Annual Report 2017

CPH Chemie + Papier Holding AG

Key figures

The CPH Group

in CHF thousand	2017	2016	2015	2014	2013
Net sales	469 767	434 835	420 046	492 463	481 303
Earnings before interest, taxes, depreciation and amortization (EBITDA)	33 761	36 935	12 222	50 835	30 933
in % of net sales	7.2	8.5	2.9	10.3	6.4
Earnings before interest and taxes (EBIT) before impairment	2 901	5 891	–21 818	16 037	–26 636
in % of net sales	0.6	1.4	–5.2	3.3	–5.5
Earnings before interest and taxes (EBIT)	2 901	5 891	–21 818	16 037	–277 557
in % of net sales	0.6	1.4	–5.2	3.3	–57.7
Financial result	–6 604	–5 066	–12 101	–5 621	–3 883
Earnings before taxes and extraordinary items	–3 703	825	–33 919	10 416	–281 440
Net result for the year [1]	16 187	–7 714	–33 123	10 502	–271 480
in % of net sales	3.4	–1.8	–7.9	2.1	–56.4
in % of equity	4.1	–2.0	–8.2	2.4	–62.5
in % of total capital	2.3	–1.1	–5.3	1.5	–39.8
Cash flow	14 467	28 271	7 183	40 795	27 275
Investments in tangible assets (gross)	32 314	20 720	21 922	19 170	18 201
Free cash flow	12 857	1 938	1 355	430	13 652
Balance sheet total [1]	697 552	672 427	623 955	688 388	681 788
Fixed assets	455 307	450 304	436 922	455 987	467 264
in % of balance sheet total	65.3	67.0	70.0	66.2	69.0
Equity	396 245	380 782	402 706	442 003	434 263
in % of balance sheet total	56.8	56.6	64.5	64.2	64.0
Net cash	–73 071	–82 099	–80 175	–75 380	–66 657
Personnel at year-end	1 019	985	858	860	859

[1] Including minorities

CPH Chemie + Papier Holding AG

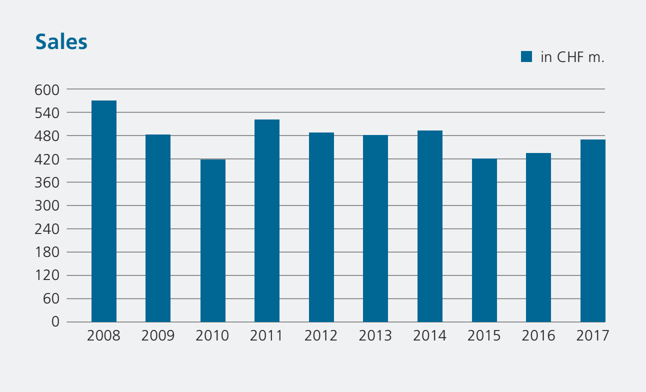
in CHF thousand	2017	2016	2015	2014	2013
Net result for the year	7 084	–8 371	–30 973	–295	–216 375
Equity	387 358	384 169	396 141	431 055	435 366

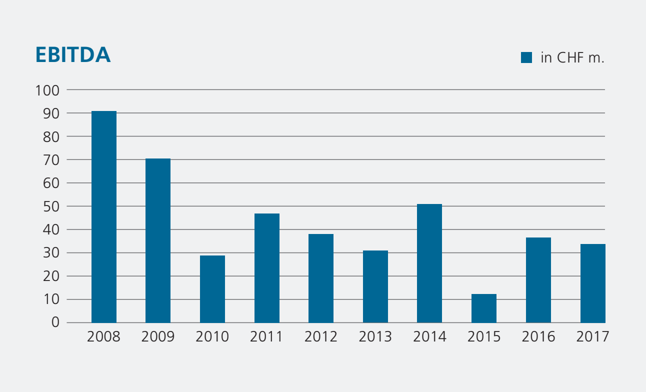
Per-share statistics [1]

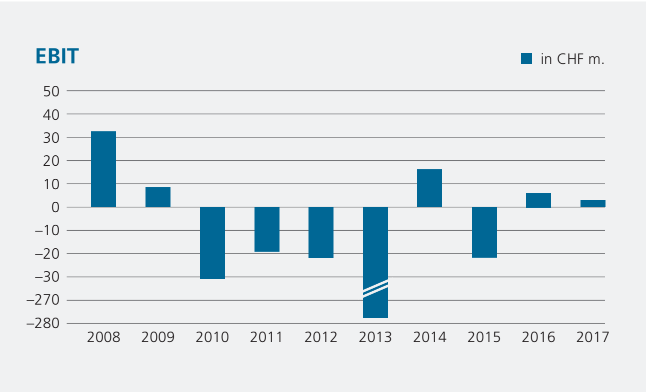
in CHF		2017	2016	2015	2014	2013
Share price	high	57.30	42.20	59.90	63.80	67.45
	low	39.00	29.80	30.00	55.95	59.20
	on 31 December	53.55	40.00	31.40	56.45	61.50
Equity per share [2]		66.06	63.49	67.12	73.67	72.38
Net result per share [2]		2.66	–1.32	–5.52	1.75	–45.25
Cash flow per share [2]		2.41	4.71	1.20	6.80	4.55
Dividend per share [3]		0.65	0.65	0.60	0.65	0.65

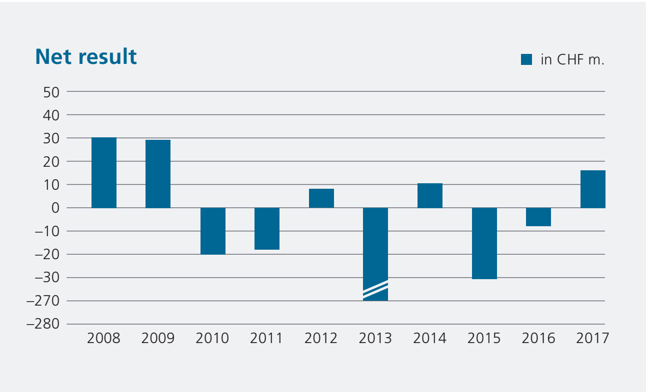
[1] All information is adjusted to the 1:20 share split of 10 April 2015
[2] Based on consolidated financial statements; excluding minorities
[3] For 2017: Board's recommendation to the 2018 Ordinary General Meeting

At a glance









The CPH Group

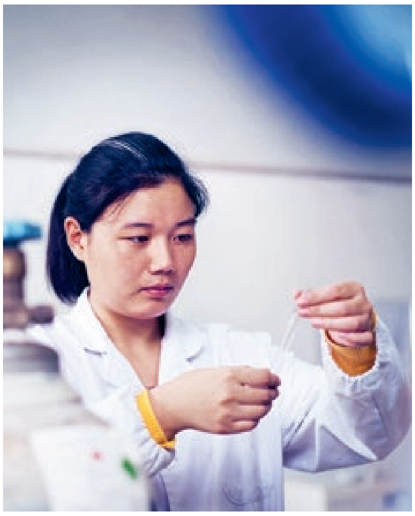
Business in 2017

– Sales growth registered in all business divisions
– Positive consolidated EBIT result
– Net result boosted by non-recurring items
– International expansion further pursued
– Business expanded through targeted acquisitions

in CHF million	2017	2016
Net sales	469.8	434.8
EBITDA	33.8	36.9
EBIT	2.9	5.9

Portrait

The CPH Group manufactures chemicals, newsprint and magazine paper and pharmaceutical packaging films, and markets these worldwide. The diversified group, which is domiciled in Switzerland, maintains production facilities in seven countries. The Group can draw on a long industrial tradition, and will celebrate the 200th anniversary of its foundation in 2018. The Chemistry Division traces its roots back to 1818, while the Paper Division dates back to 1873.



Chemistry

Business in 2017

- Sales increased for the fourth year in succession
- EBIT substantially improved
- New production facility built and opened in Bosnia-Herzegovina
- New Swiss base established in Rüti
- ALSIO contributes to positive trend
- Deuterated products integrated into Zeochem and Armar acquired

in CHF million	2017	2016
Net sales	75.5	69.3
EBITDA	7.3	5.6
EBIT	3.8	1.6

Portrait

The Chemistry Division is active in the silicate chemistry business, operating worldwide under the Zeochem brand. Zeochem is a leading supplier of molecular sieves (zeolites) for a wide range of industrial applications, of high-value chromatography gels for the pharmaceuticals industry and of deuterated solvent products for use in NMR spectroscopy. The Division maintains production plants in Switzerland, Bosnia-Herzegovina, the USA and China.

Paper

- Sales and sales volumes increased
- Pricing pressures remain owing to overcapacities and falling demand
- Recovered paper prices up around 10%
- EBIT still negative for the year
- Recovered paper volumes and waste paper sorting facility of Papierfabrik Utzenstorf taken over on 1 January 2018

in CHF million	2017	2016
Net sales	264.1	246.2
EBITDA	9.1	15.5
EBIT	–12.3	–5.8

The Paper Division is Switzerland's sole manufacturer of newsprint and magazine paper and the only Swiss-based recycler of recovered paper. The newsprint and magazine paper produced in Switzerland are largely exported, primarily to the Eurozone. The paper products, which are sold under the Perlen Papier brand, consist more than 90% of recovered paper and woodchip waste, and have been well established for decades in their various markets.

Packaging

- Production facilities well utilized and sales further increased
- More gains in market share
- EBIT further enhanced
- Expansion in Latin America through majority holding in Sekoya
- New disposable powder inhaler earns several product packaging innovation awards

in CHF million	2017	2016
Net sales	130.2	119.3
EBITDA	15.5	14.4
EBIT	9.6	9.0

The Packaging Division, which maintains manufacturing facilities in Switzerland, Germany, the USA and China, produces a comprehensive range of coated PVdC barrier films and PVC monofilms for the pharmaceuticals industry, and is one of the world's three biggest suppliers of coated films. Its products, which are marketed under the Perlen Packaging brand, are used primarily in blister packs, to protect the medications they contain.

Contents

Cover picture

Perlen Papier took over the waste paper sorting facility in Utzenstorf, Switzerland in January 2018. The facility separates up to 30 000 tonnes of cardboard and recovered paper a year.

Highlights of 2017

The key events of the CPH Group's business year in brief

February

Perlen Papier presents its project to refurbish the weir across the River Reuss, which was damaged in the floods of 2005. The Perlen paper factory has operated its own hydro power station, which takes water from the river via a conduit, since the company was founded in 1873.

March

The top management of the CPH Group join local political dignitaries in Zvornik, Bosnia-Herzegovina to see the first ground broken in the construction of Zeochem's new production facility.

April

Work begins on providing the utilities required to convert the Chemistry Division's former operating site in Full in Canton Aargau (Switzerland) to its new commercial use. A seven-phase project is envisaged for the 200 000-square-metre site.

May

The facility for incinerating residual waste produced through paper manufacture in Perlen is converted to a fully biomass operation. A multi-year project has both substantially enhanced the facility's efficiency and reduced its carbon dioxide emissions.

June

The Chemistry Division's Swiss-based CU Deutero + Agro AG and Chemie Uetikon AG companies are merged into Zeochem AG. After 137 years, fertilizer production is discontinued at the division's Uetikon site at the end of June.

July

The Utzenstorf paper factory in Canton Bern (Switzerland) announces that it will cease production at the end of 2017. Perlen Papier acquires the company's recovered paper operations, and commits to taking over the Utzenstorf waste paper sorting facility from 2018 (see also Pages 18/19).

August

Zeochem invests in expanding its production capacities at its Louisville operating site in Kentucky in the USA. The move is intended to help meet the growing demand for molecular sieve products which are used to purify medical and industrial oxygen.

September

The BLISTair disposable powder inhaler developed by Perlen Packaging wins both the CPhI Pharma Packaging Award and the German Packaging Award. Perlen Packaging is also honoured with the Central Switzerland Chamber of Commerce & Industry's Innovation Award for its new inhaler (see also Pages 22/23).

October

Zeochem takes over the business activities of Armar AG, a long-standing distribution partner and a manufacturer of deuterated products. Armar's assets are to be integrated into Zeochem with effect from 1 March 2018.

November

The Chemistry Division's new production plant in Zvornik (Bosnia-Herzegovina) commences operations. Zeochem manufactures molecular sieve powders, chromatography gels and special zeolites at the new facility (see also Pages 14/15).

December

The Group's Chemistry and Packaging Divisions resolve to sharpen their respective brand profiles. From 2018 onwards, the divisions will operate and trade solely under their Zeochem and Perlen Packaging brands.

CPH achieves growth in all divisions and encouraging international expansion

Peter Schaub (left) and Peter Schildknecht

Dear shareholder, dear reader,

CPH Group consistently further pursues its adopted strategy

The CPH Group marked several further milestones in 2017 in implementing its current strategy. The Group's internationalization was further pursued; the Chemistry and Packaging Divisions were both expanded; and a reduction was achieved in the Group's Swiss-franc cost base. You will find full details of our overall corporate strategy on Pages 12 and 13.

Chemistry implements strategic realignment

The Chemistry Division effected its strategic realignment as planned following the sale of its Uetikon site. The first half of the year saw the conclusion of the transfer of standard molecular sieve production to the division's Chinese facility. Work also began in spring on construction of the new manufacturing plant in Zvornik in Bosnia-Herzegovina. And after the relocation of the previous Uetikon installations and equipment, the new Zvornik facility commenced operations at the end of 2017. Of the activities previously subsumed under the CU Deutero + Agro AG banner, fertilizer production was discontinued in mid-June while the manufacture of deuterated products was integrated into Zeochem's operations. In organizational terms, both CU Deutero + Agro AG and Chemie Uetikon AG were merged into Zeochem AG. From 2018 onwards the deuterated products will be manufactured at the new Swiss Rüti site, which is also home to the Chemistry Division's management and service functions.

To expand its activities in the deuterated products segment, Zeochem will acquire the assets of Armar AG, a long-standing business partner, on 1 March 2018. The acquisition will double the division's deuterated products business in sales terms. Parallel to transferring its production to other operating locations, the Chemistry Division prepared its Uetikon site for its planned handover to Canton Zurich in spring 2018.

Packaging continues its internationalization drive

The Packaging Division also further internationalized its business and operations in 2017. The transfer of work orders for Asian customers from Switzerland to the new coatings plant in China is under way. In addition to Asia, Latin America is another emerging market with strong growth prospects. And with an eye to this sizeable business potential, Perlen Packaging acquired a majority shareholding in the Sekoya company of Brazil effective 1 January 2018. Sekoya is active in the distribution of pharmaceutical films, and also operates its own finishing plant in Anapolis. The acquisition will enable the Packaging Division to respond even faster and more flexibly to customer needs in the Latin America region.

Paper repositioning itself in the recovered paper market

The Paper Division set a new strategic course in 2017 and took over certain activities as of 1 January 2018 from the Utzenstorf paper factory, which ceased paper production at the end of 2017. In addition to Utzenstorf's existing customer contracts, Perlen Papier is assuming responsibility for all the recovered paper collected in Switzerland which Utzenstorf previously processed. As a result, the Paper Division will be able to meet most of its recovered paper needs from Swiss sources from 2018 onwards. This will have a positive impact on both carbon emissions and costs: with its longer transport distances, imported recovered paper is more expensive than recovered paper collected in Switzerland. Perlen Papier will also continue to operate the Utzenstorf waste paper sorting facility, and is subsuming all its recovered paper business activities under a new company named APS Altpapier Service Schweiz AG.

Global economy continues to grow

Global economic growth accelerated in the year under review. According to estimates from the World Bank, global gross domestic product (GDP) rose by 3.0% in 2017, compared to 2.4% the previous year. With more robust economic growth in the USA, where annual GDP rose 2.3% (compared to 1.5% the previous year), the US Federal Reserve slightly raised its key interest rates. Annual GDP growth accelerated in the Eurozone, too, from the 1.8% of 2016 to 2.4%. The European Central Bank announced a gradual reduction in its bond-buying programme for 2018; but key interest rates for Europe are likely to remain at zero. On the currency exchange front, the euro gained in strength against the Swiss franc, with average annual rates rising from the CHF 1.090 of 2016 to CHF 1.112.

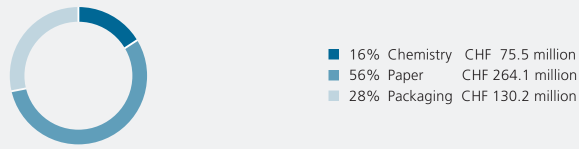
The Eurozone is CPH's most important sales region by far, accounting for some two-thirds of all the Group's sales. Given the region's modest growth dynamics, substantial sales increases could only be achieved here by gaining further market share. The emerging markets showed far more economic dynamism than the industrialized nations in 2017, with average annual growth rates of around 4%. Asia led the way here, with over 6% growth for the year.

Divisions experience differing market trends

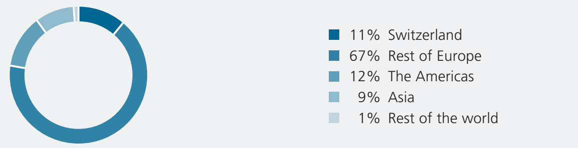
Energy prices increased slightly over the course of the year. The oil price rose from USD 54 to over USD 60 per barrel. At pricing levels like these, the investment demand from the energy sector remained relatively modest. This in turn dampened demand for some of the products of the Chemistry Division, such as the molecular sieves used to purify ethanol and natural gas. Demand for the division's molecular sieves for industrial, chemical and pharmaceutical applications was, by contrast, robust.

The European press paper market remained characterized by structural overcapacities. The demand for newsprint and magazine paper has been declining for some years, as readers turn increasingly to digital platforms and advertising volumes fall. This in turn is prompting consolidation, not only in the media but also among paper manufacturers. Some 1.4 million tonnes of newsprint and magazine paper production capacity were either withdrawn from the European industry in 2017 or had corresponding plans announced. This was not enough to bring greater balance to supply and demand, however, and overcapacities remained, along with the resulting pricing pressures. At

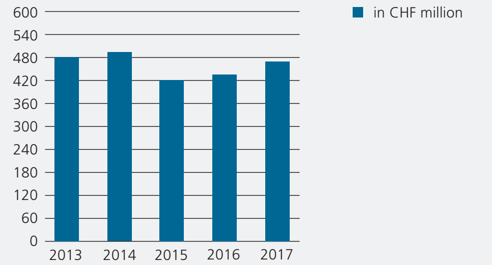
CPH Group net sales by division



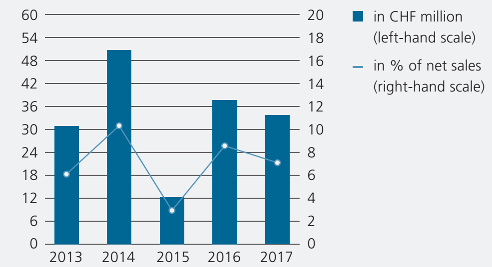
CPH Group net sales by region



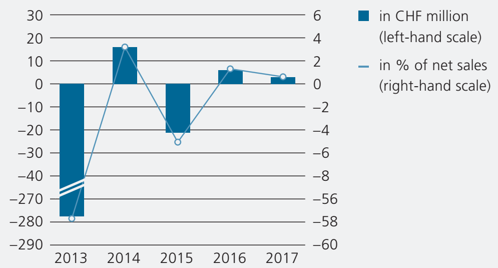
CPH Group net sales trends



CPH Group EBITDA trends



CPH Group EBIT trends



the same time, the price of recovered paper – the sector's prime raw material – was some 10% above its prior-year levels in 2017, owing to a further increase in demand from the packaging industry and sizeable exports to Asia.

The market for blister packs for medicines, in which the Packaging Division is active, is strongly influenced by the development trends within the pharmaceuticals industry. This sector saw further growth worldwide in 2017, but with substantial regional variations. While the European pharmaceuticals markets showed little dynamism, numerous emerging economies posted double-digit percentage growth.

CPH Group growing in all business divisions

The CPH Group increased its sales in all three business divisions. Net sales rose 8.0%, largely through organic growth, to CHF 469.8 million. Some CHF 6.3 million of the CHF 35.0 million net sales increase was attributable to favourable currency movements.

Realignment of Chemistry now well advanced

The Chemistry Division raised its net sales 8.8% year-on-year to CHF 75.5 million. The demand for molecular sieves for industrial applications and oxygen purification was particularly high, and capacities were fully utilized. The deuterated product segment also showed highly positive trends. The transfer of production from Uetikon to the existing plants in China and the USA and to the newly-built production facility in Bosnia-Herzegovina was completed by the end of the year. Zeochem will also move into its new Swiss site in Rüti in summer 2018. In operating terms, the division's realignment resulted in a further substantial improvement in the EBIT result. The positive effects will be felt even more strongly from 2018 onwards.

Results for Paper depressed by rising recovered paper prices

The Paper Division further increased the volume sales of its newsprint product to 380 238 tonnes. Although magazine paper volumes were also substantially up on 2016 at 173 422 tonnes, the utilization of the division's coated paper production facilities remained less than satisfactory. Overcapacities are high in the magazine paper market, and prices declined in the course of the year. Thanks to its higher sales volumes, the division raised its net sales 7.3% to CHF 264.1 million. The steep increases in the price of recovered paper and the modest increase in energy costs were only partially offset by further efficiency enhancements, and divisional EBIT was negative for the year.

Packaging shows solid growth

While Europe's pharmaceuticals markets showed little (if any) growth, the Packaging Division raised its annual net sales 9.2% to CHF 130.2 million. With its consistent focus on high-barrier films, the division also increased its market share. The production capacities at its European facilities were very well utilized. Despite higher raw materials prices for ethylene and expenditure on the new production plant in China, the EBIT result for the year exceeded the record level of 2016. The division also earned further accolades, with its new Perlamed BLISTair disposable inhaler garnering three packaging awards.

No change in sales breakdown by division

With Packaging showing the strongest divisional growth, its share of the Group's total net sales rose from 27% to 28%, while Paper's share declined accordingly from 57% to 56%. The Chemistry Division's share remained unchanged at 16%. In geographical terms, Europe remained the dominant sales region, accounting for 78% of the Group's 2017 net sales.

Continued focus on growth and efficiency improvements

The prices of certain key raw materials – recovered paper in particular, but also ethylene and energy – showed unfavourable trends in 2017. The cost of materials increased from 52% to 54% of production-generated sales, while energy costs remained unchanged at 12%. The CPH Group is making major efforts to constantly improve efficiency to offset these adverse developments. In fact, despite the higher sales levels for the year, fixed costs were further lowered, while net working capital were sustainably reduced from the 19.5% of 2016 to 14.4% at the end of 2017. The conversion of the waste incinerator in Perlen to a biomass facility has not only enhanced energy efficiency, but is further reducing carbon dioxide emissions at the Perlen site. The CPH Group is now almost carbon-neutral, producing an annual 16 664 tonnes of CO_2. The efficiency enhancements achieved were not sufficient in the Paper Division to fully offset the lower sales prices and the higher material costs. And despite encouraging operating results in Chemistry and Packaging, consolidated EBITDA for the year declined from CHF 36.9 million to CHF 33.8 million, giving an EBITDA margin of 7.2%.

Positive net result thanks to real estate disposals

After ordinary depreciation and amortization of CHF 30.9 million, consolidated EBIT for the year was positive at CHF 2.9 million (compared to CHF 5.9 million for 2016). The financial result of CHF –6.6 million was a decline on the CHF –1.5 million of the previous year, owing to losses on the currency hedging. The non-operating result improved to CHF 22.8 million as a result of real estate sales. The extraordinary result of CHF 0.0 million was a tangible improvement on the CHF –4.4 million of 2016, a result which had been negatively impacted by the sale and closure of the Uetikon site. The net result for the year improved accordingly, rising CHF 23.9 million from CHF –7.7 million to CHF 16.2 million.

Dividend of CHF 0.65 per share proposed

The Board of Directors will recommend to the Ordinary General Meeting of 14 March 2018 that an unchanged dividend of CHF 0.65 per share be distributed for the 2017 business year, further confirming the company's consistent dividend policy.

CPH Group retains a sound balance sheet

The CPH Group is in sound financial health. At the end of 2017 the Group held liquid funds of CHF 80.1 million, while the equity ratio stood at 56.8%. The Group invested CHF 32.3 million in tangible fixed assets in the course of the year, primarily in establishing the new production facilities in Zvornik, Suzhou and Rüti and in expanding its Louisville capacities. The Group generated a cash flow of CHF 14.5 million and a free cash flow of CHF 12.9 million. The CPH workforce grew from 985 to 1 019 employees. The increase is due partly to the expansion of the Packaging Division and partly to the Chemistry Division's ongoing transfer of production to its new operating locations, which is demanding additional staff.

A positive outlook for 2018

The CPH Group expects positive economic development in its target markets in 2018, though growth is likely to remain modest in its prime market of Europe. The Chemistry Division should feel the positive benefit of its business realignment. With its takeover of Papierfabrik Utzenstorf's waste paper volumes, the Paper Division should see an easing of the procurement situation on the recovered paper front. With the demand for newsprint and magazine paper still declining, future business projections are uncertain. But the division expects to see further sales increases and a positive EBIT result. The Packaging Division plans to further expand its business and intensify its cultivation of markets in the emerging economies. Actions will also be taken in all three divisions to further raise efficiency, for which the Group plans total investments in tangible fixed assets of CHF 24.0 million. Provided prices and currency rates remain broadly stable, the CPH Group expects to report higher sales and a clearly improved operating result for 2018.

200th anniversary

It was back in 1818 that the Schnorf brothers established a chemicals factory in Uetikon which laid the first foundations of today's CPH Group. And in May 2018 we will be celebrating the 200th anniversary of this landmark event at the original Uetikon location.

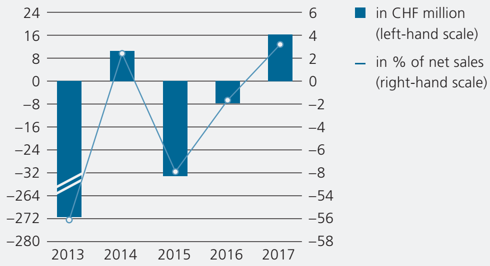
Sincere thanks

Once again, our employees devoted all their energies and commitment to the success of the CPH Group throughout the year under review. For this we offer them our deepest thanks. Our sincere thanks also go to our business partners and to you, our shareholders, for the confidence you continue to place in the CPH Group.

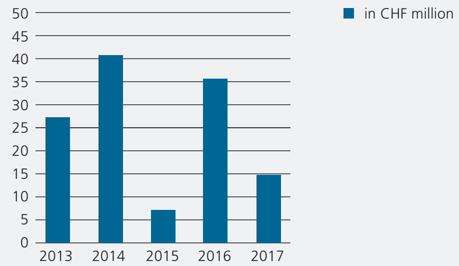
Peter Schaub
Chairman of the Board

Peter Schildknecht
Group CEO

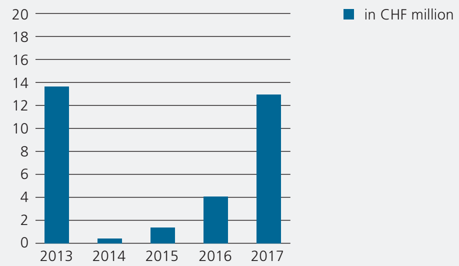
CPH Group net result trends



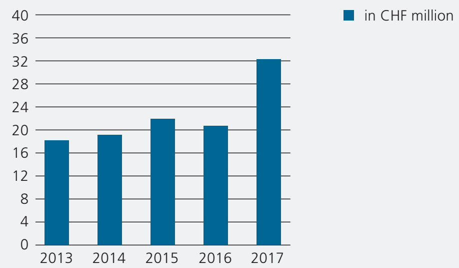
CPH Group cash flow trends



CPH Group free cash flow trends



Group investments in tangible assets



Diversified. Leading. Innovative.

The CPH Group made further progress in implementing its corporate strategy in 2017. The internationalization and expansion of the Chemistry and Packaging Divisions proceeded as planned.

Vision

The CPH Group is a diversified and profitable industrial corporation consisting of business divisions that each trade independently in their various markets. With its technological leadership and its innovative products, the Group offers its customers clear added value and thereby occupies a leading position in its market segments. In doing so, the Group focuses on markets that offer the prospect of sustainable profitable growth.

Strategy

The CPH Group comprises three business divisions – Chemistry, Paper and Packaging – that each trade separately in their various markets. The divisions are all among the three leading providers in their respective sales markets.

The Chemistry and Packaging Divisions have an international presence and pursue a strategy of differentiation, exploiting growth potential through innovation, global expansion and constant enhancements of their productivity.

The Paper Division operates in a fiercely competitive market. The division strives to achieve and maintain cost leadership in its sales markets of Switzerland and adjacent border areas. Following its acquisition of the Utzenstorf recovered paper business, the division is now Switzerland's only recovered paper recycler.

Value drivers

Pharma

The world's population is increasing. As are both standards of living and life expectancies. Thanks largely to medical advances, we can now fight many illnesses with impressive results. And the pharmaceuticals industry is playing a major part in these developments. Perlen Packaging has successfully positioned itself as a leading supplier for the blister packs in which medicines are packaged, while Zeochem's products include molecular sieves for medical oxygen and gels for separating complex pharmaceutical agents.

Industry

Gases must be cleaned and freed of harmful elements such as hydrogen or sulphur before they can be put to industrial use. Adsorbents ensure that such unwanted materials are removed from natural gas, ethanol, methane, oxygen, air and other gaseous substances. Zeochem benefits from the growing global demand for such processes from the energy and the chemicals sectors.

Recycling

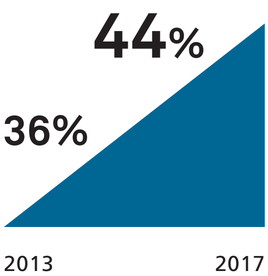
The Earth's resources are finite. In many parts of the world, populations are already keenly aware of the need to minimize, separate and re-use waste as much as possible. In many countries valuable materials such as metals, glass, plastic, cardboard and paper are consistently separately collected and recycled. Perlen Papier processes around 500 000 tonnes of paper a year that has been recovered from households into newsprint and magazine paper, making it Switzerland's biggest paper recycler.

Goals

1

A balanced sales breakdown among business divisions

The Chemistry and Packaging Divisions are being further expanded through strategic investments to counterbalance the Paper Division, which is the largest in sales terms. Between 2013 and 2017, their combined contribution to total Group sales has risen from 36% to 44%.

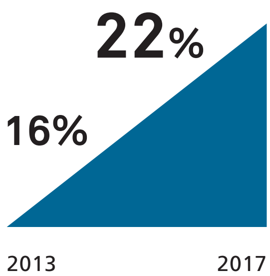


Chemistry and Packaging's contribution to total sales

2

A higher share of sales from outside Europe

The Group is strongly focused on the largely saturated European markets. The CPH Group sees greater prospects for growth outside Europe and in the emerging economies, and is therefore expanding its business in these regions. Between 2013 and 2017 the Group increased the portion of its total sales generated outside Europe from 16% to 22%.

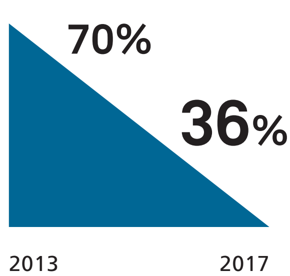


Proportion of total sales generated outside Europe

3

Less dependency on the Swiss franc in currency terms

As a result of its Swiss-based production facilities, the Group incurs a relatively high proportion of its costs in Swiss francs. At the same time, a large part of its earnings are generated in euros. The resulting imbalance exposes the Group to a currency risk. To bring more balance to the currencies in which its costs are incurred and its revenues are earned, the Group is expanding its production capacities outside Switzerland. The Packaging Division has established a new coatings plant in China in the last two years, and the Chemistry Division has acquired a competitor in China and built a new manufacturing facility in Bosnia-Herzegovina. Thanks to the partial transfer of production from Switzerland to these new operating locations, the proportion of the Group's total costs incurred in Swiss francs has been reduced from 70% in 2013 to 36% in 2017.



Proportion of total costs incurred in Swiss francs

Zeochem opens new Zvornik production plant

The Chemistry Division has established a new production facility in Bosnia-Herzegovina in the record time of just 19 months and transferred five product lines from Switzerland to the new operating site.

Zeochem decided to establish a new production plant in Zvornik in May 2016. And by November 2017 the first molecular sieves were already being supplied by the new facility. "The intervening months were a phenomenally intensive time," says general manager Rolf Vogt. Contracts were negotiated, a local company was founded, the land was bought, permissions were obtained, the plant was built to the latest safety and environmental standards and the installations and equipment were transferred from Zeochem's Uetikon site, all in 19 months. And it was only thanks to the excellent collaboration with the local authorities that it was all achieved.

The transfer of the production installations and equipment took precise planning, too, as the Uetikon plant continued its own production right up to the end. Everything was then dismantled and transported to Bosnia-Herzegovina in some 100 truck trips. "The special transports of the silos, which are about 20 metres long, took about four days each," Vogt recalls.

Not all the Uetikon installations and equipment found a new home in the new facility. Uetikon's previous "wet" production has been taken over by Alumina, a close neighbour of the division's new Zvornik plant that employs some 1 400 personnel and manufactures zeolites and aluminium oxides. The Zeochem facility undertakes "dry" production: milling, separating and calcinating the zeolites it manufactures. The biggest volumes here – some 2 000 tonnes a year – are of molecular sieve powders. But the new facility also offers four further product lines.

The new Zeochem d.o.o. company had 39 employees by the end of 2017. While unemployment is high in Bosnia-Herzegovina, project leader Zoran Petkovic still found it a challenge finding suitable personnel. "Our workforce has a high proportion of highly-qualified employees," he explains. "All our shift leaders are engineers, for instance. So we're proud to have put together such an excellent team in so short a time." The quality of the products manufactured is correspondingly high, too – as is confirmed by the business's customers.

Chemistry clearly improves EBIT margin and conducts strategic realignment

The strategic realignment of the Chemistry Division had a positive impact on its business development. Net sales were increased 8.8% to CHF 75.5 million and EBIT margin was substantially improved to 5.1%.

Strategy

The Chemistry Division conducted its strategic realignment in 2017 with a new arrangement of its operations worldwide. The division's Chinese manufacturing facility now produces standard molecular sieves, while its US plant supplies high-value molecular sieves that are used in particular to purify air in the oxygen concentration process. The new production plant in Bosnia-Herzegovina, which was completed at the end of 2017, manufactures molecular sieve powders, chromatography gels and special zeolite products.

The division will move into its new Swiss site in Rüti in summer 2018. As well as providing a home for the division's management, administrative and service functions, the Rüti facility will produce high-performance gels and deuterated products.

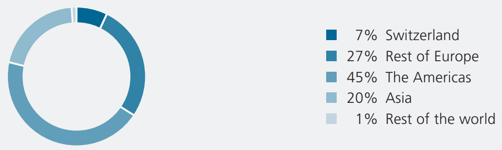
The highly specialized deuterated products segment will be further strengthened by the acquisition of the assets of Armar AG as of 1 March 2018. Armar is a manufacturer of deuterated products and a long-established Zeochem distribution partner. Armar's activities will be integrated into the new Rüti operation.

Fertilizer production at the Uetikon site was discontinued in summer 2017, and the CU Deutero + Agro AG and Chemie Uetikon AG companies were merged into Zeochem AG. The Uetikon premises will be closed once the transformation is complete. The site, which was sold to Canton Zurich in 2016, will be handed over to the canton when the two-year lease on it that was included in the sale agreement expires. The canton plans to use the site to build a new secondary school. With its presence in Europe, Asia and the Americas, the Chemistry Division is excellently positioned to take full advantage of further growth opportunities.

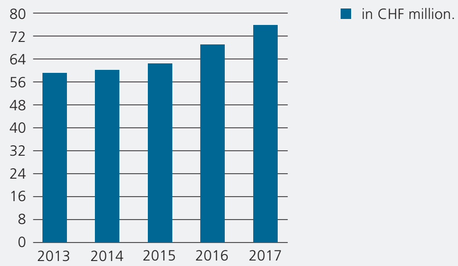
Market environment

The adsorbents produced by the Chemistry Division are used in a wide range of fields from simple applications in double-glazing windows to highly complex separation procedures for pharmaceutical agents. The demand within these various segments and product groups showed very differing trends in 2017. One key business area is the energy sector, where molecular sieves are used to purify natural gas and ethanol. Here, with oil prices below USD 60 a barrel, the industry remained reluctant to invest in new facilities, and operators tended to defer the replacement of the molecular sieves in their existing plants.

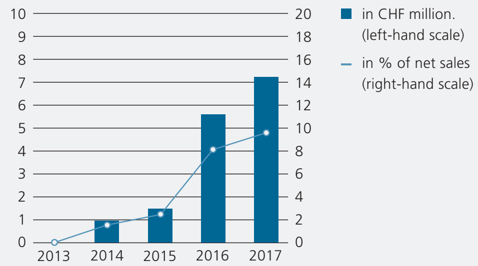
Chemistry net sales by region



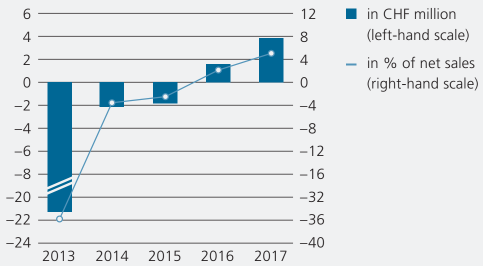
Chemistry net sales trends



Chemistry EBITDA trends



Chemistry EBIT trends



The demand for molecular sieves for purifying oxygen remains high. These lithium-based products are used in industrial applications such as steel manufacture, but are also being increasingly used to purify medical oxygen. Special zeolites are also seeing growing demand from the construction, automobile and textile sectors, where they are used to eliminate unpleasant odours.

While demand in Europe showed little growth in view of the economic climate, the emerging markets – and Asia in particular – continued to show dynamic growth trends.

Business development

The Chemistry Division raised its annual sales for the fourth year in succession. Net sales were increased 8.8% to CHF 75.5 million, largely through organic growth. The absence of the fertilizer business in the second half of the year and the first-time full-year consolidation of ALSIO of China (which had been consolidated for a ten-month period in 2016) largely balanced each other out. The facilities for manufacturing high-value products in the USA were fully utilized, requiring capacity to be increased here through additional investments. All in all the division invested CHF 22.4 million in tangible fixed assets in 2017 (compared to CHF 22.9 million the previous year). The spending related to the purchase of land and the capacity expansion at the US site, the establishment of the new Zvornik plant and the investments in the new Rüti premises.

The transfer of the production of standard molecular sieves to China had a positive impact on costs, since the capacities required were already available. Thanks to this, and the impact of the higher sales volumes, the division raised its EBITDA for the year by 29.2% to CHF 7.3 million. Annual EBIT was also a substantial improvement at CHF 3.8 million, and EBIT margin rose from 2.3% to 5.1%.

The division’s workforce increased by 22 employees to 302 personnel. The divisional realignment entailed the elimination of 85 jobs in Uetikon, a process which will be completed in 2018. At the same time, 39 jobs were created at the new operation in Bosnia-Herzegovina. A severance benefits package has been provided for the Uetikon staff affected, and new options have been found for almost all the personnel involved.

Outlook

2018 will see the Chemistry Division focus on consolidating its new international structure, ramping up production at its new facilities and intensifying its sales activities. This in turn should deliver higher sales and a further improvement in operating results. The division plans total capital spending of some CHF 4.5 million in the course of the year, on items that will include a new groupwide enterprise resource planning (ERP) system to optimize the global coordination of business activities.



Perlen Papier takes over the Utzenstorf waste paper sorting facility

In January 2018 Perlen Papier takes over the recovered paper supplies previously delivered to Papierfabrik Utzenstorf. Perlen Papier will continue to operate the Utzenstorf waste paper sorting facility.

Perlen Papier now takes delivery of some 500 000 tonnes of recovered paper a year, largely from private households, printing companies and offices in Switzerland. Paper is a valuable commodity. Over 80% of waste paper is recovered in Switzerland, while the average recovery rate for Western Europe is just over 70%.

In Switzerland waste paper is either collected from the kerbside at specific times or taken by its owners to waste disposal centres. For the municipalities in the Utzenstorf area, Perlen Papier provides special collection containers. While the cardboard industry also processes recovered paper, the paper manufacturing sector requires a waste paper product that is as free of waste cardboard as possible, since the brown card makes it harder to supply the resulting newsprint and magazine paper products in the whiteness desired.

Waste paper and cardboard are generally collected separately in Switzerland. But in many communities, especially in Western Switzerland, paper and cardboard end up in the same container. Three-quarters of the resulting mix tends to be paper and one-quarter cardboard. But this mixed collection product needs to be sorted and freed of foreign objects before it can be processed further.

“We separate about 120 tonnes of paper and cardboard a day,” says Jürg Schluep, general manager of the Utzenstorf waste paper sorting facility. It’s a two-step process. First the larger pieces of cardboard are taken out in a ballistic separator. This process removes around three-quarters of the cardboard in any mixed-collection mass. What is left is then sorted out by hand. “You can’t imagine what gets put in with the waste paper!” Schluep says. Plastic, tin cans, glass bottles, aluminium cans, waste food, even electrical devices: he has seen it all.

Once the sorting is over, cardboard will make up only a small percentage of the waste mass left. The recovered paper is now ready to be processed into new publication paper at the Perlen factory. The recovered cardboard, meanwhile, is compressed into bales and then recycled in the cardboard manufacturing industry.

Sales increased, but earnings depressed by higher recovered paper prices

While net sales increased 7.3% to CHF 264.1 million, steep rises in recovered paper prices prompted another negative EBIT result. The division is taking over Papierfabrik Utzenstorf's recovered paper business and waste paper sorting facility.

Strategy

The geographical market for the producers of newsprint and magazine paper is determined to a large extent by the applicable transport costs. Since these are incorporated into the product's purchase price, its competitiveness in pricing terms will deteriorate with increasing distance from the customer. The viable delivery range here tends to be up to 800 kilometres from the place of production.

Recovered paper is the most important raw material in Perlen Papier's paper production. Here, too, the closer the waste paper is recovered to the production site, the lower the transport costs. As a result, paper manufacturing is regionally based, and the supplier with the lowest cost structure will have the best prospects in their sales region. Perlen Papier pursues various measures – in procurement, optimizing production and market cultivation – to further drive its cost leadership.

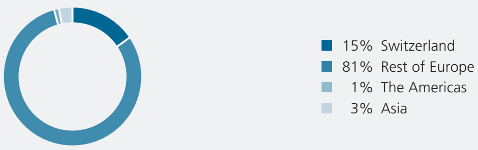
The Paper Division is strengthening its market position with its acquisition of the customer and recovered paper supply contracts of Papierfabrik Utzenstorf as of 1 January 2018, and is now Switzerland's sole producer of newsprint and magazine paper. Papierfabrik Utzenstorf, which was manufacturing some 200 000 tonnes of newsprint in its final years, ceased production at the end of 2017. The waste paper volumes recovered from Swiss households are now delivered to the Perlen factory, so most of Perlen Papier's recovered paper supplies now come from within Switzerland.

Perlen Papier is also continuing to operate the Utzenstorf waste paper sorting facility, which sorts up to 30 000 tonnes of recovered paper and cardboard a year into the two categories. These recovered paper collection and delivery activities are being assimilated into a new company named APS Altpapier Service Schweiz AG. On the sales front, Perlen Papier will now have the opportunity to supply the former customers of Papierfabrik Utzenstorf from 2018. A number of Utzenstorf's successful paper lines will continue to be produced in Perlen to this end.

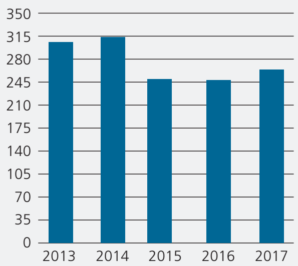
Market environment

The structural changes in the European media market continued in 2017. Printed newspapers suffered falling circulations and ranges, as young people in particular elect to receive their news largely online. On a brighter note, the year brought a slight improvement in advertising sales. Retailers especially continue to opt for printed advertising

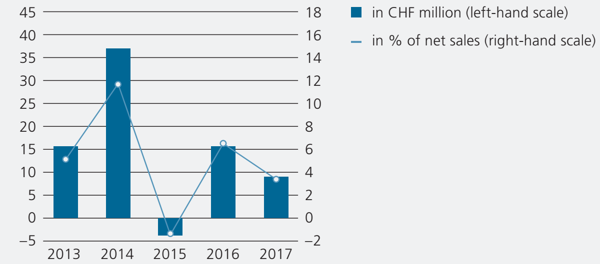
Paper net sales by region



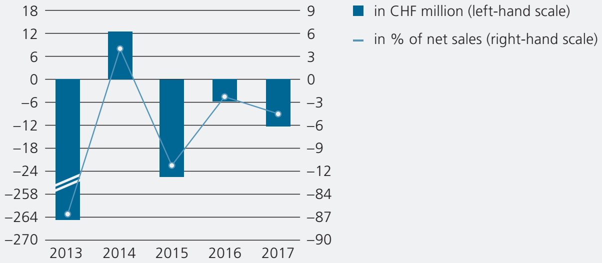
Paper net sales trends



Paper EBITDA trends



Paper EBIT trends



channels. All in all, 2017 saw a 6.9% decline in the demand for newsprint in Western Europe, a far bigger fall than the previous year. By year-end the industry had overcapacities of 0.4 million tonnes on annual capacity of 6.1 million tonnes. The price of newsprint also fell slightly in the course of the year. Various manufacturers have taken capacity out of the market, which should ease these pressures in 2018.

Magazine paper prices came under stronger pressure, owing to a further rise in overcapacities. The 3.7% fall in demand for magazine paper in 2017 was well below the 5% of the previous year. But no capacity was withdrawn on the supply side. By year-end the overcapacities amounted to 0.7 million tonnes.

The procurement markets saw a rise in the price of recovered paper, which increased by more than 10% in the course of the year. The trend is attributable to two factors. First, Asia requires some 28 million tonnes of recovered paper a year and took almost 10 million tonnes of this from Europe; and secondly, the demand for cardboard packagings continues to grow.

Business development

The Paper Division sold 553 660 tonnes of publication paper in 2017, a year-on-year increase of 8.0%. The volumes of newsprint sold were up 6.7% at 380 238 tonnes, while the volumes of magazine papers sold saw a 10.8% increase to 173 422 tonnes. The higher sales volumes boosted net sales, too, which were up 7.3% at CHF 264.1 million. As a result, Perlen Papier now has 35.9% of the Swiss newsprint market and 27.7% of its magazine paper market (compared to 34.7% and 27.8% respectively for 2016). Within Western Europe, Perlen Papier has a 6.2% share of the newsprint market (2016: 5.3%) and a 6.6% share of the magazine paper market (2016: 6.1%).

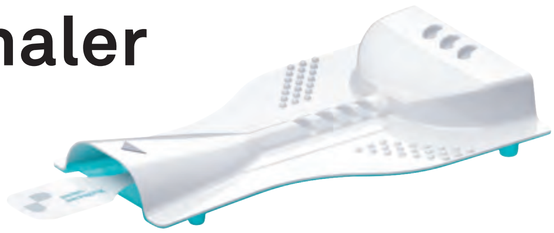
The division invested some CHF 7.6 million in facilities and in efficiency enhancements in 2017. But the improvements achieved were not sufficient to fully offset the steep rise in recovered paper prices. EBITDA for the year declined to CHF 9.1 million, while EBIT amounted to CHF –12.3 million. Personnel numbers remained virtually unchanged at 345 employees. Around a dozen former employees of Papierfabrik Utzenstorf will join the divisional workforce in 2018.

Outlook

Europe's demand for publication paper is expected to decline by a further 4% to 7% in 2018. The price of newsprint offered slight signs of recovery at the beginning of the year, but magazine paper prices show little movement. The Paper Division plans investments of some CHF 11.3 million in 2018 to optimize its processes and its production facilities. The higher proportion of recovered paper coming from Swiss sources will lower costs here. And provided prices and currency rates remain stable, the division expects to report higher net sales for 2018 and a return to a black-ink EBIT result.


TECHNICAL
FEATURES
DEAGGLOMERATION
USAGE

Perlen Packaging revolutionizes the powder inhaler



With the world's first single-dose disposable powder inhaler, Perlen Packaging aims to enter new areas of application for its packaging products.

Respiratory diseases are clearly on the increase, not least in view of rising environmental irritants. Many of the medications that are taken in response are inhaled. Since the inhaler was invented back in the 1950s, these medications have been packaged in multi-dose devices. Too complex, thought Dr. Klaus-Dieter Beller, a pharmacologist and an engineer in medicinal technology. So he invented – and patented – the first single-dose inhaler.

Perlen Packaging took over the patent. And in 2017 it presented the industry with the "BLISTair", the world's first disposable inhaler for single-dose administrations. The BLISTair consists of two thermoformed barrier films to protect the medicinal agent. The two films both envelop the powdery agent and form the inhaler through their double funnel shape. The inhaler is extremely intuitive to use: the user simply pulls on a tab to open the powder enclosure. And after inhalation, the BLISTair is simply disposed of.

"The benefits of the BLISTair aren't just the single dose," says Matteo Trisoglio, Business Development Manager at Perlen Packaging. "We can design the films to change the flow of the contents and administer substances tracheally or pulmonarily. On top of this, its production costs are much lower than those of multiple-dose devices."

The cost benefits also make the BLISTair a viable option for asthma or chronic lung disease therapies for wider parts of the population in the emerging markets. The BLISTair also offers sizeable application potential for short-term therapies, such as against the common cold. And its indications include immunizations, fighting infections and easing pain.

The BLISTair's revolutionary administration system has already earned it three packaging awards. The first customer applications are also under way. "We don't expect substantial revenues from it for a few years yet, as the procedures for getting new products approved are very extensive in the pharmaceuticals sector," says Wolfgang Grimm, Head of the Packaging Division. "But the BLISTair is another example of Perlen Packaging's strong innovation credentials."

From left: Wolfgang Grimm, Johannes Giessler and Matteo Trisoglio of Perlen Packaging.

Packaging further expands and improves earnings result

The Packaging Division increased its net sales 9.2% to CHF 130.2 million and raised its EBIT for the year by 6.1% to CHF 9.6 million. The division is also continuing its international expansion with the acquisition of a shareholding in Sekoya of Brazil.

Strategy

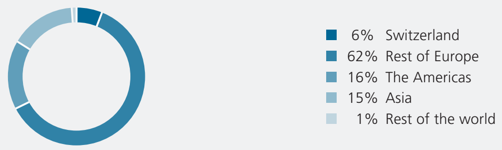
The Packaging Division offers the pharmaceuticals industry a full range of films for medicinal blister packs. As a full-service supplier, the division produces and distributes both PVC monofilms and coated PVdC films with a range of barrier credentials. Perlen Packaging is one of the world's top three suppliers in this market, and is the leader in the high-barrier film field.

Its customers in the pharmaceuticals sector are active all over the globe, and expects the same local presence from their suppliers, too. To this end, Perlen Packaging maintains production facilities on various continents. Its German operation manufactures PVC films, which are used partly in packagings that need to withstand physical forces, and partly – in coated form – to protect medicines from humidity and other atmospheric influences. The division's Swiss and Chinese operations produce coated PVdC films, while its US operation is a film finishing facility. The Chinese operation, which began in 2016, was further ramped up in 2017 with the transfer of work orders for the Asian market from Switzerland to the new Suzhou site. The Chinese workforce had grown to 38 by year-end.

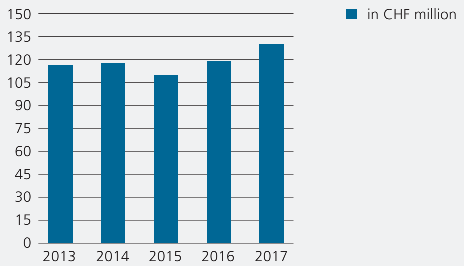
The pharmaceuticals markets are showing double-digit growth rates in various Asian countries. These markets should now be served by the division's China operation. It is not only in Asia, however, but also in Latin America that standards of living, incomes and the demand for medicines are all on the rise. In response to this trend, Perlen Packaging has resolved to expand its presence in the Latin American market, by acquiring a majority shareholding in Sekoya of Brazil as of 1 January 2018. Sekoya is a long-standing local distribution partner and operates its own film finishing plant in Anapolis.

The focus on the division's product development front is on specializing in films with high and extremely high barrier credentials. Perlen Packaging is also renowned for its innovative flair. The proportion of the division's products that had been launched in the previous five years rose to 18% in 2017. The new BLISTair disposable inhaler, which made its début during the year (see Pages 22/23), is another example of the applications of high-barrier films. The BLISTair earned three distinctions in 2017: the CPhI Pharma Award for "Best Drug Delivery Device", the German Packaging Award in the "Functionality and Convenience" category and the Central Switzerland Chamber of Commerce & Industry's Innovation Award.

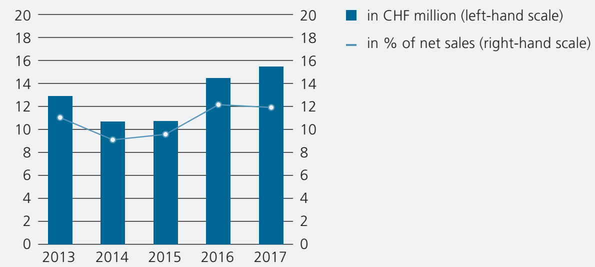
Packaging net sales by region



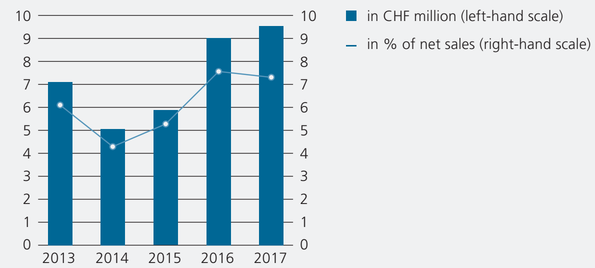
Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends



Market environment

The demand for blister packs rose some 4% to 6% worldwide in 2017, though with strong regional variations. Against expectations, which had projected a decline for the region, Europe saw year-on-year growth, but at a slower pace than in the emerging markets. With agents becoming ever more complex and products being distributed in all climate zones, the specifications required of high-barrier films also continued to rise.

Business development

The Packaging Division increased its film sales volumes by 7.2% in 2017. With higher-barrier films increasing their share thereof, net sales rose an even higher 9.2% to CHF 130.2 million. Europe's share of such sales rose from the 67% of 2016 to 68%, and the division's share of the European market also increased to over 26%.

Facilities in Europe were fully utilized. The higher-value product mix had a positive impact on earnings, too. Despite the dampening effect in cost terms of ramping up production in China and the higher price of the raw material ethylene, EBITDA for the year was raised 7.7% to CHF 15.5 million, and the EBIT of CHF 9.6 million was a 6.1% improvement on the previous record result of 2016. EBIT margin amounted to 7.3%. The division invested a total of CHF 4.7 million in tangible fixed assets. Employee numbers rose from 350 to 363, partly as a result of increased regulatory requirements.

Outlook

The prospects remain rosy for the healthcare sector. The demand for medicines and medical services will further increase – not least in view of higher life expectancies, medical advances and rising purchasing power. In global terms, the demand for pharmaceutical packagings is expected to rise by some 6% in 2018. For the emerging economies, where large parts of the population only gain access to medicines through rising wealth levels, double-digit growth is expected.

For 2018 the Packaging Division plans a further transfer of production to China and the integration of the new Brazilian facility. Investments in tangible fixed assets are expected to amount to CHF 8.2 million. The division expects to report higher net sales for the year and a further improvement in its operating result.

Corporate Governance Report

Responsible corporate management and control that are in the interests of shareholders, customers, employees and further stakeholders alike are the foundation of the CPH Group's ability to sustainably create value through its business activities.

This section is structured in accordance with the corporate governance guidelines of the SIX Swiss Exchange. For some items, reference is made to the consolidated financial statements from Page 44, and in particular to the additional corporate governance information in the annex to the consolidated financial statements from Page 73. This section is based on the Organizational Regulations of CPH Chemie + Papier Holding AG, which are available on the www.cph.ch website in the Investors' section.

Group structure and shareholdersr

Management structure as of 31 December 2017

CEO
Peter Schildknecht

CFO
Richard Unterhuber

Chemistry Division	Paper Division	Packaging Division
Alois Waldburg-Zeil	Klemens Gottstein	Wolfgang Grimm

The CPH Group comprises three autonomous divisions. The Group is led by the Group CEO; the divisions are headed by the Divisional CEOs. Group Executive Management consists of the Group CEO, the Group CFO and the Divisional CEOs. The Group CEO reports directly to the Chairman of the CPH Board of Directors. CPH Chemie + Papier Holding AG (the holding company) is domiciled in Perlen/Root, Switzerland. For an overview of the subsidiaries included in the consolidated financial statements, see Page 78.

Capital structure

For further details of the capital structure, please see the additional corporate governance information on Page 73.

Shareholder structure (in %)	31.12.2017	31.12.2016
Uetikon Industrieholding AG	49.9	49.9
Ella Schnorf-Schmid	7.2	7.2
Sarasin Investmentfonds AG	5.0	5.0
Members of the Board of Directors and Group Executive Management (and related parties)	1.7	1.7
Publicly-held shares	30.6	30.9
Shares currently not listed in the Share Register	5.6	5.3
Total shareholders	824	798

Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG is entrusted with the overall management of the company. The Board is responsible in particular for determining the company's strategic alignment and thrust, defining its accounting and financing principles, assessing business opportunities and risks and appointing and supervising Group Executive Management. In full compliance with the relevant legal provisions and the company's Articles of Incorporation, the Board of Directors has delegated the management of the company to Group Executive Management, headed by the Group CEO (see above). The delimitation of authorities here and the collaboration among the Board, its committees, Group Executive Management and the Group's three divisions are laid down in detail in the Organizational Regulations of CPH Chemie + Papier Holding AG.

The members of the Board of Directors are elected individually by the Ordinary General Meeting to serve for a one-year period. They may be re-elected. In accordance with the Organizational Regulations, a Board member's mandate will end at the latest at the Ordinary General Meeting of the year in which their 70th birthday falls.

The Chairman of the Board and the members of its Personnel & Compensation Committee are elected from the Board's ranks by the Ordinary General Meeting. Apart from these appointments, the Board is self-constituting, and elects from its ranks a Deputy Chairman, the members of its Finance & Auditing Committee and the chairs of its two committees. The Board consisted of six members as of 31 December 2017. No Board member currently serves the company in an executive capacity or has done so in the past three years.

Members of the Board of Directors and its committees as of 31 December 2017

Peter Schaub	1994	Chairman	Member	Personnel only
Tim Talaat	1994	Deputy Chair		Member
Mauro Gabella	2005	Member		Chair
Kaspar W. Kelterborn	2015	Member	Chair	
Manuel Werder	2015	Member	Member	
Christian Wipf	2008	Member		Member

The Board of Directors has formed two permanent committees: Finance & Auditing and Personnel & Compensation. The committees take no decisions themselves: they primarily perform a preparatory and advisory function, helping the full Board to conduct its meetings more efficiently and take swift and well-founded decisions. Their duties are laid down in separate Descriptions of Duties.

The two board committees are currently composed as follows:

Finance & Auditing

The Finance & Auditing Committee consists of Kaspar Kelterborn (chair), Peter Schaub and Manuel Werder. The Group CEO and CFO also attend all committee meetings as permanent guests.
The committee's tasks comprise in particular:

- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining their guidelines, quality standards and content
- monitoring the assessment of corporate risks and the Group's risk management practices
- monitoring the Group's investment and hedging policies
- monitoring the Group's Internal Control System and its effectiveness
- monitoring the Group's business activities in terms of its observance and implementation of Board resolutions, company policy principles and directives and the relevant legal provisions, particularly those relating to stock exchange law
- assessing the work, performance, independence and remuneration of the external group and statutory auditor and making recommendations on the election of the same to the Board of Directors and the General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditor's recommendations
- monitoring the Group's real-estate strategy.

The committee met for three half-day deliberations in 2017.

Personnel & Compensation

The Personnel & Compensation Committee comprises Mauro Gabella (chair), Tim Talaat, Christian Wipf and Peter Schaub (personnel affairs only). The Group CEO also attends all committee meetings as a permanent guest, unless his own compensation or other topics relating to him are being discussed. The committee's tasks comprise in particular:

- devising guidelines for the CPH Group's compensation and benefit policy (in particular the compensation principles for the Board and Group Executive Management) on behalf of the Board of Directors
- submitting proposals to the full Board of Directors for the compensation of the same
- assessing the performance of the Group CEO and the further members of Group Executive Management and their achievement of their annual targets, and submitting corresponding proposals for their fixed and variable compensation to the full Board of Directors
- monitoring the implementation of the CPH Group's compensation policy along with groupwide salary developments
- making recommendations to the full Board of Directors on elections to its ranks and the appointment of a new Group CEO and/or further members of Group Executive Management, and on their terms and conditions of employment.

The committee met for three half-day deliberations in 2017.

The Board of Directors met seven times in 2017: for two half-day meetings, four full-day meetings and a two-day strategy meeting. The Board also took a longer trip to China to visit the Group's new facilities. The Group CEO and the CFO are permanent guests at all Board meetings unless topics relating directly to them (such as their compensation) are being discussed. Its own internal issues are discussed by the Board in separate preliminary in-camera meetings.

The current and future development of each division are discussed in depth at dedicated annual half-day meetings. These are also attended by the full Divisional Management of the division concerned.

The Board's two-day strategy meeting is devoted to strategic issues and the medium-term development of the CPH Group and its divisions. Parts of the meeting are also attended by the full Group Executive Management and members of the Divisional Management teams.

The Chairman of the Board is in regular contact with the Group CEO to support him in his duties and in the implementation of business strategy.

The Board of Directors supervises Group Executive Management through structured reporting and controlling processes. The Board receives a comprehensive monthly written report on current business trends, financial results, market developments, emerging risks and other key events. The Group CEO also reports on the latest business trends and performance and all further issues of relevance to the Group at every Board meeting.

Risk management

Risk management is practised in accordance with principles laid down by the Board of Directors and Group Executive Management under which the strategic and operational business risks, the hedging of currency exchange rate, interest rate, market, credit and liquidity risks and the Internal Control System (ICS) are regularly analyzed and reappraised. These risks are summarized in an annual Risk Report which is submitted to the Board of Directors. Further details of the ICS will be found in the annex to the consolidated financial statements on Page 76.

The external auditor supports the Board of Directors and its Finance & Auditing Committee as part of the statutory audit mandate by checking the existence of the internal control system (ICS).

Group Executive Management

Group Executive Management is CPH's supreme executive body, and is charged with the Group's operational management. Group Executive Management is tasked primarily with implementing the strategy defined by the Board of Directors, applying corporate policy and managing and coordinating the activities of the Group's business divisions. The members of Group Executive Management are appointed by the Board of Directors. Group Executive Management generally meets once a month. It also conducts an annual two-day retreat; and a further one-and-a-half-day management meeting is held every year together with the full managements of the Group's three business divisions.

Remuneration

For the remuneration paid to the Board of Directors and Group Executive Management, please see the Remuneration Report on Page 34.

Shareholders' rights and change of control

Shareholders' rights and change-of-control clauses will be found in the additional corporate governance information on Page 74.

External auditor

Statutory and group auditor

PricewaterhouseCoopers AG, Zurich
First elected: 1971
Current term: the 2017 financial year

Auditor-in-charge

Thomas Illi (since 2016)
The remuneration paid to the external auditor is shown on Page 75. The Board of Directors' Finance & Auditing Committee examines the reports of the external auditor and assesses its work. The Committee then reports on this to the full Board. All the meetings of the Finance & Auditing Committee in 2017 were also attended by representatives of the external auditor.

Information for shareholders and bondholders

Share price trends

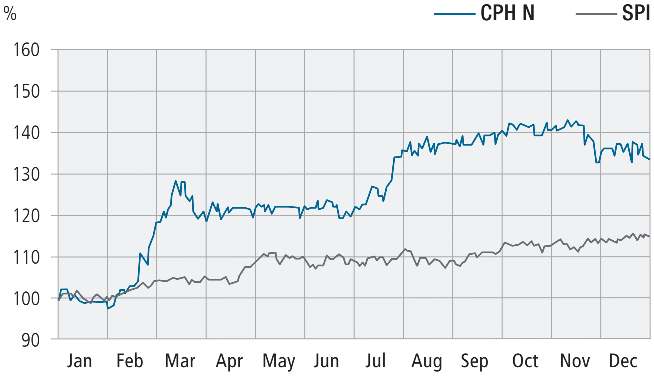
The CPH share, which is listed on the SIX Swiss Exchange, closed at CHF 53.55 on 30 December 2017, a 33.9% increase on its closing price at the end of 2016. This was well above the performance of the market as a whole: the Swiss Performance Index (SPI) rose 19.9% over the same period.

Bond price trends

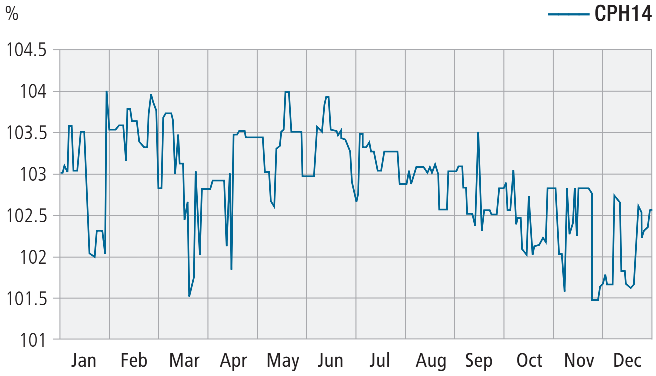
CPH issued a five-year CHF 120 million bond with a coupon of 2.75% in July 2014. The bond is listed on the SIX Swiss Exchange. The CPH bond closed the 2017 business year on 29 December at 102.55, compared to 103.00 at the end of 2016.

Securities information	Share	Bond
Securities number	162 471	24 761 122
ISIN	CH0001624714	CH0247611228
Reuters	CPH.S	
SIX Swiss Exchange	CPHN	CPH14
Coupon		2.75% p.a.
Coupon payment		10 July
Repayment at par		10 July 2019
Amount		CHF 120 million

CPH share price developments in 2017



CPH 2014–2019 2.75% bond price developments in 2017



Per-share statistics [1]	2017	2016	2015	2014	2013
Share price on 31 December in CHF	53.55	40.00	31.40	56.45	61.50
High in CHF	57.30	42.20	59.90	63.80	67.45
Low in CHF	39.00	29.80	30.00	55.95	59.20
Nominal value per share in CHF	5.00	5.00	5.00	5.00	5.00
Key figures per share [2]					
Equity per share in CHF	66.06	63.49	67.12	73.67	72.38
Price-to-book ratio on 31 December	0.81	0.63	0.47	0.77	0.85
Net result per share in CHF	2.66	–1.32	–5.52	1.75	–45.25
Price/earnings ratio on 31 December	20.10	n.a.	n.a.	32.25	n.a.
Cash flow per share in CHF	2.41	4.71	1.20	6.80	4.55
Free cash flow per share in CHF	2.14	0.32	0.23	0.07	2.28
Dividend per share (2017: recommendation) in CHF	0.65	0.65	0.60	0.65	0.65
Market capitalization					
Number of shares [1]	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
Share capital in CHF million	30	30	30	30	30
Market capitalization in CHF million	321	240	188	339	369

[1] All information is adjusted to share split 1:20, which took place on April 10. 2015
[2] based on consolidated financial statements; excluding minorities

Investor relations agenda

20 February 2018	Publication of the 2017 Annual Report; media conference and investors' meeting
14 March 2018	Ordinary General Meeting
20 July 2018	2018 Half-Year Report (to 30 June)

CPH's communications on its business trends and performance, its letters to shareholders and key ad-hoc disclosures may be obtained via an email service that is available from the www.cph.ch website (under Investors -> Communications).

The latest CPH corporate communications and interim reports will also be found on the www.cph.ch website, together with further corporate information.

Investor relations contact

Richard Unterhuber, CFO
CPH Chemie + Papier Holding AG
CH-6035 Perlen
Phone: +41 41 455 8000
Email: investor.relations@cph.ch

The Board of Directors

AS OF 31 DECEMBER 2017

Peter Schaub

Chairman

Peter Schaub (born 1960), Swiss national, lic. iur., attorney-at-law, first elected in 1994, Chairman since 2010.

Current positions
Partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich; Chairman of the Board of Directors of Zindel Immo Holding AG, Chur; Deputy Chairman of the Board of Directors of Mobimo AG, Lucerne; Deputy Chairman of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Deputy Chairman of the Board of Directors of UBV Holding AG, Uetikon; Member of the Board of Directors of Rüegg Cheminée Holding AG, Zumikon; Member of the Board of Directors of Scobag Privatbank AG; member of the boards of directors of various further unlisted companies; trustee of various foundations.
Previous positions
Tax commissioner at the Cantonal Tax Office, Zurich; junior associate at the Schellenberg Wittmer law firm, Zurich.

Tim Talaat

Deputy Chairman

Tim Talaat (born 1960), Swiss national, MSEE and MBA, first elected in 1994, Deputy Chairman since 2015.

Current positions
Majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon; Member of the Board of Directors of Bachofen AG, Uster.
Previous positions
CEO of Looser Holding AG, Arbon; Managing Partner at Swiss Industrial Finance AG, Pfäffikon SZ; CEO of SR Technics Switzerland and Member of the SR Technics Group Executive Board, Zurich Airport.

Mauro Gabella

Mauro Gabella (born 1952), Swiss and French national, Dr. sc. nat., first elected in 2005, chair of the Personnel & Compensation Committee since 2010.

Current positions
Chairman of the Board of Directors of The PME & Co, Luxembourg; CEO of HCS HealthCare Management Solutions, Chesières.
Previous positions
Chairman of the Board of Directors of Pharmalp SA; Vice President Organizational Excellence & Project Management Europe for Sanofi-Aventis, Paris; Vice President Central & Southern Europe for Sanofi-Aventis, Paris.

Kaspar W. Kelterborn

Kaspar W. Kelterborn (born 1964), Swiss national, lic. oec. HSG, first elected in 2015, chair of the Finance & Auditing Committee since election.

Current positions
CFO and Member of the Executive Committee of the Conzzeta Group, Zurich; member of the boards of directors of various Conzzeta AG subsidiaries.
Previous positions
CFO and Member of the Executive Management of the Unaxis Group, Pfäffikon; leading executive functions in finance and controlling both in and outside Switzerland for the Clariant Group, Muttenz.

Manuel Werder

Manuel Werder (born 1974), Swiss national, lic. iur. and LL.M. attorney-at-law, first elected in 2015.

Current positions
Partner at Niederer Kraft & Frey AG, Zurich; Member of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Member of the Board of Directors of UBV Holding AG, Uetikon; member of the boards of directors of various further unlisted companies; trustee of various foundations.
Previous positions
Senior Associate and Associate at Niederer Kraft & Frey AG; secondment to Allende & Brea Abogados, Buenos Aires; Foreign Associate at Fox Horan & Camerini LLP, New York.

Christian Wipf

Christian Wipf (born 1957), Swiss national, lic. oec. HSG, first elected in 2008.

Current positions
Chairman and Delegate of the Board of Directors of Wipf Holding AG, Brugg; Chairman of the Board of Directors of Wipf AG, Volketswil; Chairman of the Board of Directors of Elco AG, Brugg; Chairman of the Board of Directors of Swiss Direct Marketing AG, Brugg.
Previous positions
CEO of Wipf AG, Volketswil; Executive Management of Seetal Schaller AG, Brugg.

From left: Kaspar W. Kelterborn, Peter Schaub, Manuel Werder, Christian Wipf, Tim Talaat and Mauro Gabella.

Group Executive Management

AS OF 31 DECEMBER 2017

Peter Schildknecht

Group CEO

Peter Schildknecht, who is a Swiss national, was born in 1962. A doctor of science, he joined CPH in 2008 and has been its Group CEO since 2009.

Dr. Schildknecht is a Member of the Board of Directors of Renergia Zentralschweiz AG, Root; a Member of the Board and Vice-Chairman of Euro-Graph (the European Association of Graphic Paper Producers), Brussels; Deputy Chairman of the Board of the Central Switzerland Chamber of Industry & Commerce (IHZ), Lucerne; and Chairman of the IHZ's Industry Commission.

Between 1995 and 2001 Peter Schildknecht held various functions in the Von Roll Group, including CEO of Von Roll Betec AG and Head of Industrial Services and a Member of Executive Management at Von Roll Infratec Holding AG, Bern. From 2001 he served as a Member of Group Executive Management at Sarna Kunststoff Holding AG, Sarnen, and led various group divisions, most latterly Sarnafil.

Richard Unterhuber

Head of Finance, IR, Real Estate & IT/CFO

Richard Unterhuber, who is a Swiss and Italian national, was born in 1967. A Certified Management Accountant and the holder of a Swiss FH Diploma in Business Administration and an MBA, he joined CPH as Group CFO in 2016.

From 2006 to 2016 Richard Unterhuber served as CFO and a Member of Group Executive Management at the internationally active Multi-Contact industrial group based in Allschwil, near Basel. Prior to this he had held various executive finance and controlling positions at a number of further industrial companies including Head of Controlling at Swiss Post Aarau from 1995 to 1997, Business Controller at DCL Data Center Luzern AG from 1997 to 1998, Chief Commercial Officer and a Member of Executive Management at Sarnatech (Schweiz) AG, Triengen from 1998 to 2001 and Head of Shared Services and CFO of SCA Packaging Switzerland AG, Oftringen from 2001 to 2006.

Klemens Gottstein

Head of the Paper Division

Industrial engineer and paper manufacturer Klemens Gottstein, who is a German national, was born in 1961. The holder of an MBA, he joined CPH to head its Paper Division in 2012.

Between 1989 and 2011 Klemens Gottstein held various functions at the Myllykoski Group, including HR Director, General Manager of its Dachau and Ettringen works and Director of Business Development for Coated Papers. He most latterly served as Executive Vice President Operations and a Member of the Executive Management of Myllykoski Europe, with responsibility for its six European plants and Human Resources Europe.

Wolfgang Grimm

Head of the Packaging Division

Wolfgang Grimm, who is a German national, was born in 1957 and holds a BA Diploma in Business Administration. He joined the then Perlen Group as its Head of Packaging in 1998, and was appointed to his present position in 2003.

Wolfgang Grimm was Sales Director at VAW Europack Export GmbH, Teningen (Germany) from 1993 to 1995. He then moved to Schüpbach AG, Burgdorf (Switzerland), where he rose to become Vice President Sales Central Europe for Danisco Flexible Schüpbach AG.

Alois Waldburg-Zeil

Head of the Chemistry Division

Alois Waldburg-Zeil, who is an Austrian national, was born in 1963. A doctor of law, he joined CPH as its Head of Chemistry in 2010.

Alois Waldburg-Zeil began his professional career as an auditor, and served with KPMG from 1993 to 1997. Between 1997 and 2009 he held a range of management functions with the Süd-Chemie Group (which is now part of Clariant), including Head of the General Secretariat and Public Relations, Sales Manager EMEA, Global Financial Manager for Süd-Chemie Performance Packaging in Paris (France), CEO of Süd-Chemie UK in Manchester (UK) and CEO of Süd-Chemie Zeolites GmbH in Bitterfeld (Germany).

From left: Wolfgang Grimm, Peter Schildknecht, Richard Unterhuber, Alois Waldburg-Zeil and Klemens Gottstein.

Remuneration Report

The Remuneration Report contains information on the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and Group Executive Management and their amounts in 2017.

This report is divided into two sections. Section 1 is not subject to the auditing required under Article 13 of Switzerland's "VegüV" ordinance, while Section 2 is.

1. Remuneration and general information

The fundamental aim of the CPH Group is to provide remuneration that is in line with market levels. CPH regards such remuneration as a combination of a fixed and a variable salary component. The amount of each individual's overall remuneration and the components thereof are determined by regularly reappraising the current classification of each function, benchmarking the remunerations awarded and comparing these to market rates (see also the details for the Board of Directors and Group Executive Management). Any modifications proposed to the remuneration for the Group CEO or further members of Group Executive Management are submitted for approval to the full Board of Directors by its Personnel & Compensation Committee, with due reference to the market comparisons conducted.

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to each Board member. The Committee also informs the other Board members of the topics it has discussed and the background to any proposals or recommendations submitted at the next Board meeting. A committee member will voluntarily withdraw from any meeting at which any issues or remuneration are to be discussed regarding themselves or related persons.

The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Three such meetings were held in 2017.

The members of the Personnel & Compensation Committee are elected individually by the Ordinary General Meeting to serve for a one-year term. For further details of the Committee's current composition and prime duties and responsibilities, please see the Corporate Governance section.

Individual performance has a direct influence on the remuneration paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via the variable salary compensation component. For each function, a target bonus is defined that will be paid if the targets concerned are achieved in full. The actual bonus to be paid will then be determined on the basis of the degrees to which such targets are achieved, with a maximum annual bonus payable amounting to 150% of the target bonus set. The bonus gradations between the lower and upper limits of 0% and 150% may either be linear or consist of a series of steps: the details here are determined as part of the annual target-setting process. For 2017 linear gradations were adopted for all the personnel concerned. CPH does not award any discretionary bonus payments.

While the Articles of Incorporation of CPH Chemie + Papier Holding AG permit long-term incentives (particularly in the form of employee share ownership), the CPH Group currently has no such remuneration components. There are no management share ownership or share option plans for Board or management members. There are also no contractual agreements regarding severance payments.

The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a notice period of six months. CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system remained unchanged in 2017 from the previous year.

The structure and the amounts of the remuneration paid for certain functions are regularly reappraised using external benchmarks. The remuneration paid to the members of Group Executive Management and the three Divisional Managements was analyzed by an external company in 2016. Its findings and conclusions were then discussed by the Personnel & Compensation Committee, and any adjustments deemed necessary were adopted from 1 January 2017.

The proposals on the maximum aggregate remuneration for the Board of Directors and Group Executive Management are prepared by the Personnel & Compensation Committee, appraised by the full Board and submitted to the General Meeting for approval. Should the proposal be rejected, and should the Board not submit a new proposal (or have this rejected too), an Extraordinary General Meeting should be convened within three months, or the Board may submit a further such proposal for retrospective approval at the next Ordinary General Meeting.

Board of Directors

The remuneration paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat daily allowance for any work beyond their normal meeting activities.

The remuneration paid to Board members is determined on the basis of comparisons with publicly available data for comparable Swiss industrial companies whose shares are also listed on the SIX Swiss Exchange. The remuneration rates concerned are proposed to the full Board by its Personnel & Compensation Committee.

In accordance with Switzerland's "Veg V" Ordinance against Excessive Compensation in Stock Exchange Listed Companies and the correspondingly-amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate amount payable to the Board of Directors in the period between two Ordinary General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the Ordinary General Meeting for the 2015 business year.

For specific remuneration payments, please see Section 2 below.

Group Executive Management

The remuneration paid to the members of CPH's Group Executive Management consists of a fixed and a variable component, both fully paid in monetary form. The target bonus for Group Executive Management members amounts to between around 20% and 67% of their basic salary. The actual variable remuneration paid depends on the degrees to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic salary for the Group CEO and 45% thereof for the further Group Executive Management members.

The assessment of the performance of Group Executive Management for variable-remuneration purposes is based on a specific target-setting process. These targets are set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Management members, while individual divisional and/or functional targets are set in the four further areas.

The achievement of the financial results targets accounts for 60% of the variable remuneration, with the remaining 40% based on the achievement of the targets set in the other four areas. EBIT, operating cash flow and net working capital targets were set as the financial results targets for 2017. The Heads of Divisions' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performances of the Group CEO and the CFO are based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with the financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management may also make target proposals. The latter have their achievement of their targets assessed by the Group CEO, who submits appropriate recommendations to the Personnel & Compensation Committee. The Group CEO's target achievements are assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set and recommendations on the individual bonuses to be paid. The final decision on such bonuses is then taken by the Board in toto (and, since the 2016 business year, with due regard to the maxima specified by the Ordinary General Meeting).

With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

The Group CEO is entitled to make proposals on the remuneration to be paid to Group Executive Management members. Up until the 2015 business year, the final amount of fixed and variable remuneration to be awarded to Group Executive Management in its entirety was set annually by the Board of Directors.

With effect from the Ordinary General Meeting for the 2014 business year, and in accordance with Switzerland's new "VegüV" ordinance and the correspondingly-amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate fixed and variable remuneration payable to Group Executive Management is now approved by each Ordinary General Meeting for the following business year. This was first done at the Ordinary General Meeting in 2015, for the 2016 business year.

Any new members of Group Executive Management who are appointed and assume their duties after the Ordinary General Meeting has approved the maximum aggregate Group Executive Management remuneration for the year concerned may – under Article 22 of the CPH Chemie + Papier Holding AG Articles of Incorporation – be paid an additional amount totalling (for all such new members) no more than 40% of this maximum aggregate amount.

The remuneration paid in 2017 to the members of the Board of Directors, the Group CEO (who received the highest remuneration of any Group Executive Management member) and the further members of Group Executive Management is shown in the tables in Section 2.

2. Remuneration paid to members of the Board of Directors and Group Executive Management

This remuneration includes salaries, bonuses, credits, social security payments and occupational pension scheme contributions.

Remuneration paid to members of the Board of Directors

2017 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contribu-tions	Total
Peter Schaub	1 994	Chairman	Member	Personnel issues only	315	0	20	335
Tim Talaat	1 994	Deputy Chairman	Member	Member	87	8	6	101
Mauro Gabella	2 005	Member		Chair	88	23	7	118
Kaspar W. Kelterborn	2 015	Member	Chair		88	23	7	118
Manuel Werder	2 015	Member	Member		87	8	6	101
Christian Wipf	2 008	Member		Member	87	8	6	101
Total					**752**	**70**	**52**	**874**

A maximum aggregate remuneration of CHF 930 000 was set for the period between the 2017 and 2018 Ordinary General Meetings by the 2017 Meeting.

2016 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contribu-tions	Total
Peter Schaub	1 994	Chairman	Member	Personnel issues only	297	0	19	316
Tim Talaat	1 994	Deputy Chairman	Member	Member	76	8	5	89
Mauro Gabella	2 005	Member		Chair	77	23	6	106
Kaspar W. Kelterborn	2 015	Member	Chair		77	25	6	108
Manuel Werder	2 015	Member	Member		76	8	5	89
Christian Wipf	2 008	Member		Member	76	8	5	89
Total					**679**	**72**	**46**	**797**

Notes on the remuneration paid to members of the Board of Directors

The amounts shown are the remuneration paid for the year concerned, regardless of when such payment was made. All such remuneration was in monetary form. Board members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' social security contributions. The social security contributions shown separately include those of the employer.

No remuneration was paid to any former Board members. No loans were made to any current or former Board members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Board members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Board members.

Remuneration paid to members of Group Executive Management

2017 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	310	182	4	996
Further GEM members combined		1 140	355	308	16	1 819
Total		**1 640**	**665**	**490**	**20**	**2 815**

A maximum aggregate remuneration of CHF 3 350 000 was set for the 2017 financial year by the 2016 Ordinary General Meeting.

2016 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	323	161	3	987
Further GEM members combined		1 050	301	290	16	1 657
Total		**1 550**	**624**	**451**	**19**	**2 644**

Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2017 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2016 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2016 Annual Report. That remuneration could only be shown on the basis of the provisions made (on an accrual basis), however, whereas the above table shows the final amounts actually paid for 2016. All such remuneration, both fixed and variable, is in monetary form. Group Executive Management members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company pension scheme and social security contributions shown separately include those of the employer. "Further compensation" relates to the private use of the company car and any long-service awards.

No remuneration was paid to any former Group Executive Management members. No loans were made to any current or former Group Executive Management members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Group Executive Management members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Group Executive Management members.

Report of the statutory auditor on the Remuneration Report

We have audited the remuneration report of CPH Chemie + Papier Holding AG as per 9 February 2018 (see chapter 2, pages 35 to 37) for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of CPH Chemie + Papier Holding AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Illi	Roger Leu
Audit expert	Audit expert
Auditor in charge	

Zurich, 9 February 2018

"Recycling is in our DNA"

Sustainability is essential to long-term value creation at the CPH Group. The Group has vastly reduced its CO_2 emissions over the past few years. Perlen Papier will also be Switzerland's sole recycler of recovered paper from 2018.

Peter Schildknecht, Group CEO

What importance do you attach to sustainability at the CPH Group?

Peter Schildknecht: We are active in business segments that can have quite an impact on the environment, and we're fully committed to sustainable value creation. We make sure that, through our economic, social and ecological conduct, we meet the needs of our business partners, our employees and the natural world around us. Economic sustainability is the cornerstone of our 200 years of business activities. Here we put a particular focus on continuous long-term development. We create added value for our customers by manufacturing and offering high-quality products. Our employees are the heart within and the drive behind our Group. They are the ones who ensure our innovative strength. And their basic and further training, their security and their health are all top priorities. We also take responsibility through our sparing use of resources. Avoiding and reducing emissions, waste water and solid waste have been integrated into the planning within each of our three divisions for several years now. And we have specially-trained personnel responsible for environmental and quality affairs who report directly to our Group Executive Management.

Sustainability efforts often entail higher costs. So is there a conflict of objectives here?

On the contrary: a lot of these endeavours actually mean lower costs. Every resource that we can save or re-use in our production is firstly good for the environment and secondly good for CPH. And our social commitment translates into motivated and satisfied employees. So we see it all as a win-win situation.

What kind of feedback do you get from your stakeholders on your sustainability endeavours?

The feedback from our stakeholders is very important to us. We conduct regular surveys of our customers and our employees, and we utilize the feedback we get from these to further enhance our products and our processes. We publish – at our customers' request – the carbon footprint created by producing one tonne of paper; we offer FSC-certificated paper products; and we have our operating locations certified to environmental and occupational safety standards. As a rule, though, our customers aren't yet willing to pay higher prices for products with higher sustainability credentials.

What sustainability successes have you already enjoyed?

We have voluntarily set ourselves goals to reduce our carbon dioxide emissions that go beyond the targets required by law. And we have taken a range of actions here that have lowered our annual CO_2 emissions from 86 000 tonnes to 17 000 tonnes over the past five years. Also, our Paper Division is now the only recycler of recovered paper in Switzerland, so it's playing a key role in the re-use of waste paper and thus the protection of the forests.

Recycling is in our DNA. The sale of our Uetikon operating site permits the construction of a new cantonal secondary school, which is an ideal solution for the coming generations and the local community. We are also assuming our responsibility here for the removal of any pollutants in the ground. And we have striven to minimize the social impact of the job losses that are unavoidable with the closure of this operation. In fact, alternative arrangements have been found for almost every one of the 85 employees affected.

What will you be focusing on in future in sustainability terms?

We will be intensifying our Continuous Improvement Process or CIP. Changes big and small should – and have to – come from our employees and be championed by them, too, if they are to have their full effect, to the benefit of all our stakeholders. ■

Social sustainability

Three-quarters of the group workforce took part in a survey in autumn 2016 which sought their views on the issues of workplace, professional development, leadership, communications, innovation, customers, strategy and commitment. This survey is conducted groupwide every three years. The latest poll showed improvements in the commitment and satisfaction categories, while leadership and appreciation in particular earned significantly higher marks. The areas of employee development and improvement management still have more potential. With the results clearly showing differing focus areas among the Group's divisions and operating locations, 43 segments were created, and actions were defined for each of these with due employee involvement. These actions were then implemented by the end of 2017. One of them related to a redesign of the Continuous Improvement Process (see the CIP section below).

Annual group staff turnover amounted to 8.8% in 2017, down from the 9.7% of the previous year. The CPH Group workforce includes a sizeable number of long-serving employees: 42 of them celebrated 20th, 25th, 30th, 35th or 40th service anniversaries in the course of the year. Many former employees also remain close to the Group and meet once a year for a retirees' event which is organized by CPH. Year-end employee numbers rose from 985 to 1 019, owing largely to the expansion of the Packaging Division's workforce. The majority of the Group's employees – 67% – are involved in production. The proportion of the total group workforce who are based in Switzerland declined from 61% to 55% (see charts).

Salary policy

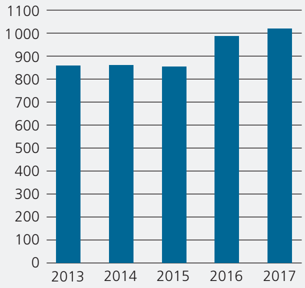
CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance via a variable salary component that is linked to the achievement of individually set performance goals and to divisional results. Once again, no across-the-board salary increases were awarded in 2017. The CPH Group spent CHF 84.5 million on salaries, company pension scheme contributions and staff training over the course of the year.

All employees at the Perlen site are subject to a collective labour agreement (CLA). Employees at the Müllheim site in Germany are subject to the CLA of the Industriegewerkschaft Bergbau Chemie Energie (IGBCE). The Uetikon silicate chemistry operation had its own staff association until the end of 2017. Elsewhere, personnel worked under individual employment contracts.

Initial and further training

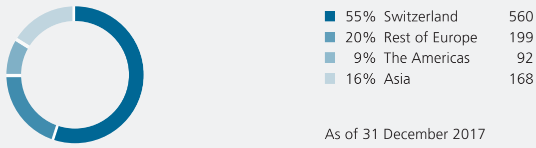
CPH attaches great importance to the training of its own junior personnel. Its Swiss and German operations have active apprentice programmes offering basic professional training. Some 39 apprentices were on the group payroll at the end of 2017. The year also saw the first-ever training of two plant operators and a laboratory chemist in Germany. Fourteen apprentices completed their courses during the year. All the apprentices of the CPH Group also meet once a year for an Apprentices Day of further group-themed training. The Paper Division made its first appearance as an exhibitor at the ZEBI, Central Switzerland's training fair, in 2017. The CPH Group invested a total of CHF 0.6 million in the basic and further training of its employees over the course of the year.

Total workforce numbers



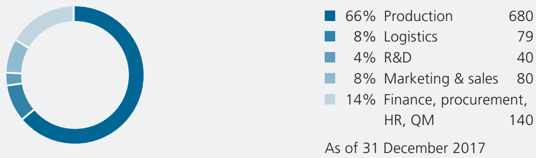
As of 31 December

Workforce numbers by region



As of 31 December 2017

Workforce numbers by function

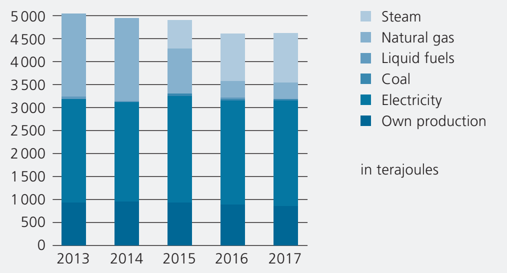


As of 31 December 2017

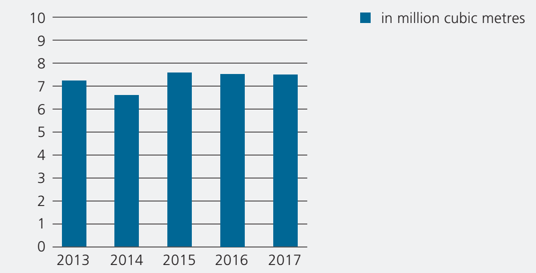
Continuous improvement

CPH's Continuous Improvement Process (CIP) is a vital element in the Group's constant endeavours to further develop and enhance product quality. A series of four workshops was held in the Paper Division in 2017 to remodel its CIP and ensure that it makes a major contribution once again to CPH's success. While CIP is already well established in

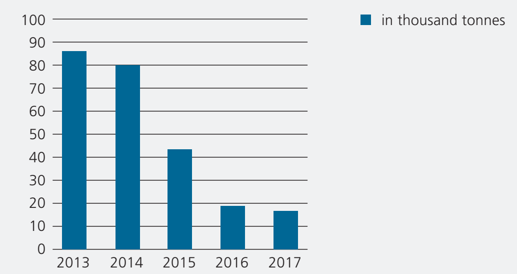
Energy consumption



Waste water produced



CO_2 emissions



the Packaging Division, the Chemistry Division aims to further intensify its CIP activities in 2018. The 756 ideas submitted to the CIP in 2017 and the 53 group moderations held in the course of the year produced a number of proposals that have helped raise efficiency, enhance safety and protect the environment, and should add some CHF 1.2 million to annual earnings results.

Occupational safety

CPH conducts regular training to help identify dangers and prevent accidents at all its operating sites. Any incidents or accidents that do occur are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred employees for 2017 – 1.3 – remained low for an industrial manufacturing concern (and compares to 1.5 for the previous year). Fortunately, the year remained free of any major occupational accidents.

Healthcare

The Group's various operations offer numerous healthcare facilities, such as free flu vaccinations and health check-ups. The sickness-related absence rate for the year was low again at 2.0% (compared to 2.5% for 2016).

Ecological sustainability

The CPH Group's environmental reporting year runs from the beginning of November to the end of October.

Use of resources

In tonnage terms, the largest proportion of resources used within the CPH Group is recovered paper, the key raw material of the Paper Division. Perlen Papier recycled 463 990 tonnes of recovered paper in its operations in 2017, just below the 464 492 tonnes of the previous year. Over 50% of this recovered paper is collected in Switzerland, with the rest coming from abroad. Some 15% of the paper was delivered to Perlen by rail (compared with 16% in 2016). Perlen Papier also turned 109 579 bone-dry tonnes of round wood and woodchip into wood fibre in 2017 (2016: 109 000 bone-dry tonnes). CPH strives to minimize the transport distances involved: all of the round wood and 70% of the woodchip used come from Swiss sources. The latter figure should be raised to 80% by 2020. Perlen Papier is also a member of ECO SWISS, Swiss business and industry's environmental protection organization, and of further bodies promoting sustainable forestry.

Perlen Packaging's film manufacturing process uses unplasticized PVC, which, is composed of 43% ethylene and 57% sodium chloride. Compared with other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. Perlen Packaging used 29 299 tonnes of PVC and 3 210 tonnes of PVdC in 2017. Wherever possible, waste and scrap material from the various manufacturing steps are fed back into the production process as secondary raw materials. For 2017 the raw material utilization rate was raised from 96% to 98% for PVC and from 95% to 98% for PVdC. Perlen Packaging is also actively involved in the VINYLPlus programme, which promotes PVC recycling.

The most important raw materials in the Group's silicate chemistry operations are sodium silicate, aluminium hydrate, sodium hydroxide, sulphuric acid and lithium chloride, of which 14 835 tonnes were used in 2017 (2016: 17 677 tonnes). The division terminated its own synthesis activities at its Uetikon site at the end of 2017, and will now obtain its raw materials here in filter cake form. Its fertilizer production consumed 11 793 tonnes of nitrogen, potassium and phosphorus compounds in 2017 until it ceased in summer (2016: 14 135 tonnes). Some 85% of this was delivered by rail.

Energy

Over 90% of the energy used by the CPH Group in 2017 was for paper production. Electricity is the Group's main energy source, and its consumption declined groupwide from 2430 to 2426 terajoules (TJ). The second most important energy provider was steam at 1078 TJ (2016: 1018 TJ). This is procured for paper production in Perlen from the nearby Renergia waste incinerator facility. Group gas consumption declined slightly from 387 to 355 TJ. The use of coal as an energy source for the Lianyungang plant in China was reduced from 36 to 22 TJ for environmental reasons. The replacement of coal with other energy sources should be completed in 2018. The CPH Group's overall energy consumption for the year amounted to 4629 terajoules, virtually unchanged from the 4621 terajoules of 2016.

Emissions, waste water and solid waste

The CPH Group sets its own goals to reduce carbon dioxide (CO_2) emissions which are more rigorous than those required by law. As a result, its Perlen and Uetikon facilities were exempt in 2017 from any CO_2 levy.

The conversion of the Perlen waste incinerator to a biomass facility also had a positive impact on the Group's CO_2 emissions from non-renewable resources. Total CO_2 emissions from CPH's production sites amounted to 16554 tonnes, which compares to 18124 tonnes the previous year. Of these, 9672 tonnes derived from paper production. The sales of carbon credits generated an income of CHF 1.0 million.

Exhaust air cleaning systems are installed at the Group's production facilities. Emergency concepts have been devised to cope with any production malfunction. These centre largely on the scenario of fire. The Perlen site has its own fire service which can be deployed if needed. The handling of acids and sodium hydroxide at the Uetikon plant posed a potential environmental threat. The CPH Group again completed the year free of any incident subject to reporting requirements. The waste water produced by the Group's Uetikon, Perlen and Louisville plants was processed in their own treatment facilities. Paper manufacturing also produces solid waste, largely in the form of sludge and residual waste. The biomass here is used to produce heat and electricity in the Group's own Perlen facility.

Brand policy

The CPH Group pursues an individual brand policy. CPH Chemie + Papier Holding AG, the Group's holding company, is not operationally active, but serves as an umbrella brand towards stakeholders, particularly investors and the public. The Group's three divisions are well established in their target markets as "Zeochem", "Perlen Papier" and "Perlen Packaging". To ensure consistent brand identities, all the subsidiaries in the Chemistry and Packaging Divisions are to be renamed Zeochem and Perlen Packaging respectively.

Quality

Consistently high quality is a hallmark of all CPH products. This makes stringent demands on processes, which are audited to international standards (see table below). The Packaging Division aligns its film manufacturing to the pharmaceuticals sector's Good Manufacturing Practice, and was recertificated to Norm 2015 for ISO 9001 and ISO 15378 in 2017. The CPH Group also promotes energy efficiency in the climate protection project of the Swiss private sector's energy agency, and is a member of Responsible Care, a global continuous improvement initiative in the environmental, health and safety fields.

Production site quality certifications	Chemistry			Paper	Packaging			
	Uetikon	Louisville	Lianyungang	Perlen	Perlen	Müllheim	Whippany	Suzhou
ISO 9001	•	•	•	•	•	•	•	•
ISO 14001 (environmental)				•				
ISO 15378 (GMP)					•	•		•
ISO 50001 (energy)						•		
OHSAS 18001 (occupational safety)				•				
FDA, USA DMF Nos. 10686, 9072 and 30501					•	•		•
EU Ecolabel, Blue Angel				•				
FSC COC, PEFC COC				•				
ECO SWISS CO_2				•				

Contents

Consolidated income statement

	Note	2017	2016
Net sales	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
Total income		**463 219**	**454 275**
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
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**33 761**	**36 935**
Depreciation on tangible fixed assets	16	30 141	30 535
Depreciation on intangible assets	15	719	509
Earnings before interest and taxes (EBIT)		**2 901**	**5 891**
Financial income	6	1 619	645
Financial expense	7	8 223	5 711
Financial result		**–6 604**	**–5 066**
Earnings before taxes and non-operating/extraordinary items		**–3 703**	**825**
Non-operating result	8	22 840	134
Extraordinary result	9/16/24/27	0	–4 398
Earnings before taxes		**19 137**	**–3 439**
Income taxes	10/27	2 950	4 275
Net result for the year		**16 187**	**–7 714**
– attributable to shareholder of CPH Chemie + Papier Holding AG		15 983	–7 905
– attributable to minorities		204	191

in CHF	Note	2017	2016
Net result after minorities per share	33	**2.66**	**–1.32**
Diluted net result per share	33	**2.66**	**–1.32**

Consolidated balance sheet

	Note	31.12.2017 in CHF thousand	31.12.2017 in %	31.12.2016 in CHF thousand	31.12.2016 in %
Assets					
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
Total current assets		**242 245**	**35**	**222 123**	**33**
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
Total fixed assets		**455 307**	**65**	**450 304**	**67**
Total assets		**697 552**	**100**	**672 427**	**100**
Equity and liabilities					
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
Total current liabilities		**105 397**	**15**	**92 408**	**14**
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
Total long-term liabilities		**195 910**	**28**	**199 237**	**30**
Total liabilities		**301 307**	**43**	**291 645**	**43**
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
Total equity excluding minorities		**393 275**	**56**	**378 101**	**56**
Minorities		2 970	1	2 681	1
Total equity including minorities		**396 245**	**57**	**380 782**	**57**
Total equity and liabilities		**697 552**	**100**	**672 427**	**100**

Consolidated cash flow statement

	Note	2017	2016
Net result for the year (including minorities)		**16 187**	**–7 714**
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
Cash flow		**14 467**	**28 271**
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
Decrease/(Increase) in net current assets		**17 723**	**–6 396**
Cash flow from operating activities		**32 190**	**21 875**
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
Cash flow from investment activities		**–19 333**	**–19 937**
Free cash flow		**12 857**	**1 938**
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
Cash flow from financing activities		**–3 273**	**15 155**
Currency translation effects		216	105
Net change in cash and cash equivalents		**9 800**	**17 198**
Cash and cash equivalents at 1 January		70 345	53 147
Change		9 800	17 198
Cash and cash equivalents at 31 December		**80 145**	**70 345**

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
As at 31.12.2015	**30 000**	**8 402**	**−160**	**−25 722**	**390 186**	**402 706**	**0**	**402 706**
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
As at 31.12.2016	**30 000**	**4 804**	**−162**	**−37 903**	**381 362**	**378 101**	**2 681**	**380 782**
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
As at 31.12.2017	**30 000**	**845**	**−96**	**−37 903**	**400 429**	**393 275**	**2 970**	**396 245**

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
Balance sheets: year-end rates		
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
Income statements/ cash flow statements: average rates		
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 proportion 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 incurrence 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
Total	**469 767**	**100**	**434 835**	**100**

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
Net sales	**75 457**	**264 087**	**130 223**		**469 767**
EBITDA	**7 261**	**9 098**	**15 502**	**1 900**	**33 761**
in % of net sales	9.6	3.4	11.9		7.2
EBIT	**3 815**	**–12 346**	**9 567**	**1 865**	**2 901**
in % of net sales	5.1	–4.7	7.3		0.6
Financial result					–6 604
Earnings before taxes and extraordinary items					**–3 703**
Non-operating result					22 840
Extraordinary result					0
Earnings before taxes					**19 137**
Taxes					2 950
Net result for the year					**16 187**
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
Earnings before taxes and extraordinary items					**825**
Non-operating result					134
Extraordinary result					−4 398
Earnings before taxes					**−3 439**
Taxes					4 275
Net result for the year					**−7 714**
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
Total	**84 471**	**88 969**

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
Total	**1 619**	**645**

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
Total	**8 223**	**5 711**

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
Earnings before taxes and extraordinary items		**–3 703**
Weighted average tax rate applicable/estimated tax expense	–6.6	246
Non-operating and extraordinary result		**22 840**
Weighted average tax rate applicable/estimated tax expense	15.3	3 499
Earnings before taxes		**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
Tax rate/tax expense as per income statement	**15.4**	**2 950**

2016	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		**825**
Weighted average tax rate applicable/estimated tax expense	–0.1	–1
Non-operating and extraordinary result		**–4 264**
Weighted average tax rate applicable/estimated tax expense	19.6	–837
Earnings before taxes		**–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
Tax rate/tax expense as per income statement	**–124.3**	**4 275**

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
Total	**77 819**	**69 065**

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
Total	**59 215**	**68 939**

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
Total	**59 215**	**68 939**

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
At purchase values			
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
Closing balance on 31.12.2017	**12 902**	**1 234**	**14 136**
Depreciation			
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
Closing balance on 31.12.2017	**8 925**	**389**	**9 314**
Impairments			
Opening balance on 1.1.2017	0	0	0
Currency impact on opening balance			
Change in consolidated companies			
Disposals/reclassifications			
Closing balance on 31.12.2017	**0**	**0**	**0**
Book value on 1.1.2017	2 239	852	3 091
Book value on 31.12.2017	**3 977**	**845**	**4 822**

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
At purchase values			
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
Closing balance on 31.12.2016	**10 650**	**1 222**	**11 872**
Depreciation			
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
Closing balance on 31.12.2016	**8 411**	**370**	**8 781**
Impairments			
Opening balance on 1.1.2016	0	0	0
Currency impact on opening balance			
Change in consolidated companies			
Disposals/reclassifications			
Closing balance on 31.12.2016	**0**	**0**	**0**
Book value on 1.1.2016	1 492	921	2 413
Book value on 31.12.2016	**2 239**	**852**	**3 091**

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
At purchase values		
Opening balance on 1.1.	37 903	25 722
Additions	0	12 181
Closing balance on 31.12.	**37 903**	**37 903**
Depreciation		
Opening balance on 1.1.	27 752	25 722
Depreciation for the period	2 436	2 030
Closing balance on 31.12.	**30 188**	**27 752**
Net Book value of goodwill on 1.1.	10 151	0
Net Book value of goodwill on 31.12.	**7 715**	**10 151**

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
Theoretical earning before interest and taxes (EBIT), including depreciation of goodwill	**465**	**3 861**
Theoretical EBIT-margin in % of net sales	**0.1**	**0.9**
Net result for the year	16 187	−7 714
Depreciation of goodwill	−2 436	−2 030
Theoretical net result, including depreciation of goodwill	**13 751**	**−9 744**

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
Theoretical equity, including net book value of goodwill	**403 960**	**390 933**
Theoretical equity in % of balance sheet total, including net book value of goodwill	**57.3**	**57.3**

16. Tangible fixed assets

Tangible fixed assets for 2017 in CHF thousand	Undevel-oped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
At purchase values								
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
Closing balance on 31.12.2017	**5 789**	**327 817**	**768 895**	**329 729**	**4 005**	**11 150**	**24 332**	**1 471 717**
Depreciation								
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
Closing balance on 31.12.2017	**89**	**141 419**	**469 421**	**215 373**	**1 853**	**9 326**	**0**	**837 481**
Impairments								
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
Closing balance on 31.12.2017	**0**	**53 225**	**146 027**	**50 722**	**0**	**0**	**211**	**250 185**
Opening balance on 1.1.2017	5 866	136 232	159 676	65 375	21	2 210	15 189	384 569
Closing balance on 31.12.2017	**5 700**	**133 173**	**153 447**	**63 634**	**2 152**	**1 824**	**24 121**	**384 051**

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
At purchase values	
Opening balance on 1.1.2017	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2017	**10 000**
At purchase values	
Opening balance on 1.1.2016	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2016	**10 000**

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)	Nominal value	Appro-priation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
in CHF thousand	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
Total	**10 993**	**0**	**0**	**0**	**10 993**	**10 884**	**–109**	**–134**

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 contribu-tions for the period	Pension scheme expense in personnel cost	
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
Pension schemes with funding surplus	**0**	**0**	**0**	**0**	**0**	**0**	**991**
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
Pension schemes without funding surplus/shortfall	**0**	**0**	**0**	**0**	**3 774**	**3 774**	**2 903**
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
Employer's funds	**16 264**	**11 606**	**9 010**	**−2 596**	**0**	**−2 596**	**−94**
Total	**16 264**	**11 606**	**9 010**	**−2 596**	**3 774**	**1 178**	**3 800**

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 insuree 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 Pensions scheme expense	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	
in CHF thousand	31.12.2017	31.12.2017	31.12.2016	31.12.2017	31.12.2017	2017	2016
USA					509	509	450
Pension schemes without funding surplus/shortfall	**0**	**0**	**0**	**0**	**509**	**509**	**450**
USA	–564	–564	–1 135	–571	144	–427	509
Pension schemes with funding shortfall	**–564**	**–564**	**–1 135**	**–571**	**144**	**–427**	**509**
Total	**–564**	**–564**	**–1 135**	**–571**	**653**	**82**	**959**

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
Total contributions	**3 774**	**653**	**4 427**	**4 750**
+/– changes in ECR through asset trends, value adjustments etc.	–109		–109	–134
Contributions and changes in employer contribution reserves	**3 665**	**653**	**4 318**	**4 616**
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
Change in economic impact on company of funding surplus/shortfall	**–2 596**	**–571**	**–3 167**	**9**
Pension scheme expenses as part of personnel cost for the period	**1 069**	**82**	**1 151**	**4 625**

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
Total	**69 529**	**53 085**

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
Total	**3 348**	**8 275**

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
Total	**17 163**	**16 450**

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
Total	**9 802**	**6 997**

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/reclasification	−560	−144	−286	−990
Currency impact on movements		1		1
Closing balance on 31.12.2016	**6 719**	**882**	**0**	**7 601**
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/reclasification	−196	−432		−628
Currency impact on movements		−2		−2
Closing balance on 31.12.2017	**4 872**	**683**	**0**	**5 555**

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 [1)]	120 000						120 000
Total	**123 000**	**3 000**	**6 803**	**3 000**	**6 500**	**1 170**	**143 473**

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 [1]		120 000					120 000
Total	**2 046**	**123 000**	**3 000**	**4 072**	**3 000**	**10 462**	**145 580**

[1] 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
Short-term financial liabilities						
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	[1]
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	
Total			**9 802**			
Long-term financial liabilities						
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	[1]
Bank loan	EUR	1 000	1 170	0.95	unlimited	
Total			**143 473**			
Total financial liabilities			**153 275**			

[1] 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
Short-term financial liabilities						
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	
Total			**6 997**			
Long-term financial liabilities						
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	1)
Bank loan	EUR	1 000	1 072	0.95	unlimited	
Total			**145 580**			
Total financial liabilities			**152 577**			

1) 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
Closing balance on 31.12.2016	**3 702**	**39 259**	**500**	**2 172**	**6 835**	**52 468**
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
Closing balance on 31.12.2017	**3 702**	**39 096**	**0**	**1 593**	**7 433**	**51 824**

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
Net assets acquired	**0**	**–10 434**
Cash and cash equivalents	0	4 137
Subtotal	**0**	**–6 297**
Goodwill incl. direct attribuable cost	0	–12 181
Net Cashflow	**0**	**–18 478**

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			
Name	Own	Related parties	2017	2016
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
Total	**24 940**	**73 480**	**98 420**	**101 020**

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
Total	**910**	**910**

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
Total	**3 729 370**	**3 729 370**

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
Total	**437**	**585**

29. Net financial liabilities

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

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

in CHF thousand				2017				2016
Instrument	**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

			2017			2016
in CHF thousand	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
Consolidated chemistry companies:					
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.

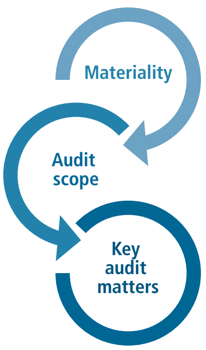
Basis for opinion

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.

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.

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.

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	Roger Leu
Audit expert	Audit expert
Auditor in charge	

Zurich, 9 February 2018

Income statement

in CHF thousand	Note	2017	2016
Net revenue from sale of goods and services	**2.10**	**5 000**	**4 906**
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
Earnings before interest and taxes (EBIT)		**–261**	**–19 520**
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
Earnings before taxes and extraordinary items		**7 178**	**–8 361**
Extraordinary, non-recurring or prior-period income	2.17	0	0
Extraordinary, non-recurring or prior-period expense	2.17	0	0
Earnings before taxes (EBT)		**7 178**	**–8 361**
Direct taxes		–94	–10
Profit/Loss for the year		**7 084**	**–8 371**

Balance sheet

in CHF thousand	Note	31.12.2017	31.12.2016
Assets			
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
Total current assets		**15 855**	**22 657**
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
Total non-current assets		**504 892**	**494 536**
Total assets		**520 747**	**517 193**
Equity and liabilities			
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
Total short-term liabilities		**2 639**	**2 274**
Long-term liabilities		130 750	130 750
– Corporate bond	2.6	120 000	120 000
– Towards group member companies		10 750	10 750
Total long-term liabilities		**130 750**	**130 750**
Total liabilities		**133 389**	**133 024**
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
Total equity		**387 358**	**384 169**
Total equity and liabilities		**520 747**	**517 193**

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
Total	**10 156**	**17 524**

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

				Holding in 2017		Holding in 2016	
Name and legal form	**Domicile**	**Remarks**	**Currency**	**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, Rüti 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
Appropriation of reserves available for distribution by resolution of the General Meeting		
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
Earnings available at end of the year	**7 084**	**–8 371**

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
Balance of earnings to be carried forward	**7 084**	**0**

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

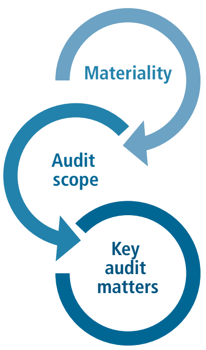
Opinion
We have audited the financial statements of CPH Chemie + Papier Holding AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

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
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.

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://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 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.