.2017</b>	<b>5 789</b>	<b>327 817</b>	<b>768 895</b>	<b>329 729</b>	<b>4 005</b>	<b>11 150</b>	<b>24 332</b>	<b>1 471 717</b>
<b>Depreciation</b>								
Opening balance on 1.1.2017	76	143 068	465 723	213 025	1 884	9 505	0	833 281
Currency impact on opening balance	2	45	1 233	193	-45	-1		1 427
Change in consolidated companies								0
Depreciation for the period	10	5 221	17 606	6 694	14	596		30 141
Disposals		-6 936	-15 260	-4 540		-768		-27 504
Reclassifications			20	-20				0
Currency impact on movements	1	21	99	21		-6		136
<b>Closing balance on 31.12.2017</b>	<b>89</b>	<b>141 419</b>	<b>469 421</b>	<b>215 373</b>	<b>1 853</b>	<b>9 326</b>	<b>0</b>	<b>837 481</b>
<b>Impairments</b>								
Opening balance on 1.1.2017	0	53 225	146 027	50 722	0	0	211	250 185
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals								0
Reclassifications								0
<b>Closing balance on 31.12.2017</b>	<b>0</b>	<b>53 225</b>	<b>146 027</b>	<b>50 722</b>	<b>0</b>	<b>0</b>	<b>211</b>	<b>250 185</b>
Opening balance on 1.1.2017	5 866	136 232	159 676	65 375	21	2 210	15 189	384 569
<b>Closing balance on 31.12.2017</b>	<b>5 700</b>	<b>133 173</b>	<b>153 447</b>	<b>63 634</b>	<b>2 152</b>	<b>1 824</b>	<b>24 121</b>	<b>384 051</b>

The paper machines of Perlen Papier AG were assessed in detail in 2017 in terms of their current value. No impairment was deemed necessary (for details see Note 5).

## 17. Long-term financial assets

in CHF thousand	Long-term financial assets
<b>At purchase values</b>	
Opening balance on 1.1.2017	10 000
Investments	0
Disposals	0
Currency impact on movements	0
<b>Closing balance on 31.12.2017</b>	<b>10 000</b>
<b>At purchase values</b>	
Opening balance on 1.1.2016	10 000
Investments	0
Disposals	0
Currency impact on movements	0
<b>Closing balance on 31.12.2016</b>	<b>10 000</b>

As in 2016, the long-term financial assets consist of the 10% equity holding in waste incinerator company Renergia Zentralschweiz AG, Root, with which a supply agreement has been concluded for the provision of low-pressure steam from the incinerator to the Perlen paper factory.

## 18. Assets from employer contribution reserves and pension schemes

### 18.1 Pension schemes in Switzerland (533 working insurees)

Employer contribution reserve (ECR) in CHF thousand	Nominal value	Appro- priation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2016	2017	2016
Pension schemes	10 993				10 993	10 884	-109	-134
<b>Total</b>	<b>10 993</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10 993</b>	<b>10 884</b>	<b>-109</b>	<b>-134</b>

Economic benefit/economic obligation and pension scheme expense	Funding surplus/shortfall as per Swiss GAAP ARR 26	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
		31.12.2017	31.12.2016			2017	2016
in CHF thousand	31.12.2017	31.12.2017	31.12.2016	31.12.2017	31.12.2017	2017	2016
PVP Perlen (until 31.12.2016)							991
<b>Pension schemes with funding surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>991</b>
APP Perlen (until 31.12.2016)							2 041
CPH-Group Pension Scheme (since 1.1.2017)					3 084	3 084	
APV Uetikon					415	415	554
CU Chemie Uetikon AG Pension Scheme					275	275	308
<b>Pension schemes without funding surplus/shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 774</b>	<b>3 774</b>	<b>2 903</b>
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	4 658						
Perlen Group Assistance Fund	11 606	11 606	9 010	-2 596		-2 596	-94
<b>Employer's funds</b>	<b>16 264</b>	<b>11 606</b>	<b>9 010</b>	<b>-2 596</b>	<b>0</b>	<b>-2 596</b>	<b>-94</b>
<b>Total</b>	<b>16 264</b>	<b>11 606</b>	<b>9 010</b>	<b>-2 596</b>	<b>3 774</b>	<b>1 178</b>	<b>3 800</b>

A pension scheme is considered to have a funding surplus if it has a fluctuation reserve amounting to at least 15% of its total assets held.

Perlen and Uetikon each have two defined-contributions pension schemes offering old-age, death and disability benefits. Employer's contributions are strictly defined in the schemes' regulations and deeds of trust. The companies concerned do not bear any primary risk, i.e. their insurance and investment risks are borne primarily by the pension schemes themselves. Recalculations are performed regularly.

The PVP Perlen and APP Perlen company pension schemes were merged on 26 May 2017 with retroactive effect to 1 January 2017. The new merged entity is known as the CPH Group Pension Scheme. The actuarial parameters for this, the APV Uetikon and the CU Chemie Uetikon AG Pension Scheme were modified as of 31 December 2017 as follows: actuarial interest rate 2.25% (previously 3.0%), actuarial foundations BVG 2015 (previously BVG 2010), conversion factor from 1 January 2018 5.8% (previously 6.8%).

The latest static recalculation of actuarial capital was performed on 31 December 2016. Actuarial capital has since been further developed in line with insurée numbers and using the new actuarial parameters effective 31 December 2017. With the exception of the employer contribution reserve of CHF 11.0 million (prior year: CHF 10.9 million), all the schemes' surpluses are payable solely to their beneficiaries. According to their provisional balance sheets, the schemes had an average funding ratio of 113% as of 31 December 2017 (prior-year actual average funding ratio: 111%).

#### The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund is an employer's fund for all employees working at the CPH Group's companies in Uetikon and Rüti. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 5.7 million on 31 December 2017 (prior year: CHF 6.9 million).

### The Perlen Group Assistance Fund, Perlen

The Perlen Group Assistance Fund is an employer's fund for all employees working at the CPH Group's Perlen site. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund can also be used to finance employer's contributions to the occupational pension schemes of the Group's Perlen-based companies. The Fund paid CHF 0.0 million to these schemes for such purposes in 2017 (prior year: CHF 0.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 13.8 million on 31 December 2017 (prior year: CHF 11.2 million).

As for 2016, economic interest was calculated based on freely disposable trust capital excluding fluctuation reserves.

### 18.2 Pension schemes outside Switzerland

Economic benefit/ economic obligation	Funding surplus/ shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
		31.12.2017	31.12.2017			31.12.2016	31.12.2017
Pensions scheme expense in CHF thousand							
USA					509	509	450
<b>Pension schemes without funding surplus/shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>509</b>	<b>509</b>	<b>450</b>
USA	-564	-564	-1 135	-571	144	-427	509
<b>Pension schemes with funding shortfall</b>	<b>-564</b>	<b>-564</b>	<b>-1 135</b>	<b>-571</b>	<b>144</b>	<b>-427</b>	<b>509</b>
<b>Total</b>	<b>-564</b>	<b>-564</b>	<b>-1 135</b>	<b>-571</b>	<b>653</b>	<b>82</b>	<b>959</b>

USA (108 insurees): In the USA the Group has one defined-contributions scheme and one defined-benefits scheme. Defined Contribution Plan 401 K is a purely contributions-based savings scheme that does not expose the company to any liability and has neither a surplus nor a shortfall. The defined-benefits scheme is the traditional form of pension scheme for all employees. The contributions are paid by the employer. The defined-benefits scheme currently has a funding shortfall of USD 578 000 (prior year: USD 1 117 000). The calculations were made using the Current Liability Method, under which no regard is paid to future salary increases or expected returns on investment. The defined-benefits scheme was frozen on 1 January 2016. As a result, there will be no further increases in pension obligations to beneficiaries and no further admissions to the scheme.

The Group's pension schemes in its other countries of operation are of insignificant size, and provide all the social benefits prescribed by law.



### 18.3 Breakdown of pension scheme costs

in CHF thousand	In Switzerland	Outside Switzerland	2017	2016
Pension scheme contributions from employer	3 774	653	4 427	4 750
<b>Total contributions</b>	<b>3 774</b>	<b>653</b>	<b>4 427</b>	<b>4 750</b>
+/- changes in ECR through asset trends, value adjustments etc.	-109		-109	-134
<b>Contributions and changes in employer contribution reserves</b>	<b>3 665</b>	<b>653</b>	<b>4 318</b>	<b>4 616</b>
Decrease/Increase in company's economic benefit from funding surplus	-2 596		-2 596	-94
Decrease/Increase in company's economic obligation towards funding shortfall		-571	-571	103
<b>Change in economic impact on company of funding surplus/shortfall</b>	<b>-2 596</b>	<b>-571</b>	<b>-3 167</b>	<b>9</b>
<b>Pension scheme expenses as part of personnel cost for the period</b>	<b>1 069</b>	<b>82</b>	<b>1 151</b>	<b>4 625</b>

### 19. Other long-term receivables

Other long-term receivables consist mainly of CHF 32.0 million receivable in the longer term from Canton Zurich (80% of the estimated CHF 40.0 million cost of cleaning up the adjacent lake bed) in connection with the 2016 sale of the Uetikon operating site.

### 20. Trade accounts payable

in CHF thousand	2017	2016
To third parties	69 505	53 004
To related parties and companies	24	81
<b>Total</b>	<b>69 529</b>	<b>53 085</b>

The increase in this item in 2017 is due to the higher demand towards the end of the year and to improved payment terms.

## 21. Other payables

in CHF thousand	2017	2016
To third parties	3 347	8 273
To related parties and companies	1	2
<b>Total</b>	<b>3 348</b>	<b>8 275</b>

The reduction in this item in 2017 is attributable to the cancellation of a downpayment on the sale of a plot of land in Perlen (see also Note 30.2).

## 22. Accrued liabilities and deferred income

in CHF thousand	2017	2016
Accrued interest expense	1 617	1 617
Income tax owed	1 897	3 035
Accrued personnel expenses	4 957	4 636
Other accrued liabilities and deferred income	8 692	7 162
<b>Total</b>	<b>17 163</b>	<b>16 450</b>

The slight increase in this item is due to higher accrued personnel expenses and an increase in other accrued liabilities and deferred income.

## 23. Short-term financial liabilities

in CHF thousand	2017	2016
Towards third parties	9 694	6 922
– towards banks	9 694	6 906
– other	0	16
Towards related parties and companies	108	75
<b>Total</b>	<b>9 802</b>	<b>6 997</b>

Details of short-term financial liabilities are shown in Note 25.

## 24. Short-term provisions

in CHF thousand	Restructuring provisions	Guarantee obligations	Other provisions	Total short-term provisions
Opening balance on 1.1.2016	0	929	612	1 541
Currency impact on opening balance		-3		-3
Additions	10 951	192		11 143
Use	-3 672	-93	-326	-4 091
Releases/reclassification	-560	-144	-286	-990
Currency impact on movements		1		1
<b>Closing balance on 31.12.2016</b>	<b>6 719</b>	<b>882</b>	<b>0</b>	<b>7 601</b>
Opening balance on 1.1.2017	6 719	882	0	7 601
Currency impact on opening balance		9		9
Additions	676	288		964
Use	-2 327	-62		-2 389
Releases/reclassification	-196	-432		-628
Currency impact on movements		-2		-2
<b>Closing balance on 31.12.2017</b>	<b>4 872</b>	<b>683</b>	<b>0</b>	<b>5 555</b>

The restructuring provisions relate to the closure of the Uetikon site in 2016. They include provisions for the personnel affected, the closure and decommissioning of the production facilities, the rental back of the now-sold site and transfer costs.

The warranty obligations stem mainly from the Packaging Division, and relate to any claims or entitlements arising from customer complaints.

## 25. Long-term financial liabilities

2017 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2017
Long-term bank loans	3 000	3 000	6 803	3 000	6 500	1 170	23 473
Corporate bond <sup>1)</sup>	120 000						120 000
<b>Total</b>	<b>123 000</b>	<b>3 000</b>	<b>6 803</b>	<b>3 000</b>	<b>6 500</b>	<b>1 170</b>	<b>143 473</b>

2016 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2016
Long-term bank loans	2 046	3 000	3 000	4 072	3 000	10 462	25 580
Corporate bond <sup>1)</sup>		120 000					120 000
<b>Total</b>	<b>2 046</b>	<b>123 000</b>	<b>3 000</b>	<b>4 072</b>	<b>3 000</b>	<b>10 462</b>	<b>145 580</b>

<sup>1)</sup> unsecured bond, SIX Swiss Exchange "CPH14", issued 10.7.2014

#### Financial liabilities for 2017

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
<b>Short-term financial liabilities</b>						
Bank loan	EUR	389	455	2.80	30.6.2018	
Bank loan	EUR	120	141	2.85	30.9.2018	
Bank loan	CHF		1 500	2.41	31.12.2018	<sup>1)</sup>
Current account credit	EUR	3 112	3 641	0.95	unlimited	
Current account credit	CHF		2 548	3.52	unlimited	
Current account credit	USD	1 000	975	6.16	unlimited	
Current account credit	CNY	2 900	434	5.44	unlimited	
Current account related party	CHF		108	1.00	unlimited	
<b>Total</b>			<b>9 802</b>			
<b>Long-term financial liabilities</b>						
Corporate bond	CHF		120 000	2.75	10.7.2019	
Industrial bond	USD	3 900	3 803	4.90	1.8.2021	
Bank loan	CHF		18 500	2.41	20.3.2023	<sup>1)</sup>
Bank loan	EUR	1 000	1 170	0.95	unlimited	
<b>Total</b>			<b>143 473</b>			
<b>Total financial liabilities</b>			<b>153 275</b>			

<sup>1)</sup> Repayment in steps; debt ratio max. 3,25 (until 30.6.2018), max. 3,0 (until 30.6.2019), max. 2,5 (from on 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the packaging division for the last 12 months. As of 31 December 2017, this requirement was still being met.

## Financial liabilities for 2016

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
<b>Short-term financial liabilities</b>						
Bank loan/current account credit	EUR	4 025	4 315	1.37	unlimited	
Current account credit	CHF		1 299	5.45	unlimited	
Current account credit	USD	1 000	1 016	5.81	unlimited	
Current account credit	CNY	2 000	292	5.44	unlimited	
Current account related party	CHF		75	1.25	unlimited	
<b>Total</b>			<b>6 997</b>			
<b>Long-term financial liabilities</b>						
Bank loan	EUR	389	417	2.80	30.6.2018	
Bank loan	EUR	120	129	2.85	30.9.2018	
Corporate bond	CHF		120 000	2.75	10.7.2019	
Industrial bond	USD	3 900	3 962	4.90	1.8.2021	
Bank loan	CHF		20 000	2.41	20.3.2023	<sup>1)</sup>
Bank loan	EUR	1 000	1 072	0.95	unlimited	
<b>Total</b>			<b>145 580</b>			
<b>Total financial liabilities</b>			<b>152 577</b>			

<sup>1)</sup> Repayment in steps; debt ratio max. 3,5 (until 30.6.2017), max. 3,25 (until 30.6.2018), max. 3,0 (until 30.6.2019), max. 2,5 (from on 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the packaging division for the last 12 months. .

## 26. Long-term provisions

in CHF thousand	Major repairs and renovations	Environmental protection measures	Restructuring provisions	Other provisions	Deferred tax liabilities	Total long-term provisions
Opening balance on 1.1.2016	3 702	7 099	0	2 047	7 192	20 040
Currency impact on opening balance				-6	-43	-49
Additions		32 160	500	356	37	33 053
Use						0
Releases				-225	-354	-579
Currency impact on movements					3	3
<b>Closing balance on 31.12.2016</b>	<b>3 702</b>	<b>39 259</b>	<b>500</b>	<b>2 172</b>	<b>6 835</b>	<b>52 468</b>
Opening balance on 1.1.2017	3 702	39 259	500	2 172	6 835	52 468
Currency impact on opening balance				40	260	300
Additions				0	644	644
Use		-163		-66		-229
Releases			-500	-548	-291	-1 339
Currency impact on movements				-5	-15	-20
<b>Closing balance on 31.12.2017</b>	<b>3 702</b>	<b>39 096</b>	<b>0</b>	<b>1 593</b>	<b>7 433</b>	<b>51 824</b>

The provisions for major repairs and renovations relate to the work required on the Perlen weir.

Environmental risks arise as a result of the Group's business activities. In connection with the sale of the Uetikon operating site in 2016, provisions of CHF 32.0 million (80% of the CHF 40.0 million estimated total costs) were made for CPH's share in the expense of cleaning up the adjacent lake bed. The remaining 20% will be met by Canton Zurich. The precise clean-up plans and costs are still being determined. The further provisions for environmental protection measures relate largely to one landfill site for which the specific clean-up plans have been approved.

The restructuring provisions made in 2016 related to the closure of the Uetikon site.

"Other provisions" consist mainly of provisions for agency agreements in the Paper and Packaging Divisions.

## 27. Purchase of business activities

CPH Chemie + Papier Holding AG acquired no business activities in 2017. In the prior year 80% of the shares of Jiangsu ALSIO Technology Co. Ltd. were acquired as of 1 March 2016.

The balance sheet assets and liabilities (at current market values) and net cash flow acquired on the purchase date are shown below.

in CHF thousand	2017	2016
Current assets	0	-11 172
Fixed assets	0	-7 404
current liabilities	0	5 532
Long-term liabilities	0	0
Minority interests	0	2 609
<b>Net assets acquired</b>	<b>0</b>	<b>-10 434</b>
Cash and cash equivalents	0	4 137
<b>Subtotal</b>	<b>0</b>	<b>-6 297</b>
Goodwill incl. direct attributable cost	0	-12 181
<b>Net Cashflow</b>	<b>0</b>	<b>-18 478</b>

## 28. Additional corporate governance information

### 28.1 Capital structure

	2017	2016
Share capital in CHF thousand	30 000	30 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	5	5
Market capitalization in CHF thousand	321 300	240 000

The registered shares of CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange in the Swiss Reporting Standard segment. The company's share capital amounts to CHF 30 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 5 each.

## 28.2 Shareholders' rights

	2017	2016
Share transfer restrictions	none	none
Voting right restrictions	none	none
Opting-out clause	yes	yes

Each share entitles its holder to one vote. All shares are entitled to dividend payments. A written invitation to the Ordinary General Meeting, together with the meeting agenda, is provided 20 days in advance to all shareholders entered in the Share Register. Prior to the General Meeting, the Board of Directors will specify a cut-off date for registering shares in the Share Register. This date is published in the Schweizerisches Handelsamtsblatt (the Swiss Official Gazette of Commerce) together with the meeting invitation. In accordance with the Articles of Incorporation, any request by a shareholder for an item of business to be included on the meeting agenda must be submitted to the Board of Directors at least 60 days in advance of the meeting.

## 28.3 Transactions with related parties and companies

As in the previous year, all transactions with related parties and companies in 2017 were conducted at market rates. The following transactions were effected for services rendered with companies associated with Board members: CHF 67 000 (prior year: CHF 29 000) with Weber Schaub & Partner, Zurich; CHF 235 000 (prior year: CHF 85 000) with Niederer Kraft & Frey AG, Zurich (Manuel Werder); CHF 14 000 (prior year: CHF 76 000) with UBV Immobilien Treuhand AG, Uetikon; and CHF 62 000 (prior year: CHF 20 000) with UBV Immobilien Treuhand Perlen AG, Root. There were no transactions with members of Group Executive Management or related parties in 2017 or 2016.

### 28.3.1 Shares held by members of the Board of Directors and Group Executive Management

Shares held by members of the Board of Directors (including related parties):

Number of shares	2017		2017	2016
	Own	Related parties		
<b>Name</b>				
Peter Schaub	1 000	400	1 400	4 000
Tim Talaat	9 140	30 260	39 400	39 400
Manuel Werder	14 400	42 820	57 220	57 220
Christian Wipf	400	0	400	400
<b>Total</b>	<b>24 940</b>	<b>73 480</b>	<b>98 420</b>	<b>101 020</b>

Shares held by members of Group Executive Management (including related parties):

Name	2017	2016
Peter Schildknecht	200	200
Wolfgang Grimm	60	60
Richard Unterhuber	250	250
Alois Waldburg-Zeil	400	400
<b>Total</b>	<b>910</b>	<b>910</b>



### 28.3.2 Significant shareholders and numbers of shares held

Name	2017	2016
J. Safra Sarasin Investmentfonds AG	300 250	300 250
Ella Schnorf-Schmid	429 320	429 320
Uetikon Industrieholding AG	2 999 800	2 999 800
<b>Total</b>	<b>3 729 370</b>	<b>3 729 370</b>

### 28.4 Auditor's remuneration and other fees

in CHF thousand	2017	2016
PricewaterhouseCoopers AG auditing fees	399	383
Other auditing fees	13	36
Other PricewaterhouseCoopers AG fees	25	166
Other auditing-related fees	0	0
<b>Total</b>	<b>437</b>	<b>585</b>

## 29. Net financial liabilities

in CHF thousand	2017	2016
Liquid funds and securities	80 183	70 387
Short-term financial receivables	21	91
<b>Total liquid funds and financial receivables</b>	<b>80 204</b>	<b>70 478</b>
Short-term financial liabilities to banks	9 694	6 922
Short-term financial liabilities to others	108	75
<b>Total short-term financial liabilities</b>	<b>9 802</b>	<b>6 997</b>
Corporate bonds	120 000	120 000
Long-term financial liabilities to banks	23 473	25 580
<b>Total long-term financial liabilities</b>	<b>143 473</b>	<b>145 580</b>
<b>Net financial liabilities</b>	<b>73 071</b>	<b>82 099</b>

## 30. Contingent liabilities and off-balance-sheet business

### 30.1 Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2017.

### 30.2 Pledged assets

Real estate in Müllheim, Germany, with a book value of CHF 10.5 million (prior year: CHF 9.9 million) was subject to a CHF 6.6 million lien as of 31 December 2017 (prior year: CHF 6.0 million). Real estate of Jiangsu ALSIO Technology Co. Ltd. with a book value of CHF 2.7 million (prior year: CHF 2.7 million) was subject to a CHF 2.7 million lien as of 31 December 2017 (prior year: CHF 2.6 million). The lien to secure a CHF 6.0 million downpayment for the sale of a plot of land in Perlen was deleted from the land register in 2017 following receipt of the outstanding amount.

### 30.3 Other off-balance-sheet obligations

Other off-balance-sheet obligations consist of operational leasing agreements for vehicles with notice periods of more than one year. As in the prior year, these were not significant amounts as of 31 December 2017.

### 30.4 Derivative financial instruments and foreign-currency hedges

As in the prior year, no derivative financial instruments subject to balance sheet reporting were held as of 31 December 2017.

#### Open foreign-currency hedges as of 31 December 2017

Instrument	2017				2016			
	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Forward foreign-exchange contracts	119 323	58	2 696	Cash Flow Hedge	96 372	807	355	Cash Flow Hedge

The open foreign-currency hedges are forward contracts in euros and US dollars designed to secure future cash flows.

## 31. Risk management

### 31.1 Risk management organization

Financial and operational risk management are performed within the CPH Group in accordance with the principles and guidelines specified by the Board of Directors and Group Executive Management.

### 31.2 Risk management principles

These principles govern the regular assessment of operating and strategic business risks, the hedging of foreign exchange, interest rate, market, credit and liquidity risks and the Internal Control System (ICS). Guidelines have also been devised for liquid asset management and loan procurement activities. The management of non-essential liquidity and the procurement of short- and long-term loans are both centralized.

### 31.3 Risk overview

Risks are regularly recorded and analyzed, are summarized in an annual Risk Report which is presented to the Board of Directors, and are compared with current insurance coverage. The major business risks are defined in a detailed Risk Catalogue and Risk Matrix, and are assessed in terms of their likelihood of occurrence and the possible scope of the damage such occurrence may cause.

### 31.4 Reporting

Reporting on the Group's risk management is effected on an annual basis, and extends to both strategic and operational risks. Exceptional events are reported immediately to the Board of Directors. With the risk management established, the Board of Directors is convinced that it has taken the necessary steps to ensure the future development of the CPH Group, even though unforeseen risks resulting from special circumstances and uncertainties can never be excluded.

### 32. Earnings per share

Earnings per share are calculated by dividing the net result for the year by the average number of shares entitled to dividend issued, less any treasury shares. The company held an average of 1 850 treasury shares in 2017 (prior year: 2 323). Since no authorized or conditional capital is currently outstanding, diluted earnings per share are identical to the earnings per share amount.

	2017	2016
Net result as per consolidated income statement (in CHF thousand) after minorities	15 983	-7 905
Weighted average number of shares entitled to dividend	5 998 150	5 997 677
Net result per share (in CHF)	2.66	-1.32

### 33. Treasury shares

in CHF thousand	2017			2016		
	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	1 934	83.84	162	2 712	58.75	160
Purchased	10 876	50.62	551	22 317	35.71	797
Sold	11 044	50.24	-556	23 095	34.38	-795
Profit/loss			-61			
Closing balance on 31.12.	1 766	54.37	96	1 934	83.84	162

The company held 1 766 treasury shares at the end of 2017 (prior year: 1 934 shares).

A total of 10 876 treasury shares were purchased on the SIX Swiss Exchange in the course of 2017 (prior year: 22 317 shares) at an average purchase price of CHF 50.62 (prior year: CHF 35.71). A total of 11 044 treasury shares were sold via the SIX Swiss Exchange in the course of 2017 (prior year: 23 095 shares) at an average sale price of CHF 50.24 (prior year: CHF 34.38).

### 34. Subsequent events

Perlen Converting AG (Perlen LU/AG) acquired a 60% equity holding in Sekoya Industria e Commercio Ltda., Anapolis, State of Goia (Brazil) on 22 January 2018, with retroactive effect to 1 January 2018. The closing is expected to be finalized by the end of February 2018.

Perlen Papier AG (Perlen LU/AG) acquired a 100% equity holding in APS Altpapier Service Schweiz AG (Utzenstorf/CH) on 3 January 2018 with retroactive effect to 1 January 2018.

No further events occurred between 31 December 2017 and 9 February 2018 which would require adjustments to the book values of the Group's assets, equity and liabilities or would need to be divulged here. There are also no exceptional pending business items or risks which would need to be mentioned in the income statement.

The Board of Directors approved these consolidated financial statements at its meeting of 9 February 2018. They are also subject to the approval of the Ordinary General Meeting.

# List of major shareholdings

	Registered office	Currency	Capital in thousand	Consolidation in %	Consolidation method
<b>Consolidated chemistry companies:</b>					
Jiangsu ALSIO Technology Co. Ltd.	Lianyungang/CN	CNY	90 000	80	F
Zeowest AG (holding company)	Uetikon/CH	CHF	1 000	100	F
Zeochem AG	Rüti ZH/CH	CHF	14 000	100	F
Zeochem LLC	Louisville/USA	USD	36 547	100	F
Zeochem d.o.o.	Zvornik/BA	BAM	2	100	F
Zeochem Pte. Ltd.	Singapore/SG	SGD	1	100	F

## Consolidated paper companies:

Perlen Papier AG	Perlen/CH	CHF	81 000	100	F
Perlen Deutschland GmbH	Munich/D	EUR	100	100	F

## Consolidated packaging companies:

Perlen Converting AG	Perlen/CH	CHF	4 000	100	F
Perlen Converting LLC	Whippany/USA	USD	1 000	100	F
ac-Folien GmbH	Müllheim/D	EUR	1 300	100	F
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	HKD	100	100	F
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN	USD	2 794	100	F

## Consolidation method:

F = fully consolidated

## Changes in the scope of consolidation for 2017:

CU Deutero + Agro AG (Uetikon/CH), Chemie Uetikon AG (Uetikon/CH) and Zeochem AG (Uetikon/CH) were merged together on 28 June 2017 with retroactive effect to 1 January 2017. The registered office of Zeochem AG, Uetikon/CH was relocated to Rüti ZH/CH on 19 December 2017.

## Changes in the scope of consolidation for 2016:

Jiangsu ALSIO Technology Co. Ltd. (Lianyungang/CN) was consolidated from 1 March 2016.

Zeochem d.o.o. (Zvornik/BA) was founded on 9 September 2016.

Zeochem Pte. Ltd. (Singapore/SG) was reactivated on 31 October 2016.

The liquidation of CU Immobilien Lahr AG (Uetikon/CH) was concluded on 1 April 2016.

# Report on the audit of the consolidated financial statements

## Opinion

We have audited the consolidated financial statements of CPH Chemie + Papier Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 44 to 78) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

## Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Our audit approach

### Overview



Overall Group materiality: CHF 4 700 000

We concluded full scope audit work at seven Group companies in four countries. Our audit scope addressed 72% of the net sales and 85% of the assets of the Group.

Additionally, we concluded reviews at a further two Group companies in two countries, which addressed an additional 26% of the net sales and 12% of the assets of the Group.

As key audit matter, the following area of focus has been identified:

- Impairment testing of tangible fixed assets of Perlen Papier AG

## Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. PwC audited all of the Group's subsidiaries. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors, an investigation of the risk analysis and participating in the audit discussions of selected Group companies, in which the local management, the local auditor and Group representatives took part.

## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

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Overall Group materiality	CHF 4 700 000
How we determined it	1 % of net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is an appropriate benchmark given the current earnings situation of the Group. Furthermore, it is a generally accepted benchmark for materiality considerations.

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We agreed with the Finance & Auditing Committee that we would report to them misstatements above CHF 235 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

#### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment testing of tangible fixed assets of Perlen Papier AG

#### Key audit matter

Plant and machinery must be up to date in order to achieve sales targets and meet the technological requirements. To ensure this is the case, Perlen Papier AG invested in a new paper machine, which went into operation in September 2010. Due to unfavourable developments in the market and, as a result, in profitability, Perlen Papier AG had to book an impairment charge in the 2013 financial year. The business environment remains challenging and the valuation of plant and machinery was again the subject of in-depth investigation in the year under review.

Please refer to note 5.1 in the notes to the consolidated financial statements.

#### How our audit addressed the key audit matter

We performed the following audit procedures with regard to the impairment testing of tangible assets of Perlen Papier AG:

- We inspected the minutes of meetings of the Board of Directors and its committees.
- We identified potential indications of impairment.
- We discussed the impairment tests with Management and with the Finance & Auditing Committee of the Board of Directors.
- We performed plausibility checks on the assumptions used by Management concerning sales trends, costs and margins.
- With the support of a PwC valuation specialist, we compared the discount rate with the cost of capital of the Group.
- We assessed and tested the mathematical correctness of the impairment tests, based on a DCF method, performed by Management.

The results of our audit support Management's chosen impairment testing method, the related assumptions and budget figures and the conclusions reached by Perlen Papier AG.

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### **Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Roger Leu  
Audit expert

Zurich, 9 February 2018

# Income statement

in CHF thousand	Note	2017	2016
<b>Net revenue from sale of goods and services</b>	<b>2.10</b>	<b>5 000</b>	<b>4 906</b>
Other income		351	359
Personnel expense		-3 175	-2 727
Other operating expense		-1 947	-1 529
Amortization/depreciation and impairment losses on non-current assets	2.11	-490	-20 529
<b>Earnings before interest and taxes (EBIT)</b>		<b>-261</b>	<b>-19 520</b>
Financial income		12 822	14 880
– Income from participations	2.12	7 050	8 850
– Interest income	2.13	5 452	5 592
– Book gains on securities held		0	0
– Other financial income	2.14	320	438
Financial expense		-5 383	-3 721
– Interest expense	2.15	-3 301	-3 301
– Book losses on securities held		-3	-3
– Other financial expense	2.16	-2 079	-417
<b>Earnings before taxes and extraordinary items</b>		<b>7 178</b>	<b>-8 361</b>
Extraordinary, non-recurring or prior-period income	2.17	0	0
Extraordinary, non-recurring or prior-period expense	2.17	0	0
<b>Earnings before taxes (EBT)</b>		<b>7 178</b>	<b>-8 361</b>
Direct taxes		-94	-10
<b>Profit/Loss for the year</b>		<b>7 084</b>	<b>-8 371</b>



# Balance sheet

in CHF thousand	Note	31.12.2017	31.12.2016
<b>Assets</b>			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.1	10 156	17 524
Other short-term receivables		5 648	5 103
– From third parties		5 303	4 603
– From group member companies		345	500
Prepaid expenses and accrued income		51	30
<b>Total current assets</b>		<b>15 855</b>	<b>22 657</b>
Financial assets		362 523	351 642
– Long-term receivables from group member companies	2.2	362 523	351 642
Participations	2.3	141 995	142 485
Property, plant and equipment		374	409
<b>Total non-current assets</b>		<b>504 892</b>	<b>494 536</b>
<b>Total assets</b>		<b>520 747</b>	<b>517 193</b>
<b>Equity and liabilities</b>			
Trade payables		93	108
– To third parties		93	108
Short-term interest-bearing liabilities		52	24
– Towards third parties	2.4	52	24
Other short-term liabilities		314	148
– Towards third parties		46	73
– Towards group member companies		268	75
Accrued expenses and deferred income	2.5	2 180	1 994
<b>Total short-term liabilities</b>		<b>2 639</b>	<b>2 274</b>
Long-term liabilities		130 750	130 750
– Corporate bond	2.6	120 000	120 000
– Towards group member companies		10 750	10 750
<b>Total long-term liabilities</b>		<b>130 750</b>	<b>130 750</b>
<b>Total liabilities</b>		<b>133 389</b>	<b>133 024</b>
Equity	2.7	30 000	30 000
Legal capital reserves	2.8	904	4 804
– Capital contribution reserve		904	4 804
Legal retained earnings		10 016	10 016
Voluntary retained earnings		339 450	347 882
Earnings available for distribution		7 084	–8 371
– Balance brought forward from prior year		0	0
– Profit/Loss for the year		7 084	–8 371
Treasury shares	2.9	–96	–162
<b>Total equity</b>		<b>387 358</b>	<b>384 169</b>
<b>Total equity and liabilities</b>		<b>520 747</b>	<b>517 193</b>

# Additional information

## 1. Valuation principles used

These financial statements have been compiled in accordance with the provisions on business bookkeeping and accounting specified in the Swiss Code of Obligations (Article 957ff). The major balance sheet items have been capitalized as described below.

### No cash flow statement or certain additional notes

Since CPH Chemie + Papier Holding AG provides consolidated financial statements in accordance with recognized (Swiss GAAP ARR) accounting standards, it has – as permitted under the relevant legal provisions – elected not to provide details of auditors' fees or a cash flow statement in the present accounts.

### Financial assets and investments

Financial assets are stated at their nominal value less any value adjustments required. Investments are stated at their purchase price less any value adjustments required. Investments are valued individually, if they are material and are not usually grouped together because of their similarity for the valuation.

### Treasury shares

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. Should they later be sold, the resulting profit or loss is taken directly to voluntary retained earnings.

### Acquisition of Jiangsu ALSIO Technology of China

The equity holding in Jiangsu ALSIO Technology Co. Ltd., China, which was acquired on 1 March 2016, remained unchanged from the previous year at 80%. Like Zeochem AG, ALSIO manufactures molecular sieves, and has been assigned to the Chemistry Division in operational terms.

### Foreign currency positions

Foreign currency positions have been translated into Swiss francs at the following conversion rates:

Foreign currency	2017 income statement	2017 balance sheet	2016 income statement	2016 balance sheet
EUR	1.1120	1.1700	1.0900	1.0720
USD	0.9850	0.9750	0.9850	1.0160

The balance sheet conversion rates are the rates that ruled on the balance sheet date of 31 December, while the conversion rates used for the income statement are the average rates for the year.

## 2. Notes on the financial statements

### CPH Chemie + Papier Holding AG, Root

The company employed an average of six persons in full-time-equivalent terms in 2017 (prior year: six).

#### 2.1 Cash and cash equivalents and assets held for short-term disposal with a quoted market price

in CHF thousand	2017	2016
Cash and cash equivalents	10 118	17 482
Assets held for short-term disposal with a quoted market price	38	42
<b>Total</b>	<b>10 156</b>	<b>17 524</b>

## 2.2 Long-term receivables from group member companies

Long-term receivables from group member companies amounted to CHF 362.5 million for 2017, up CHF 10.9 million from the previous year. The increase is due largely to a loan to Zeochem d.o.o., Zvornik to cover its local start-up investments.

## 2.3 Investments

Name and legal form	Domicile	Remarks	Currency	Holding in 2017		Holding in 2016	
				Capital in thousand	Capital/Voting rights	Capital in thousand	Capital/Voting rights
Jiangsu ALSIO Technology Co. Ltd.	Lianyungang/CN	Purchase 1.3.2016	CNY	90 000	80 %	90 000	80 %
Chemie Uetikon AG	Uetikon/CH	Merged 1.1.2017 with Zeochem AG	CHF	2 220	100 %	2 220	100 %
CU Immobilien Lahr AG	Uetikon/CH	Liquidated on 1.4.2016	CHF	0	0 %	0	0 %
Zeochem AG	Rüti ZH/CH		CHF	14 000	100 %	14 000	100 %
Zeowest AG	Uetikon/CH		CHF	1 000	100 %	1 000	100 %
Zeochem LLC	Louisville/USA		USD	36 547	100 %	36 547	100 %
Zeochem d.o.o.	Zvornik/BA	Established 9.9.2016	EUR	2	100 %	2	100 %
CU Deutero + Agro AG	Uetikon/CH	Merged 1.1.2017 with Zeochem AG	CHF	550	100 %	550	100 %
Perlen Papier AG	Root/CH		CHF	81 000	100 %	81 000	100 %
Perlen Deutschland GmbH	Munich/D		EUR	100	100 %	100	100 %
Perlen Converting AG	Root/CH		CHF	4 000	100 %	4 000	100 %
ac-Folien GmbH	Müllheim/D		EUR	1 300	100 %	1 300	100 %
Perlen Converting LLC	Whippany/USA		USD	1 000	100 %	1 000	100 %
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	In Liquidation since 20.10.2017	HKD	100	100 %	100	100 %
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN		USD	2 794	100 %	2 794	100 %

An impairment of CHF 0.5 million was effected to the holding in Perlen Papier AG, Perlen in 2017.

An impairment of CHF 10.3 million had been effected to the same holding in 2016. In 2016 the value of the holding in Perlen Converting AG, Perlen was raised CHF 20.0 million following a capital increase. The addition of the CHF 22.6 million ALSIO holding also helped increase overall book value by CHF 32.1 million.

## 2.4 Liabilities towards pension schemes

As of 31 December 2017, liabilities towards pension schemes amounted to CHF 0.05 million (prior year: CHF 0.02 million).

## 2.5 Accrued expenses and deferred income

Accrued expenses and deferred income for 2017 includes CHF 1.6 million in accrued interest payable on the CHF 120 million 2.75% corporate bond (duration 10 July 2014 to 10 July 2019) (prior year: CHF 1.6 million) and accruals for employees' salary and vacation entitlements.

## **2.6 Long-term interest-bearing liabilities**

Long-term interest-bearing liabilities amounted to CHF 120 million at the end of 2017 (prior year: CHF 120 million). They relate to the unsecured corporate bond issued on 10 July 2014 with a duration until 10 July 2019 and a coupon of 2.75%. The bond is listed on the SIX Swiss Exchange with the SIX designation CPH14.

## **2.7 Share capital**

The company's share capital consists of 6 000 000 registered shares each of CHF 5 nominal value. Uetikon Industrieholding AG, Uetikon holds 49.99% thereof (prior year: 49.99%). For the shares held by members of the Board of Directors and other significant shareholders, please see Section 28.3.1 of the Notes to the consolidated financial statements.

## **2.8 Legal capital reserves**

The capital contribution reserve derives from a quasi-merger in 1998, and has been shown separately since 2011.

## **2.9 Treasury shares**

CPH Chemie + Papier Holding AG held 1 766 treasury shares at the end of 2017 (prior year: 1 934 shares), at a purchase price of CHF 54.37 per share (prior year: CHF 83.84).

## **2.10 Net revenue from sale of goods and services**

The CHF 5.0 million in this item (prior year: CHF 4.9 million) represents the net revenue from goods and services provided to subsidiaries by the holding company and invoiced accordingly.

## **2.11 Amortization/depreciation and impairment losses on non-current assets**

An impairment of CHF 0.5 million was effected on the holding in Perlen Papier AG, Perlen in 2017. In the previous year, negative equity at one subsidiary prompted a CHF 10.0 million impairment to intercompany loans which, together with a CHF 10.5 million impairment to participations, resulted in a total prior-year impairment to non-current assets of CHF 20.5 million.

## **2.12 Income from investments**

This item includes profit distributions by certain subsidiaries.

## **2.13 Interest income**

Interest income stems predominantly from intercompany loans. As in the previous year, an interest rate of between 1% and 3% was applied in 2017.

## **2.14 Other financial income**

This item includes income from securities and the positive net impact of currency movements on foreign currency amounts held.

## **2.15 Interest expense**

This item consists largely of the CHF 3.3 million (prior year: CHF 3.3 million) interest paid on the CHF 120 million 2.75% corporate bond (duration 10 July 2014 to 10 July 2019).

## **2.16 Other financial expense**

Other financial expense for 2017 consists largely of the costs of currency hedges (CHF 1.98 million) and ordinary financial expense of CHF 0.09 million. Other financial expense for 2016 mainly comprised the costs of currency hedges (CHF 0.24 million), currency losses on loans to subsidiaries in foreign currencies (CHF 0.05 million) and ordinary financial expense of CHF 0.13 million.

## **2.17 Extraordinary, non-recurring or prior-period income and expense**

No such amounts were earned or incurred in 2017 or 2016.

### **Guarantees to third parties**

Contingent liabilities amount to CHF 29.1 million (prior year: CHF 28.9 million). These consist largely of guarantees by CPH Chemie + Papier Holding AG to Swiss banking institutions in respect of subsidiaries' credit limits and overdraft facilities.

### **Pledged assets**

As in the prior year, no assets were pledged at the end of 2017.

### **Joint and several liability**

CPH Chemie + Papier Holding AG is jointly and severally liable towards the Swiss federal tax authorities in Bern for current and future value-added tax payments of the CPH Group (group taxation).

### **Assets subject to reservation of ownership**

The book value of leased property, plant and equipment amounts to CHF 0.0 million (prior year: CHF 0.04 million).

### **Leasing liabilities**

The liabilities on leased vehicles amount to CHF 0.0 million (prior year: CHF 0.04 million).

### **Remuneration of members of the Board of Directors and Group Executive Management**

The remuneration paid to members of the Board of Directors and Group Executive Management is detailed in the Remuneration Report on Pages 34 to 37.

### **Subordination agreements**

Subordination agreements have been concluded between CPH Chemie + Papier Holding AG, Perlen and Zeochem AG, Rütli ZH (CHF 40.0 million; prior year CHF 40.0 million). In addition, CPH Chemie + Papier Holding AG has also issued a comfort letter to ensure the further going concern of Zeochem AG.

### **Subsequent events**

None.

# Recommendation on the appropriation of available earnings and reserves

## Movements in earnings available

in CHF thousand	2017	2016
Balance brought forward from prior year	-8 371	-31 268
<b>Appropriation of reserves available for distribution by resolution of the General Meeting</b>		
To legal retained earnings	0	0
Offsetting from voluntary retained earnings	8 371	31 268
Dividend to shareholders	-3 899	-3 598
Profit/Loss for the year	7 084	-8 371
Release from capital contribution reserve	3 899	3 598
<b>Earnings available at end of the year</b>	<b>7 084</b>	<b>-8 371</b>

## Board's recommendation to shareholders on the appropriation of available earnings and reserves

in CHF thousand	2017 Board's recommenda- tion	2016 General Meeting's resolution
Earnings available	7 084	-8 371
Release from capital contribution reserve	3 900	3 900
Dividend to shareholders	-3 900	-3 900
Release from voluntary retained earnings	0	8 371
<b>Balance of earnings to be carried forward</b>	<b>7 084</b>	<b>0</b>

## Dividend proposed/reduction in nominal value

Subject to shareholders' approval at the Ordinary General Meeting of 14 March 2018, the Board of Directors proposes the distribution of CHF 0.65 per share, via a release from the capital contribution reserve, for 2017.

In this connection, the Board of Directors will propose to shareholders that the nominal value of the CPH share be reduced from CHF 5.00 to CHF 2.00. The resulting CHF 18.0 million reduction in share capital will be allocated to legal capital reserves (the capital contribution reserve), and can be used to distribute tax-neutral dividends to natural persons in Switzerland.

The ex-dividend date and the dividend distribution date in Switzerland would probably be in June 2018, in accordance with the procedures prescribed under Swiss law. Further information will be provided on the CPH website in due course.

# Report on the audit of the financial statements

## Opinion

We have audited the financial statements of CPH Chemie + Papier Holding AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 82 to 87) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

## Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Our audit approach

### Overview



Overall materiality: CHF 4 700 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

Valuation of long-term receivables from Group companies and of participations

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 4 700 000
---------------------	---------------

How we determined	0.9% of total assets
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Rationale for the materiality benchmark applied	We chose total assets as the benchmark for determining materiality. Total assets is a generally accepted benchmark for materiality considerations with regard to a holding company.
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We agreed with the Finance & Auditing Committee that we would report to them misstatements above CHF 235 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

## Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of long-term receivables from Group companies and of participations

### Key audit matter

We consider the valuation of long-term receivables from Group companies and of participations in group companies as a key audit matter. These items are disclosed on the balance sheet in the amounts of CHF 362.5 million and CHF 142.0 million, respectively.

The valuation of long-term receivables from Group companies and of participations in Group companies depends on the financial substance and profitability of the subsidiaries. Hence, there is a risk that write-downs could be necessary if Management's expectations are not met.

Please refer to notes 2.2, 2.3 and 2.11 in the notes to the financial statements.

### How our audit addressed the key audit matter

We performed the following audit procedures with regard to the valuation of long-term receivables from Group companies and of participations in Group companies:

- For long-term receivables from Group companies, we tested the recoverability of the recognised amounts by comparing them with the debtor's net assets at Swiss GAAP FER book values.
- For significant participations in Group companies, we tested the recoverability of the investments on the basis of the net assets at Swiss GAAP FER book values or, where necessary, on the basis of Management's capitalised earnings estimates.
- In addition, we tested whether appropriate provisions or impairments were recognised in the case of any letters of comfort or subordination agreements.

Our audit supports the amounts recognised by Management with regard to long-term receivables from Group companies and participations in Group companies.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expert-suisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

### Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Roger Leu  
Audit expert

Zurich, 9 February 2018



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### **Disclaimer concerning future-oriented statements**

This Annual Report 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 Report's compilation, but they may deviate from actual future events.

This Annual Report is also available in the original German.