Annual Report 2018

CPH Chemie + Papier Holding AG

Key figures

The CPH Group

in CHF thousand	2018	2017	2016	2015	2014
Net sales	533 543	469 767	434 835	420 046	492 463
Earnings before interest, taxes, depreciation and amortization (EBITDA)	83 121	33 761	36 935	12 222	50 835
in % of net sales	15.6	7.2	8.5	2.9	10.3
Earnings before interest and taxes (EBIT)	51 633	2 901	5 891	–21 818	16 037
in % of net sales	9.7	0.6	1.4	–5.2	3.3
Financial result	–5 976	–6 604	–5 066	–12 101	–5 621
Earnings before taxes and extraordinary items	45 657	–3 703	825	–33 919	10 416
Net result for the year [1]	42 280	16 187	–7 714	–33 123	10 502
in % of net sales	7.9	3.4	–1.8	–7.9	2.1
in % of equity	10.4	4.1	–2.0	–8.2	2.4
in % of total capital	5.3	2.3	–1.1	–5.3	1.5
Cash flow	68 961	14 467	28 271	7 183	40 795
Investments in tangible assets (gross)	22 299	32 314	20 720	21 922	19 170
Free cash flow	18 274	12 857	1 938	1 355	430
Balance sheet total [1]	800 469	697 552	672 427	623 955	688 388
Fixed assets	447 172	455 307	450 304	436 922	455 987
in % of balance sheet total	55.9	65.3	67.0	70.0	66.2
Equity	407 144	396 245	380 782	402 706	442 003
in % of balance sheet total	50.9	56.8	56.6	64.5	64.2
Net cash	–56 890	–73 071	–82 099	–80 175	–75 380
Personnel at year-end	1 081	1 019	985	858	860

[1] Including minorities

CPH Chemie + Papier Holding AG

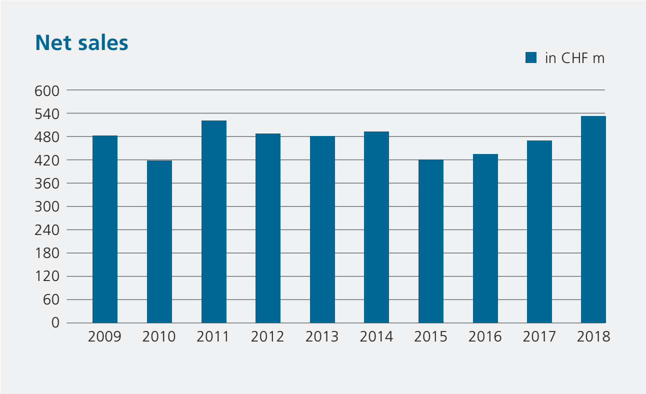
in CHF thousand	2018	2017	2016	2015	2014
Net result for the year	13 089	7 084	–8 371	–30 973	–295
Equity	396 588	387 358	384 169	396 141	431 055

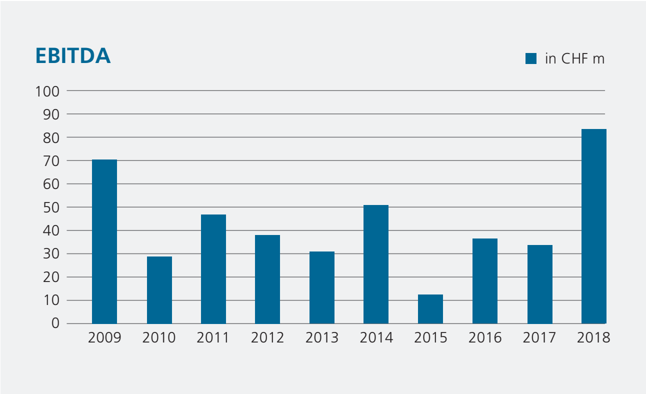
Per-share statistics [1]

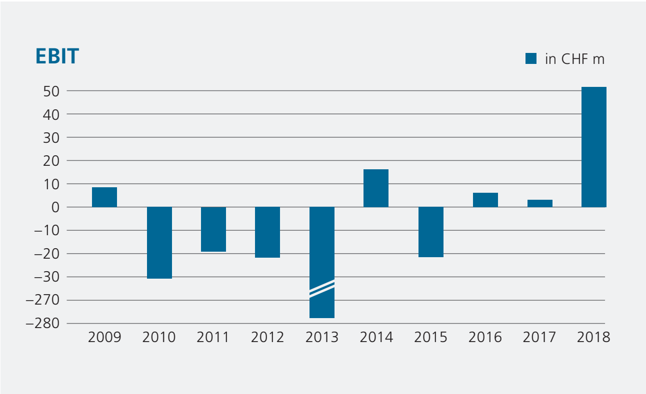
in CHF		2018	2017	2016	2015	2014
Share price	high	89.00	57.30	42.20	59.90	63.80
	low	54.00	39.00	29.80	30.00	55.95
	on 31 December	82.50	53.55	40.00	31.40	56.45
Equity per share [2]		67.87	66.06	63.49	67.12	73.67
Net result per share [2]		7.05	2.66	–1.32	–5.52	1.75
Cash flow per share [2]		11.50	2.41	4.71	1.20	6.80
Dividend per share [3]		1.80	0.65	0.65	0.60	0.65

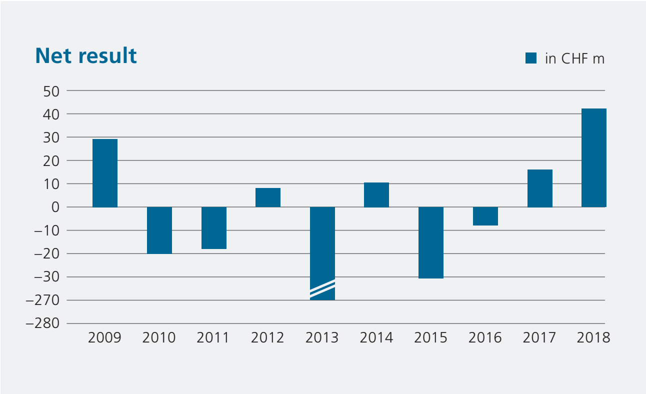
[1] All information restated in view of the 1:20 share split of 10 April 2015
[2] Based on consolidated financial statements; excluding minorities
[3] For 2018: Board's recommendation to the 2019 Ordinary General Meeting

At a glance









The CPH Group

Business in 2018

- Favourable results from all business divisions
- Double-digit percentage sales growth
- Record-level EBIT result
- Net result more than doubled
- Further international expansion with new Brazilian operating site
- Acquired businesses successfully integrated

in CHF million	2018	2017
Net sales	533.5	469.8
EBITDA	83.1	33.8
EBIT	51.6	2.9

Portrait

The CPH Group develops and manufactures products in the fields of chemicals, printing paper and pharmaceutical packaging films, and distributes these worldwide. The diversified group, which is domiciled in Switzerland, maintains production facilities at ten locations in six countries in Europe, Asia and North and South America. The Group can draw on a long industrial tradition, and celebrated its 200th anniversary in 2018.

Chemistry

Business in 2018

- Net sales raised for the fifth year in succession
- EBIT substantially increased
- New Swiss Rüti base occupied and put into operation
- Molecular sieve distribution activities of Shanghai Yusheng Chemical in China assumed
- Activities of Armar AG integrated

in CHF million	2018	2017
Net sales	79.4	75.5
EBITDA	10.7	7.3
EBIT	6.1	3.8

Portrait

The Chemistry Division is active in the silicate chemistry field, marketing its products worldwide under the "Zeochem" brand. Zeochem is a leading supplier of molecular sieves (zeolites) for industrial applications, of high-value chromatography gels for the pharmaceuticals sector and of deuterated solvents for laboratory analysis use. The Division has production plants in China, the USA, Bosnia & Herzegovina and Switzerland.

Paper

- Supply and demand broadly balanced in the paper market
- Sales volumes and net sales increased
- Operations begun at APS Altpapier Service Schweiz AG with its Utzenstorf waste paper sorting facility
- Perlen Papier now Switzerland's biggest recovered paper recycler
- EBIT substantially increased

in CHF million	2018	2017
Net sales	301.1	264.1
EBITDA	50.9	9.1
EBIT	30.1	–12.3

The Paper Division is Switzerland's sole manufacturer of newsprint and magazine paper and its biggest recycler of domestically recovered paper. The newsprint and magazine paper produced are largely exported, mainly to the Eurozone. The 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

- Double-digit percentage net sales growth
- Net sales and EBIT both at new record levels
- Production facilities well utilized
- Expansion to Latin America with new plant in Brazil
- Single-use powder inhaler earns further innovation awards

in CHF million	2018	2017
Net sales	153.0	130.2
EBITDA	21.6	15.5
EBIT	15.4	9.6

The Packaging Division of the CPH Group aligns its business primarily to the requirements of the pharmaceuticals industry, and is one of the world's three biggest suppliers of coated plastic films. The Division's products, which are manufactured in Switzerland, Germany, China, the USA and Brazil, are marketed under the "Perlen Packaging" brand, and are used predominantly in blister packs, to protect the medications they contain.

Contents

Cover picture

The CPH Group marked the 200th anniversary of its foundation in May 2018. The celebrations were held on the original Uetikon site.

Highlights of

2018

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

January

The waste paper recovery and recycling activities of Papierfabrik Utzenstorf are integrated into APS Altpapier Service Schweiz AG. APS is Switzerland's biggest paper recycler, and also runs its own paper sorting facility (see Pages 26/27).

February

Perlen Packaging acquires a majority shareholding in its Brazilian distribution partner Sekoya Industria e Comercio Ltda. The new subsidiary is subsequently renamed Perlen Packaging Anápolis.

March

The Chemistry Division takes over the molecular sieve distribution activities of Shanghai Yusheng Chemical Co. Ltd., Zeochem's long-standing representative in the Chinese market.

March

The business activities of Armar AG are integrated into the Chemistry Division, where they strengthen the division's deuterated compounds product segment.

May

The CPH Group celebrates the 200th anniversary of its foundation and also says farewell to its original Uetikon location (see Pages 9–13). The site will be taken over by new owner Canton Zurich once all the operating plant and equipment are removed.

May

The Perlamed BLISTair single-use powder inhaler wins the World Packaging Award, the packaging industry's most prestigious distinction for packaging innovations.

July

Zeochem moves into its new Swiss premises in Rüti near Zurich. The new Rüti site is home to both the head office of the Chemistry Division and a deuterated product manufacturing facility (see Pages 20/21).

August

Sixteen apprentices in nine different professions begin their training at the CPH Group's Perlen and Müllheim sites. All in all, the CPH Group numbers 37 apprentices and interns.

September

The CPH Group places a CHF 100 million corporate bond on the Swiss capital market. The funds generated are used to prematurely repay an existing CHF 120 million bond, which was due to mature in 2019.

October

The CPH Group's occupational pension scheme celebrates its 100th anniversary. The Stiftung Pensions-fonds, the forerunner to the present scheme, was founded in Uetikon in 1918.

November

The new Perlen Packaging Anápolis production plant in Brazil is formally opened. The new operation lays the foundation for the Packaging Division's further expansion in Latin America (see Pages 32/33).

Change: the only constant

The CPH Group celebrated its 200th birthday in 2018 with a large public party that was also a farewell to its original Uetikon site.

1818: Lands north of the Alps are still experiencing food shortages after the eruption of Mount Tambora in Indonesia has darkened the skies and caused the crops to fail. Switzerland is still to see the benefits of electricity, telephones and railways, and mineral fertilizers are yet to be developed. The manufacture of chemicals, too, is only in its infancy when the Schnorf brothers found a business to commercially produce sulphuric acid – which is then used primarily in textile production – in Uetikon, on the banks of Lake Zurich.

2018: Two hundred years later, the Uetikon industry story ends. The original factory site, which has been used in the intervening two centuries to produce not only sulphuric acid but a range of further basic chemicals, too, is passed on to Canton Zurich, which plans a new cantonal high school thereon. On 26 May 2018 the CPH Group celebrates its 200th birthday on the original chemicals factory site with a formal anniversary ceremony and a public party that attracts around 3 000 visitors.

"Anyone who has such a long history to look back on as yours must have done a few things right," said VIP invitee Swiss Minister of Economic Affairs Johann Schneider-Ammann in his welcome address. And CPH has indeed managed to constantly meet and master the new challenges that have emerged over the decades – as is evidenced by the fact that the seventh generation of the founding families are still the majority shareholders.

It was the second generation of the founding family that first began to diversify the business, as early as the end of the 19th Century, when they rescued the Oetiker & Cie weaving mill from insolvency. After a relocation to Bergamo in Italy, the business was developed into a flourishing concern with a workforce of more than 1 000 personnel, before faltering again after the First World War.

A further involvement in the 1880s in a pulp and paper factory in Perlen near Lucerne proved a more successful investment in the longer term. And this in turn spawned the CPH Group's packaging division, which was established in the 1960s, primarily to serve the pharmaceuticals sector.

The international expansion of the CPH Group began back in 1979, when the Chemistry Division embarked on a joint venture in the USA. CPH today is active worldwide with nine production plants in six countries in Europe, Asia and North and South America. Its three business divisions of Chemistry, Paper and Packaging are each established among the three leading suppliers in their target markets. So the CPH Group is ready, equipped and positioned for the future, too.

100 years of occupational pension care

Even back in the 19th Century, the Schnorf brothers were keen to provide their workers with occupational pension benefits. They first set up a company health insurance scheme; and in 1918 they founded the first occupational pension scheme of the CPH Group.

With the state limiting its social services to poor relief and schools, many a 19th Century employer would provide social benefits for their workers. The Schnorf family were closely involved with the Uetikon community, holding public office and supporting local schools, churches and further institutions. They also founded the village's first kindergarten, established a charity house and helped to ensure the provision of the first local retirement home.

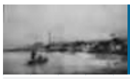
For their employees the Schnorfs established a health insurance scheme in 1864. They followed this with a company old-age pension scheme in 1901 and pension payment regulations the following year. And 1918 saw the establishment of the Stiftung Pensionsfonds – the forerunner to today's CPH occupational pension scheme – with an initial capital of CHF 800 000.

The Perlen paper factory created its own company pension scheme in 1938. On the Uetikon scheme's 100th anniversary in 2018, the Uetikon and Perlen institutions merged to become the CPH Group Occupational Pension Scheme. The fully autonomous scheme holds assets under management of some CHF 313 million and, with a funding ratio of 108%, is in sound financial health.

200
Years CPH
1818-2018

1 Peter Schaub, Chairman of the Board of Directors of CPH Chemie + Papier Holding AG, presents Swiss Minister of Economic Affairs Johann Schneider-Ammann with a rock of the mineral pyrite, which was used to manufacture sulphuric acid in the 19th Century.
2 Some 500 guests attended the formal bicentenary celebration.
3+4 Then and now: a 200th anniversary exhibition offered insights into both factory life in the 19th Century and the CPH Group today.
5+6 The anniversary and "Farewell Uetikon" public party and funfair attracted some 3 000 visitors to the original factory site.

1818	1828	1838	1848	1858



1818 Chemische Fabrik Uetikon, CH

1818–2012 Sulphuric acid

1825–1964 Hydrochloric acid

1825–1898 Sodium carbonate

Chemistry

Paper

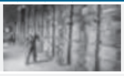
Textiles

200 Years CPH 1818-2018

The journey to today's diversified and globally active industrial group

The key companies (in blue) and products (in grey) in the 200-year story of the CPH Group

1868 1878 1888 1898 1908



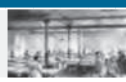
1880–2017 Fertilizer

1902 Leim- und Düngerfabrik Märstetten, CH

1902–1976 Glues

1881 Holzstoff- und Papierfabrik Perlen, CH

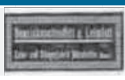
1881–1959 Printing and packing papers



1882 Oetiker Tessitura, I

1882–1931 Sheet and furniture fabrics

1918 | 1928 | 1938 | 1948 | 1958 | 1968



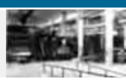
1939–today Silica gels

1

1971 E

1971–20

1971–to



1959–today Magazine paper

1954–today Newsprint

1962 Perlen Conve

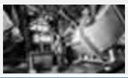
1962–today Coated films

Packaging

1978	1988	1998	2008	2018

1979 Zeochem, USA **2015** ALSIO Technology, CN

1973–today Molecular sieves (zeolites)



Elektrochemie Turgi, CH **1992** Imhausen-Chemie, D

–2011 Organic chemistry

–today Deuterated products

2017 Armar, CH

onverting, CH **2001** ac-Folien, D **2018** Sekoya, BRA

2001–today Monofilms

Overall business development shows highly positive trends

Peter Schaub (left) and Peter Schildknecht

Dear shareholder, dear reader,

200 years in business: an achievement and a commitment

The CPH Group celebrated the 200th anniversary of its foundation in 2018. And we look back with pride on our long and successful history. It is a story that would be inconceivable without the founding Schnorf family and their descendants. Because over the intervening decades, it is these descendants, all the way through to the present seventh generation, who have given us such a stable shareholder base. Well into the 20th Century, these descendants were also actively involved in the company's operations. And today, as our anchor shareholders, they are our guarantee of the sustainable long-term alignment of the CPH Group. As early as the second and third generations, the founding family were seeking to diversify from their original chemistry business, expanding at the end of the 19th Century into the paper manufacturing sector and later into further industrial areas (an overview of the key companies and products in these first 200 years will be found on Pages 10 to 13). And in the 1950s the Paper Division began coating paper products with plastics, an activity that then evolved into the Packaging Division. The basic structure of the present-day CPH Group with its Chemistry, Paper and Packaging divisions had thus been early laid.

Corporate strategy successfully pursued

The overall group strategy has been realigned time and again over the years in response to new market conditions. Some ten years ago the three divisions began to focus increasingly on their most promising business areas. The Chemistry Division concentrated on silicate chemistry and disposed of its organic chemistry operations, the Paper Division restricted itself to the production of newsprint and magazine paper and the Packaging Division focused its energies solely on pharmaceutical applications. The trends were parallelled by an increasing export orientation throughout the CPH Group.

The present corporate strategy, which was adopted five years ago, has three prime thrusts: to bring greater balance to the shares of total net sales contributed by the three constituent divisions in order to reduce the Group's exposure to the volatilities of the paper market; to increase the net sales outside Europe of the Chemistry and Packaging divisions and thus take advantage of the emerging markets' higher growth rates; and to lower the proportion of overall costs that are incurred in Swiss francs, and thereby ensure that more costs and revenues are in the same currencies. A raft of actions taken to these ends has yielded its results: over the last five years, Chemistry and Packaging have raised their combined share of total net sales from 36% to 44%; net sales outside Europe have been increased from 16% to 22% and the share of total costs incurred in Swiss francs has declined from 70% to 40%.

Chemistry newly internationally aligned

Of the Group's three divisions, Chemistry has undergone the greatest change. Just five years ago, the division's production was limited to its two operating locations in Switzerland and the USA. The Swiss Uetikon site was the venue for the CPH Group's 200th anniversary celebrations, which included a formal bicentenary event and a large public party, in spring 2018. The event was also a farewell to the site where the CPH story began two centuries ago. In the past two years the Chemistry Division has transferred most of its Uetikon production to the location in China which it acquired in 2016 and the new plant it built in Bosnia and Herzegovina in 2017. The final act here, in summer 2018, saw the division's deuterated compound manufacturing moved from Uetikon to the new Swiss base in Rüti (near Zurich), where production resumed in the fourth-quarter period. The Chemistry Division today is active in its target markets all over the globe, with production facilities in China, the USA, Bosnia and Herzegovina and Switzerland.

Packaging expands to Latin America

The Packaging Division is also pursuing an international expansion strategy. This includes the new coatings plant that opened in China in 2016, to which further work orders were transferred from the division's European operations in 2018. Perlen Packaging has also had its own finishing operation in Brazil since 2018, which moved into new premises in Anápolis in autumn. Like Asia, Latin America is one of the so-called pharmerging markets with double-digit annual percentage growth. In addition to continuing to develop its blister pack film business worldwide, the division sees further expansion potential in tapping new markets with such innovative products as its BLISTair single-use powder inhaler.

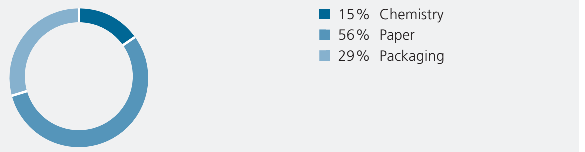
Switzerland's biggest recovered paper recycler

In contrast to Chemistry and Packaging, which use a differentiation strategy to achieve their market positions, the Paper Division is active in a predatory market environment. The division supplies a customer base within some 800 kilometres from its Perlen production facility with high-quality newsprint and magazine paper products – commodities whose prices are predominantly determined by developments in Europe's paper markets. In view of this, constant drives to further enhance efficiency and optimize costs are crucial to the Paper Division's success. One major step towards achieving cost leadership in the division's sales markets was taken by acquiring the waste paper recovery activities of Papierfabrik Utzenstorf AG: these were assumed on 1 January 2018 by APS Altpapier Service Schweiz AG, making the new CPH Group company Switzerland's biggest recovered paper recycler. Since its supply entails shorter transport routes, Swiss recovered paper is less expensive than imported alternatives. The shorter journeys involved also substantially enhance CPH's carbon emissions credentials.

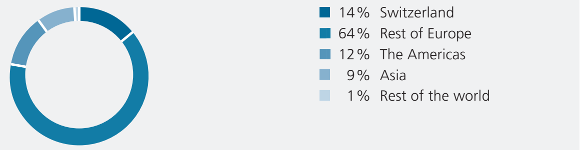
Global economy still growing

With global gross domestic product rising by some 3.7%, the world's economy continued to grow in 2018 at rates only just below the previous year's, according to International Monetary Fund estimates. While growth in the emerging markets stood at 4.6%, Eurozone growth weakened to 1.8%. The Eurozone remains the CPH Group's most important sales market, accounting for over 60% of its total net sales. On the currency front, the average euro exchange rate against the Swiss franc rose from CHF 1.112 to CHF 1.155. Economic risks increased in

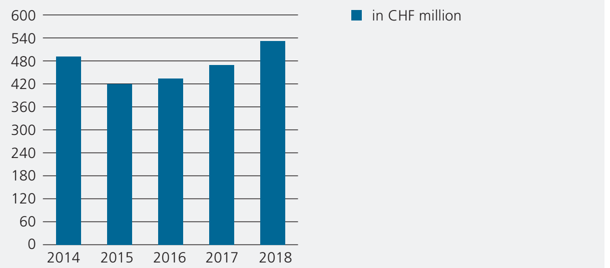
CPH Group net sales by division



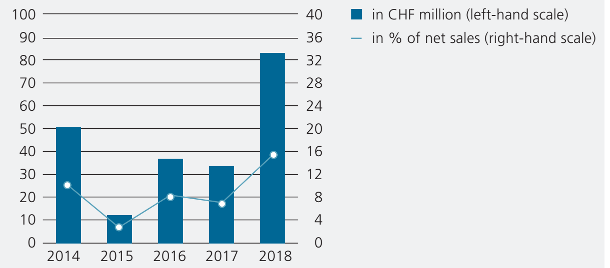
CPH Group net sales by region



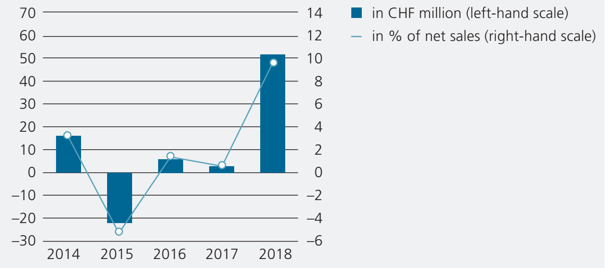
CPH Group net sales trends



CPH Group EBITDA trends



CPH Group EBIT trends



the second half of 2018, however, with the escalation of the USA's conflicts with its trading partners, and with China in particular.

CPH Group reports broad-based business growth

All three business divisions of the CPH Group raised their revenues in 2018, and the net group sales of CHF 533.5 million were 13.6% up on the previous year. Of the total increase of CHF 63.8 million, CHF 46.3 million (or 9.9%) was attributable to organic growth, CHF 14.1 million to the net favourable impact of currency movements and CHF 3.4 million to the net impact of acquisition and divestiture activities.

Results at the Chemistry Division were dampened by the cessation of its fertilizer business and the transfer of plant and equipment to the new Rüti and Zvornik locations. As a result, Chemistry posted slower growth than its sister divisions, and its share of total net sales slipped from 16% to 15%. The Packaging Division's share rose from 28% to 29%, while Paper's contribution remained constant at 56%. In geographical terms, Europe remained the dominant region, accounting for 78% of the Group's total net sales.

Chemistry: growth course confirmed

Net sales for the Chemistry Division amounted to CHF 79.4 million in 2018, a 5.3% increase on the previous year. The division felt the beneficial effects of high investment activity in the energy sector and a rising demand for molecular sieves, which are used to purify ethanol and natural gas. At the same time, demand for molecular sieves for oxygen purification purposes remained high for both industrial and medical applications. As a result, the division's production facilities in China and the USA were fully utilized all year. Production was also ramped up at the new manufacturing plants in Zvornik (Bosnia and Herzegovina) and Rüti (Switzerland) in 2018, in the first and fourth quarters respectively, and with a corresponding impact on utilization levels. The successful realignment of the Chemistry Division is already reaping lasting rewards in profitability terms: the division posted a positive annual EBIT result for the third year in succession, with each such result a tangible improvement on the last. The division also reported an EBIT margin for 2018 of 7.7%.

Paper: supply and demand well balanced

The Paper Division raised its annual production of print and publication paper by 1.3% to 543 554 tonnes, and sold 540 439 tonnes of newsprint and magazine paper in the course of the year. With supply and demand for both types of paper broadly balanced for the period, paper prices also increased from their 2017 levels. This in turn had a positive impact on divisional net sales, which were improved 14.0% to CHF 301.1 million. On the expenditure front, the costs of recovered paper were reduced despite rising waste paper prices: since the beginning of 2018, most of the division's recovered paper can be sourced in Switzerland, with correspondingly lower transport costs. Energy costs increased, while the relative weakness of the Swiss franc against the euro had a positive earnings effect. The favourable business trends were reflected in the division's EBIT margin for the year, which stood at 10.0%.

Packaging: EBIT substantially improved

Demand for medicinal products continued to rise in 2018. With it grew the demand for the films required to manufacture medicine blister packs. The trends showed regional variations, however, with the highest growth seen in the booming Asian and Latin American markets. The Group's Packaging Division raised its net sales for the year by 17.5% to CHF 153.0 million and substantially improved its EBIT margin to 10.1%. To handle the larger order volumes, the division further invested in the productivity of its European manufacturing facilities and increased the utilization of its China plant. To date, the Chinese facility has been used to supply the Asian markets outside China. But the second half of the year saw it obtain the first licences to distribute its products in the Chinese market, too. The new Perlamed BLISTair single-use inhaler won further innovation honours in 2018, including the packaging industry's most prestigious distinction of all, the World Packaging Award.

Efficiency further enhanced

The prices of key raw materials such as recovered paper, energy and ethylene rose in 2018, though the increases could at least partly be passed on to the market. That the ratio of cost of materials to production-generated group sales declined from 54% to 49% is attributable primarily to the greater procurement of recovered paper from Swiss domestic sources. The beneficial impact here more than offset the higher overall waste paper prices. While year-end group workforce numbers rose from 1 019 to 1 081, the share of personnel cost in the Group's total expense declined from 18% to 17%. The new employees were recruited mainly in the Packaging Division, whose global payroll now exceeds 400 personnel. The higher demand and equipment utilizations here required additional shiftwork production. With efficiency further enhanced in all three divisions, group EBITDA for the year was raised 146% to CHF 83.1 million and EBITDA margin rose to 15.6%.

Net result more than doubled

After ordinary depreciation and amortization of CHF 31.5 million, consolidated EBIT for the year amounted to CHF 51.6 million, which compares to CHF 2.9 million for 2017. The financial result of CHF –6.0 million was slightly below its prior-year level. Unlike the previous year, no major real estate disposals were effected in 2018. The non-operating result declined accordingly, from the CHF 22.8 million of 2017 to CHF 0.1 million. Despite this, however, the net result for the year improved from CHF 16.2 million to CHF 42.3 million.

Dividend of CHF 1.80 per share proposed

The Board of Directors will recommend to the Ordinary General Meeting of 19 March 2019 that an increased dividend of CHF 1.30 per share be distributed for the 2018 business year, together with a special dividend of CHF 0.50 per share on the occasion of the 200th anniversary of the CPH Group. The Ordinary General Meeting of 14 March 2018 resolved to reduce share capital by CHF 18 million and appropriate this amount to the capital contribution reserve.

CHF bond refinanced

The CPH Group held liquid funds of CHF 89.0 million at the end of 2018, while its year-end balance sheet equity ratio stood at 50.9%. With a view to securing its external financing in the longer term, the CPH Group issued a five-year CHF 100 million 2% Swiss-franc bond in autumn 2018. The funds raised are intended to refinance the CHF 120 million 2.75% bond that is due to mature in July 2019.

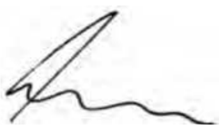
The Group invested CHF 22.3 million in tangible fixed assets in 2018. The funds were spent on further efficiency enhancements and on developing the new Rüti and Anápolis operations. The Group generated a cash flow for the year of CHF 69.0 million and a free cash flow of CHF 18.3 million.

A favourable outlook for 2019

According to International Monetary Fund projections, the global economy is likely to grow by 3.5% in 2019, slightly less than in 2018. Concerns over the impact on global commerce of the US's trade disputes and political and economic uncertainties in Europe also pose risks. In view of its current order book health, the CPH Group is confident of seeing a continuation of its favourable business performance in the first half-year. Provided prices and currency exchange rates remain stable, the Group also expects to post a slight further increase in annual net sales. Maintaining the EBIT margin at its 2018 level may, however, prove a challenge. Thanks to higher non-operating income, the net result for the year excluding extraordinary influences is likely to be broadly at its 2018 level. The Group also plans to invest another CHF 29.9 million in tangible fixed assets in 2019, to further enhance efficiency and increase production capacities.

Sincere thanks

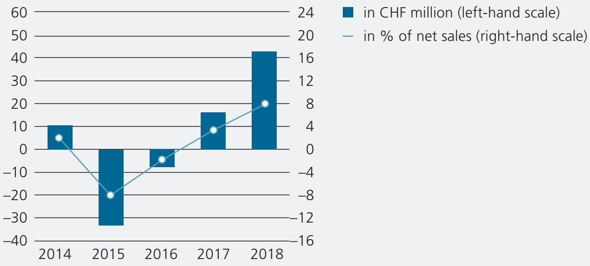
Once again, our employees delivered an exceptional performance in 2018, for which we offer them our deepest thanks. We thank our business partners, too, for their long-standing loyalty; and we thank you, our shareholders, for the confidence you continue to place in the Board of Directors, the Executive Management and all the personnel of the CPH Group.



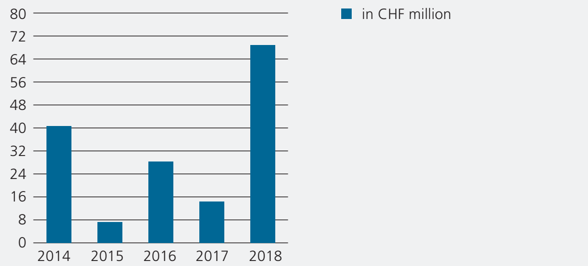
Peter Schaub
Chairman of the Board

Peter Schildknecht
Group CEO

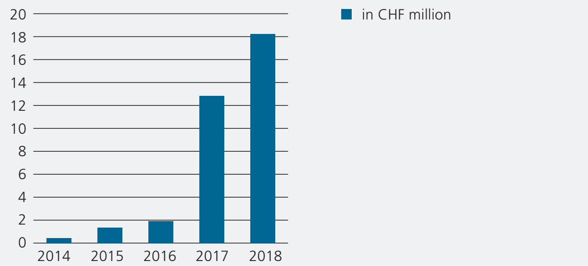
CPH Group net result trends



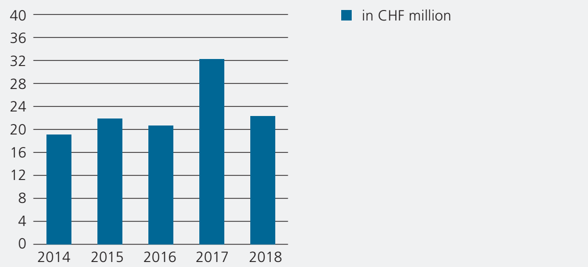
CPH Group cash flow trends



CPH Group free cash flow trends



CPH Group investments in tangible assets



J&K Scientific: distributors worldwide

J&K Scientific has been distributing Zeochem's deuterated compounds for ten years now. William Kerr, CEO of the China-based company, sees further application potential.

J&K Scientific Ltd. produces and distributes chemicals for high-tech R&D and industrial upscale production in the organic and analytical chemistry, material science and life science sectors. The company, which was founded in 1992 and is headquartered in Beijing, China, is active all over the world, and generates three quarters of its revenues in Europe and the USA. "We see the greatest growth in China, though," says CEO William Kerr. The company also maintains extensive storage facilities on three continents, to ensure that its products are swiftly and readily available.

J&K Scientific sells over 600 000 products worldwide and manufactures more than 30 000 chemicals under its own brand. To these ends, the company works with hundreds of suppliers of chemicals, instruments and further equipment that are used in laboratories, research institutes and industrial R&D centers.

The collaboration with Zeochem in the deuterated compound field extends back to 2009. "Zeochem has an impressive business strategy, sound structures and a very good reputation in our industry," William Kerr explains. "Their strict quality controls are greatly appreciated, by us and our customers – just as much as we value our fruitful and long-standing collaboration."

In addition to their current use in magnetic resonance spectroscopy and OLED displays, William Kerr sees further application potential for such deuterated products. "Tobacco, environmental, food and drug analyses and drug metabolism all require various isotope-labelled compounds," he points out. "And these are all new markets into which we can expand."

"We at J&K Scientific are pleased to be Zeochem's strategic partner, sharing resources such as global marketing and distribution, innovation and industrial technologies, quality raw materials and our Integrated Scientific & Industrial Resource Platform production facilities to ensure and accelerate our mutual business development," William Kerr concludes.

Photo: William Kerr, CEO of J&K Scientific Ltd.

1 + 2 A deuterated dimethyl sulphoxide manufacturing facility.
3 The new Swiss site in Rüti, Canton Zurich.
4 Developing deuterated compounds for new applications.

Deuterated products: a niche market with potential

The CPH Group has been manufacturing deuterated compounds for 45 years now. The operation moved to its new Rüti site in 2018. The business is expanding, too.

"For many years, the production of deuterated compounds was very much a niche business for the CPH Group, with a solid but fairly limited market in the laboratory analysis field," says Alois Waldburg-Zeil, Head of the Group's Chemistry Division. "Today, though, we are seeing new applications opening up, and with them new growth opportunities."

It was with its acquisition of the Elektrochemie Turgi company in 1973 that the CPH Group first incorporated a small range of deuterated products into its business, albeit in only laboratory-scale quantities. Following its transfer to the Uetikon site, the "Deutero" product segment evolved into a reliable provider of deuterated solvents, which were primarily used by laboratories and research institutes for analysis purposes. Deuterated compounds are used here in nuclear magnetic resonance (NMR) spectroscopy to determine molecular structures. They are made from "heavy water" or deuterium oxide (D_2O), in which the hydrogen atom in water (H_2O) is replaced with deuterium. Heavy water is extracted from regular water, in which it occurs in a tiny concentration of 0.015%.

The Chemistry Division expanded its presence in the deuterated products segment in spring 2018 with its acquisition of Armar AG, and has subsequently also enlarged its production capacities. "We now produce a wide range of deuterated solvents at our Rüti facility," confirms Adrian Geiger of Global Business Development Deutero. "And we're one of the world's three leading suppliers in the field."

In addition to their analytical use, these products have found new applications in the pharmaceuticals and the electronics fields in the past few years. These are based largely on the discovery that replacing hydrogen atoms with deuterium enhances the stability of organic compounds.

In more concrete terms, two active substances featuring deuterium compounds – one to combat Alzheimer's and one to treat schizophrenia – are currently in Phase III clinical trials. In the electronics sector, meanwhile, the focus is on using deuterated compounds in OLED screens, where they extend the working lives of the organic LEDs. OLEDs represent a new generation of self-illuminating diodes that create brilliant colours in smartphones, TV screens and displays, and that are also finding increasing use in vehicle light technology.

Chemistry moves into new Swiss site and confirms growth course

The Chemistry Division completed its repositioning by moving into its new Rüti site. Net sales for the year were raised 5.3% to CHF 79.4 million and EBIT margin increased to 7.7%.

Strategy

The Chemistry Division embarked on a fundamental repositioning in 2015. The same year saw the purchase of a China-based molecular sieve manufacturer, which both facilitated access to the Asian market and paved the way for the closure of the division's Uetikon operations. The Uetikon site was sold to Canton Zurich the following year, and the site's previous production of standard molecular sieves was transferred to the new Chinese facility. To continue the manufacture of the other Uetikon product lines of molecular sieve powders, special zeolites and chromatography gels, the division established a new production plant in Bosnia and Herzegovina, adjacent to the new operation's main supplier, in 2017. The new plant commenced operations at the end of that year, and ramped up production in the first quarter of 2018.

Switzerland remains home to the division's manufacture of deuterated products, which was expanded with the integration of Armar AG, a Swiss-based deuterated products manufacturer and distribution partner, on 1 March 2018. This product segment has been based at a site in Rüti in the Zurich Oberland, which is also home to the Chemistry Division's head office, since late summer 2018. Deuterated product manufacture began at the new location in the last quarter of the year. The production of fertilizers was ceased in summer 2017 as part of the broader closure of the Uetikon operation.

This completes the repositioning of the Chemistry Division. Its products are now manufactured at four plants in Europe, Asia and the USA, all close to their target markets. The realignment of the division and its activities has also seen a sharpening of its brand profile: since 2018, all its constituent companies have been trading under the Zeochem name. Zeochem puts its prime focus on silicate chemistry, and is the world's Number Three producer of molecular sieves for industrial applications.

Market environment

Global economic growth in 2018 was reflected in higher demand for molecular sieves, which are used in various industrial processes. The increased demand was especially strong in the energy sector, where the sieves are used to purify ethanol and natural gas. The temporary rise in oil prices prompted higher levels of investment in the energy sector, and this in turn raised the demand for such sieves, both for new facilities and to replenish existing installations.

Above-average growth was also seen in the market for lithium-based molecular sieve products, which are deployed to purify oxygen for medical and industrial use.

Business development

The Chemistry Division raised its net annual sales 5.3% to CHF 79.4 million. The acquisition and integration of the molecular sieve distribution business of Shanghai Yusheng Chemical Co. Ltd. in China and the business activities of Armar AG boosted sales results. At the same time, the division no longer benefited from the revenues of its former fertilizer business. Capacities at the US and Chinese plants were fully utilized. At the new European facilities in Zvornik and Rüti, however, production still had to be ramped up following the relocation of the plant and equipment from the Uetikon site, dampening sales growth. The division invested CHF 10.0 million in tangible fixed assets in the course of the year (compared to CHF 22.4 million in 2017), largely at the new Rüti site.

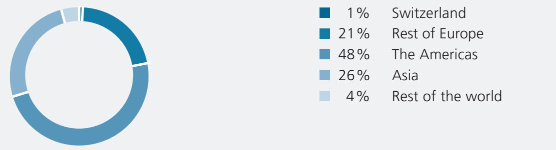
The proportion of net sales generated in the Asian focus markets was further increased to 26%. The tariffs imposed by the USA and China affected molecular sieve deliveries in both directions from the division's plants in each country, but did not have any tangible impact on earnings results. Subject to further pricing trends, the division will be considering in 2019 whether to produce standard molecular sieves for the US market at its US facility. On the cost front, the division felt the benefits of its new strategic alignment, and EBITDA was raised 47.6% to CHF 10.7 million. EBIT was increased 60.6% to CHF 6.1 million, and EBIT margin rose to 7.7%.

Year-end personnel numbers declined from 303 to 293 employees. The job eliminations resulting from the closure of the Uetikon site were not fully offset by corresponding workforce enlargements elsewhere. By the end of 2018, almost half the division's total workforce were employed in its Chinese operations.

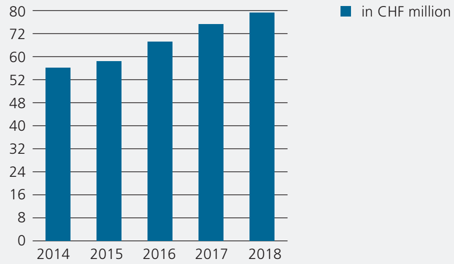
Outlook

With its new international structure fully adopted by the end of 2018, the Chemistry Division is turning its attention in 2019 to intensifying sales activities in its target markets. The division intends to continue on its current growth course, and will be investing a further CHF 5.9 million in facilities to this end. The bulk of this will be spent on the Chinese operation, where capacity expansion is planned, along with improvements to the waste water treatment arrangements. The division aims to post an EBIT margin for 2019 that is broadly in line with its prior-year level.

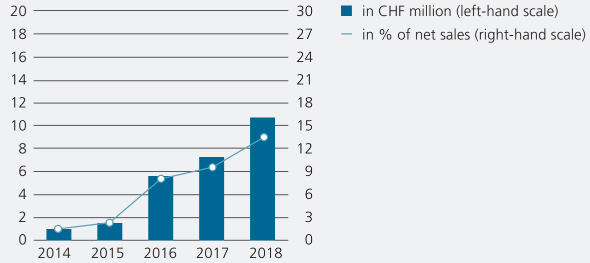
Chemistry net sales by region



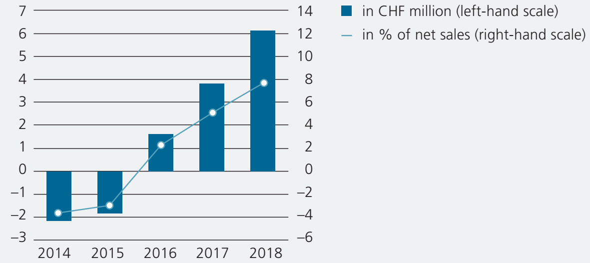
Chemistry net sales trends



Chemistry EBITDA trends



Chemistry EBIT trends



AVAG: there's value in waste

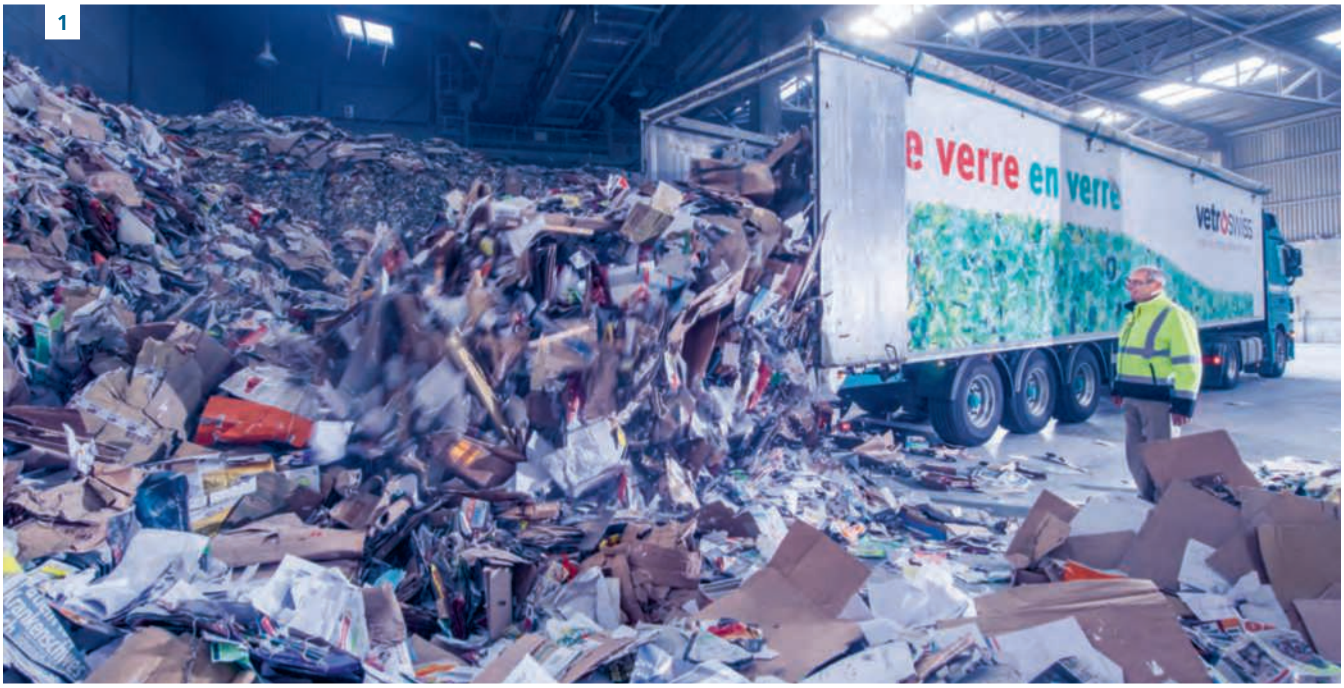
AVAG collects 12 000 tonnes of waste paper in Switzerland every year, which APS recycles. It's a collaboration that benefits people and the environment alike.

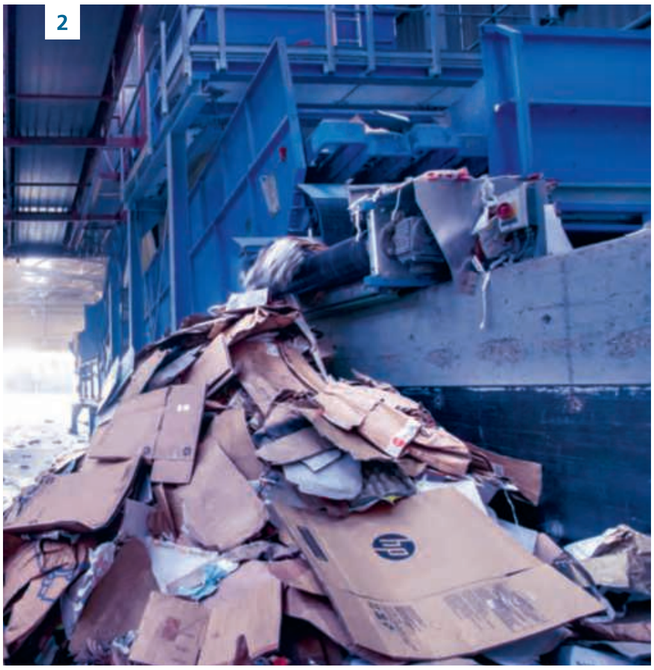
"Waste recycling is a very logistical affair," says Werner Grossen, Head of Marketing & Sales at AVAG AG of Thun in Central Switzerland. Efficient transport flows, a sophisticated collection organization with appropriate handling facilities and start-to-finish assistance and advice: that's what makes all the difference in this particular field. AVAG and its 100 or so personnel have been providing a comprehensive waste collection and disposal service for 134 municipalities in southern Canton Bern since 1973, collecting the 250 000 to 300 000 tonnes of waste that are generated by their more than 325 000 residents each year – almost a tonne per person – and ensuring that it is all properly disposed of or (if possible) recycled or reused.

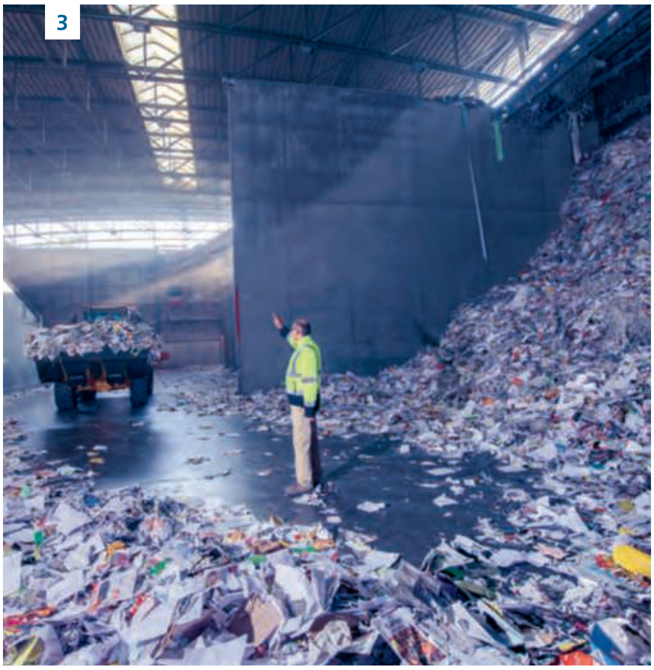
"Most municipal authorities want to have just one point of contact for all their waste disposal and recycling issues," Werner Grossen explains. The range of waste collected by AVAG extends from household items to paper and road cleaning waste, and its processing ranges from heat- and energy-generating incineration in its own facilities to recovering and recycling specific reusable materials and all the way to landfill disposal. "We also attach a lot of importance at AVAG to working with reliable long-term partners," Grossen continues. "After all, we have a duty and a commitment to the populations we serve to be as responsible as possible in our handling of these precious resources."

Some 12 000 tonnes of waste paper are recovered in AVAG's catchment area every year. "The closer nearby we can deliver these volumes for recycling, the better it is for the population and the easier it is on the environment," Grossen stresses. And by working with APS, AVAG can ensure that these recovered paper volumes are accepted and sorted in Utzenstorf, and are recycled within Switzerland at the Perlen paper factory.

Photo: Werner Grossen, Head of Marketing & Sales at AVAG AG (left), and Alain Probst, General Manager of APS Altpapier Service Schweiz AG







1 A mixed delivery of cardboard and recovered paper.
2 The cardboard is mechanically removed.
3 The sorted paper is temporarily stored.
4 APS's Utzenstorf sorting facility.

Switzerland's biggest recovered paper recycler

The collecting, sorting and processing of some 500 000 tonnes of waste paper have been entrusted to the 13 employees of APS Altpapier Service Schweiz since 2018.

Ensuring that the supplies of recovered paper which are needed to manufacture the products of CPH's Paper Division at its Perlen factory has been the responsibility of APS Altpapier Service Schweiz AG, a newly-founded subsidiary of Perlen Papier AG, since the beginning of 2018. It's quite a demand. Some 500 000 tonnes of recovered paper a year are needed to make the Perlen paper products. That's up to 1 500 tonnes every single day.

Around 80% of this waste paper is recovered in Switzerland. Procuring the volumes needed and ensuring their daily supply are a major logistical challenge: the collection of waste paper is decentralized throughout the country's communities, where it is often performed by intercommunal waste disposal associations, though these services may also be provided by public or private waste disposal companies.

"As Switzerland's biggest waste paper recycler, we work with almost a thousand recovered paper suppliers," says Alain Probst, General Manager of APS. The partnerships help ensure that the paper is recycled in Switzerland. After all, the shorter the transport journeys, the greater the ecological gain. "If we're exporting waste paper for recycling from Switzerland to Europe, or even China," says Probst, "that's a very questionable arrangement in environmental terms."

As well as procuring waste paper, handling and sorting it are among APS's further core competencies. The company maintains its own paper sorting facility in Utzenstorf which employs seven personnel and separates some 30 000 tonnes of recovered cardboard and paper a year.

"Switzerland is a land of secondary raw materials," Alain Probst explains. The country's strong recycling approach sees sizeable volumes of household and community waste efficiently reused. Waste paper has one of the highest recycling levels of all. But to ensure that as much of the volumes collected as possible can be reused in this way, APS has to ensure that the recovered paper it supplies is of high quality, and contains as little foreign matter as possible.

"Collecting paper and cardboard separately is very important here," Alain Probst explains. "If they're collected together, we tend to get more items of other household waste in the mix, which complicates the separation process." In view of this, APS recently launched a quality drive, which has already substantially reduced the amounts of foreign matter found in its waste paper volumes.

Encouraging margins thanks to broad balance between supply and demand

Higher paper prices and stable currency exchange rates helped raise net annual sales at the Paper Division 14.0% to CHF 301.1 million. Larger Swiss-sourced recovered paper volumes eased expenditure, too, and EBIT margin for the year rose to 10.0%.

Strategy

The Paper Division of the CPH Group operates in a predatory market environment. The division strives for cost leadership in its sales areas, to ensure its long-term viability. The division's Perlen production plant is now Switzerland's sole newsprint manufacturer, following the closure of the Utzenstorf paper factory at the end of 2017. But the operation faces strong competition from foreign suppliers, in its home Swiss market and in adjacent border areas. Some 79% of the paper produced at Perlen is exported to neighbouring countries, where it must compete against products from manufacturers who are based in the Eurozone and thus need not contend with the vagaries of currency movements. Perlen Papier's PM7 machine is the most advanced newsprint manufacturing facility in Mainland Europe, and has correspondingly low processing costs.

The raw material of recovered paper is the biggest variable cost in the newsprint and magazine paper manufacturing process. The closer to the production site the waste paper is collected, the lower the transport (and thus the procurement) costs. By taking over the waste paper collection and processing contracts of Papierfabrik Utzenstorf AG, the Paper Division has now equipped itself to procure a large proportion of the 500 000-odd tonnes of recovered paper that it recycles into new product each year from Swiss domestic sources. To handle these additional upstream activities within the recycling process, the division founded a new subsidiary – APS Altpapier Service Schweiz AG – on 1 January 2018. As well as collecting the waste paper involved, APS maintains its own paper and cardboard sorting facility, which handled just under 30 000 tonnes of such mixed recovered product in 2018.

Market environment

The European media world has been undergoing radical structural change for a number of years now. Digitalization has the print media market firmly in its grip, and printed newspapers are being pressured and replaced by online information platforms. The advertising industry is also increasingly migrating to online channels such as social media. As a result, the demand for newsprint and magazine paper has been steadily declining over the past few years. 2018 was no different: the demand for newsprint in Western Europe fell a further 8.2% to 4.6 million tonnes, while the demand for magazine paper declined another 4.7% to 3.8 million tonnes. Despite these trends, however, with Europe's paper manufacturers having withdrawn particularly sizeable capacities from the market in 2017 in the face of low paper prices, supply and demand were broadly well balanced in 2018, for the first time in years. This led to higher paper prices throughout the year, though more for newsprint than for magazine paper products. No substantial further production capacities were withdrawn in 2018.

On the procurement front, the price of recovered paper rose again, while energy prices increased by a double-digit percentage amount.

Business development

The Paper Division produced 543 554 tonnes of paper in 2018, up 1.3% on the prior-year volume. Of this amount, 362 102 tonnes were newsprint and 181 452 tonnes were in magazine paper form. Total sales volume for the year amounted to 540 439 tonnes, which compares to 553 660 tonnes for the previous year. With paper prices up on 2017, net sales for the year rose 14.0% to CHF 301.1 million.

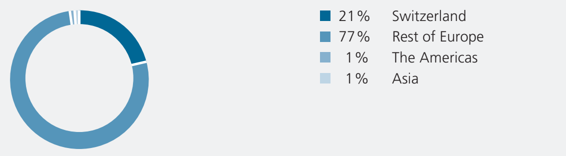
The division also took over supply contracts with previous clients of the now-closed Utzenstorf paper factory. Its shares of the Swiss market rose accordingly: from 35.9% to 55.9% for newsprint and from 27.8% to 30.1% for magazine paper. The corresponding shares for Western Europe were 6.5% for newsprint (compared to 6.2% in 2017) and 7.1% for magazine paper (versus 6.6% the previous year). Some of the Utzenstorf factory's product lines, such as its well-established Edelweiss paper, continue to be produced at the Perlen plant.

The division invested CHF 5.1 million in further improving its operating efficiency. While recovered paper prices increased, procurement costs were reduced by raising to 81% the proportion of waste paper obtained from Swiss sources. Earnings were eroded, however, by higher energy costs. The division reported an EBITDA of CHF 50.9 million for the year, a four-and-a-half-fold improvement on 2017. Annual EBIT was raised CHF 42.5 million to CHF 30.1 million, producing an EBIT margin of 10.0%. Year-end personnel numbers rose from 345 to 369 employees, following the takeover of former staff of Papierfabrik Utzenstorf AG.

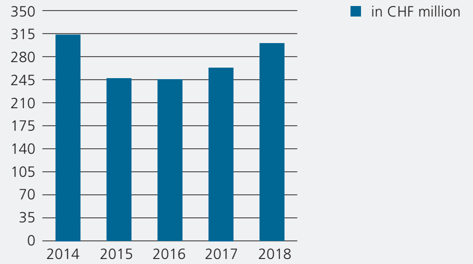
Outlook

Current industry projections suggest that the demand for wood-containing graphic printing paper in Europe will decline by a further 6–8% in 2019. Supply and demand for newsprint and magazine paper should remain balanced in the first half of the year. Second-half developments are harder to predict. The Paper Division plans to invest some CHF 14.3 million in 2019 in further enhancing its processes and plant. Provided paper prices and currencies remain stable, the division expects to report net sales for the year that are broadly at their 2018 levels. EBIT margin, however, could show a slight year-on-year decline.

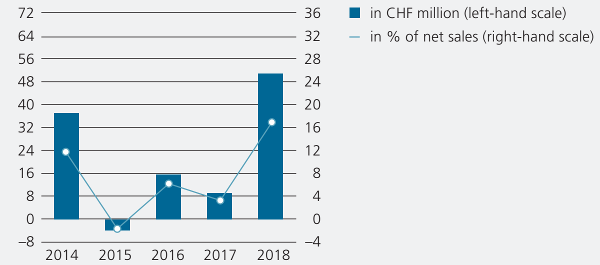
Paper net sales by region



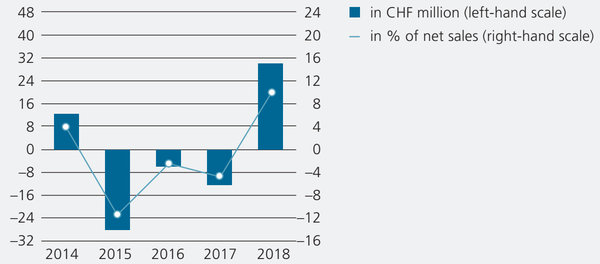
Paper net sales trends



Paper EBITDA trends



Paper EBIT trends



Teuto: generics for Brazil

Generic products dominate Brazil's pharmaceuticals market. With over 3 000 employees, Teuto is one of the country's leading pharmaceutical companies. And it's the biggest customer of Perlen Packaging's new Anápolis operation.

Brazil is the biggest country in Latin America, with a population of more than 200 million. It's also the region's most important pharmaceuticals market, with total sales of some CHF 27 billion in 2018. The demand for medicines is correspondingly high. Generic products account for only 32% of the pharmaceuticals industry's total medicine sales in Brazil. But they make up more than 70% of the market in volume terms. And the business is growing, too, at an annual rate of around 12%.

It's local companies that hold the greatest share of Brazil's generic medicines market. Laboratório Teuto Brasileiro S/A is one of the biggest, with annual turnover of some CHF 300 million. Around 300 medicines are manufactured in over 1 700 different packagings at the company's Anápolis head-office site. Some 40% of these are injection products destined for hospitals, while the remaining 60% are generic products whose active substances are largely imported from China and India. Teuto employs some 500 personnel for its packaging operations alone, working on 40 packaging lines in clean-room conditions.

To protect their active ingredients from the high local humidity, these products need packagings with high-barrier credentials. Which is, of course, a Perlen Packaging speciality. "We chose Perlen Packaging as our supplier because of the high quality of their films," confirms Albano Patrocinio, Teuto's Purchasing & Business Development Director. "The geographical proximity of our two factories is a big logistical advantage, too," he continues. "And we also put a strong emphasis at Teuto on maintaining long-term collaborations with our chosen partners."

Photo: From left: Wellington Branquinho, General Manager of Perlen Packaging Anápolis, with Claudio Antonio d'Abbadia, Industrial Manager and Carlos Roberto de Andrade, Industrial Director of Laboratório Teuto Brasileiro.


SAÍDA
EXIT
Embalagem
Identificação
TEUTO

1

2

3

1 + 2 The films are processed under clean-room conditions.
3 The facility's stocks of master rolls of PVC- and PVdC-coated films.
4 Perlen Packaging's Anápolis plant.

Perlen Packaging opens new Brazilian facility

Perlen Packaging began operations at its new production plant in Anápolis in autumn 2018. The company also plans to further expand in the Latin American market.

CPH's Packaging Division acquired a majority shareholding in the Sekoya company of Brazil at the beginning of 2018, and subsequently renamed the firm Perlen Packaging Anápolis. The division is pursuing ambitious objectives in the Latin American market. "We aim to achieve 20% growth in Brazil in 2019," declares Wellington Branquinho, the founder of Sekoya and now General Manager of Perlen Packaging Anápolis.

The company has laid the foundations for such further expansion by swiftly building a new production plant. The new manufacturing facility in Anápolis in the state of Gojás commenced operations in November 2018. Gojás is only a few hours by road from Brazil's capital Brasilia, and is the country's second-biggest pharmaceuticals cluster after the São Paulo region.

The new facility's 2 700-square-metre main production hall incorporates a clean room in which films are finished for local needs on three cutting machines in a three-shift operation. For the medium-term future the facility offers the further option of adding a coating plant, to serve the entire Latin American market from this single site.

"We currently have a cutting capacity of up to 3 000 tonnes a year," says Wellington Branquinho. "And we produce the whole range of finished films for blister packs, though with a prime emphasis on coated films with high-barrier credentials." The master rolls available in Anápolis cover all the usual barrier film specifications, since adequate stocks are essential to ensuring a flexible response to customers' wishes and needs.

The plant's customers include local pharmaceuticals producers such as Teuto and Europharma, along with the Brazilian subsidiaries of international pharmaceuticals concerns such as Merck, Novartis and Böhringer.

Packaging continues international expansion and sizeably raises earnings

The Packaging Division achieved further tangible revenue growth, raising its net annual sales 17.5% to CHF 153.0 million. EBIT was improved by an even more substantial 61.2% to CHF 15.4 million for an EBIT margin of 10.1%.

Strategy

The CPH Group's Packaging Division is the only film manufacturer in the world that is dedicated solely to serving the pharmaceuticals sector. Perlen Packaging offers the full range of PVC monofilms and coated PVdC films that are used in blister packs to protect their contents' active substances from outside influences and conditions. In many such applications the plastic films are sealed against aluminium films to produce the familiar push-through packaging. Perlen Packaging is one of the three biggest suppliers of this market worldwide, and plays a particularly prominent role in the high-barrier-film segment.

The pharmaceuticals industry is a global affair, and the same global reach is expected of its suppliers. Perlen Packaging has expanded its international presence over the past few years, and now manufactures its products on multiple continents. Its German plant produces PVC monofilms, while its facilities in Switzerland and China manufacture coated barrier films. These production plants are supplemented by cutting facilities and logistics centres in North and (since 2018) South America. The production requirements of the pharmaceuticals industry are among the most stringent in the world in hygiene and quality terms, and also entail complex authorization and certification procedures. The Packaging Division's production plant in China earned its first certifications to distribute its products in the Chinese market in 2018, having previously limited its business activities to the rest of the Asian market. The Suzhou plant also saw more work orders transferred to it from Europe in the course of 2018, along with the further enlargement of its local workforce.

The populations, the standards of living and – as a result – the demand for medicinal products all show above-average growth rates in the so-called "pharmerging" markets. Perlen Packaging seeks to participate fully in these developments in the coming years. As well as pursuing its geographical expansion, the division aims to enlarge the range of its applications to secure further business growth. To these ends, it will be supplementing its current packaging products for liquid and solid substances with the barrier film-based BLISTair single-use inhaler, its first product for use with agents in powder form. The BLIST-air has already won seven innovation prizes, including the industry's most high-profile distinction, the World Packaging Award. The first sample BLISTair products have also been created in collaboration with a manufacturer of packaging machines. Given the usual approval procedures, however, it will still be some years before the first applications here come to market.

Market environment

Healthcare is a growing market worldwide: healthcare costs rose by an estimated 5% in 2018 alone. The higher demand for medicinal products is a major factor here. The year also brought a corresponding increase in the demand for blister packagings, though with regional variations: the 4% estimated growth in Europe was at the lower end of the scale, while the roughly 8% growth in Asia was at the higher end thereof.

Business development

In volume terms, the Packaging Division sold 8.8% more films in 2018 than it had the previous year. To handle these additional volumes, the division invested CHF 8 million in raising its cutting capacities, in IT, in new control systems and in its waste water treatment. The division also added further shifts to its production operations, and increased the utilization at its Chinese plant. The expansions of its production activities also prompted an increase in personnel numbers, from 363 at the end of 2017 to 413 employees. Higher raw materials costs could be largely passed on to customers. And this, together with a greater proportion of high barrier film sales, led net sales for the year to rise 17.5% to CHF 153.0 million.

The new Brazilian operation further expands the division's position in the pharmerging markets. The share of net sales generated outside Europe rose from the previous year's 32% to 35%. Perlen Packaging achieved a 28% share of the European market for its products: for its further markets, no reliable figures are available.

The division achieved record new highs in its operating results. EBITDA for the year was raised 39.1% to CHF 21.6 million, while EBIT increased 61.2% to CHF 15.4 million to produce a double-digit EBIT margin. The results keep the division well on track in terms of its long-term business objectives.

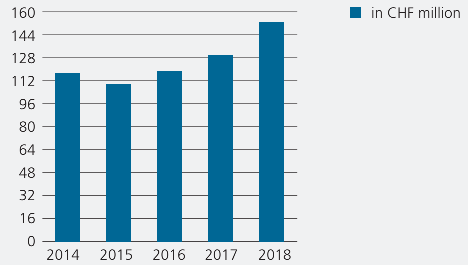
Outlook

While the growth in demand in the division's target markets weakened slightly in the second half of 2018 from its first-semester levels, the prospects remain strong for the healthcare sector. Current industry estimates for 2019 predict further average global growth in demand for pharmaceutical packagings of some 6.5%. The Packaging Division plans further investments in 2019 in automating the laminating and finishing processes at its European plants to further raise productivity. The cutting capacities should also be increased at the Chinese factory. All in all, investments of CHF 9.7 million are planned for the year in the division's production facilities.

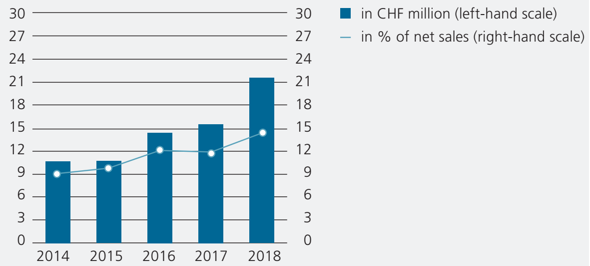
The Packaging Division intends to grow more strongly than its markets. It also aims to substantially increase its shares of the Asian and Latin American pharmaceutical films markets. For 2019 the division expects to report further net sales growth and an EBIT result which is broadly in line with that of the previous year.

Packaging net sales by region

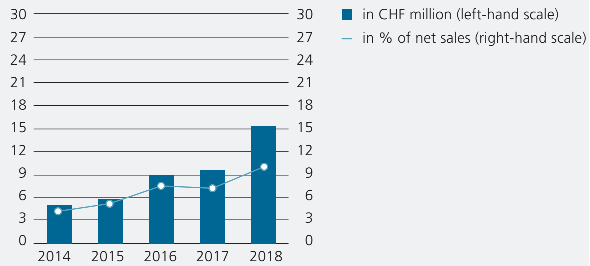
Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends



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 56, and in particular to the additional corporate governance information in the annex to the consolidated financial statements from Page 85. This section is based on the Organizational Regulations of CPH Chemie + Papier Holding AG, which are available for download on the www.cph.ch website under "Documentation" in the "Investors" section.

Capital and group structure

Capital structure

For further details of the capital structure, please see the additional corporate governance information on Page 85.

Shareholder structure (in %)	31.12.2018	31.12.2017
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	31.0	30.6
Shares currently not listed in the Share Register	5.2	5.6
Total shareholders	923	824

Management structure as of 31 December 2018

Board of Directors	
Committees	
Group Executive Management	
CEO	Peter Schildknecht
CFO	Richard Unterhuber
Chemistry Division	Alois Waldburg-Zeil
Paper Division	Klemens Gottstein
Packaging Division	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 90.

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 2018. 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 2018

	Board member since	Board function	Finance & Auditing Committee	Personnel & Compensation Committee
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 their 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 auditors 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 and conducted one telephone conference in 2018.

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 Board's compensation
- 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 personnel and compensation policies 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 2018.

The Board of Directors met seven times in 2018: for three half-day meetings, three full-day meetings and a two-day strategy meeting. One of these meetings was held at the Group's Müllheim (Germany) operating site. The Board of Directors also toured the Group's new Utzenstorf and Rüti sites in Switzerland following Board meetings, and further undertook a one-and-a-half-day trip to visit the new Zvornik facility.

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. The meeting is also attended by the full Group Executive Management and – for specific topics – 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 88.

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 Pages 46 and 47.

Shareholders' rights and change of control

Shareholders' rights and change-of-control clauses will be found in the additional corporate governance information on Page 86.

External auditor

Statutory and group auditor

PricewaterhouseCoopers AG, Zurich
First elected: 1971
Current term: the 2018 financial year

Auditor-in-charge

Thomas Illi (since 2016)

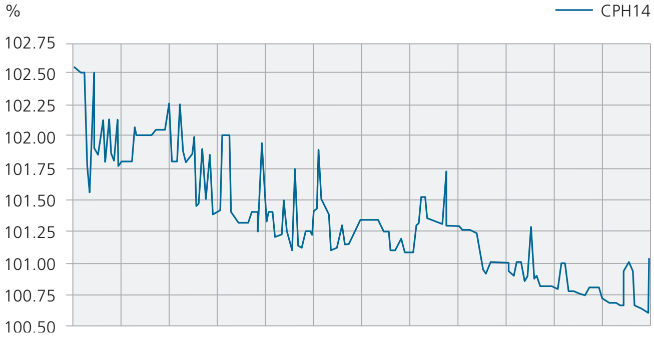
The remuneration paid to the external auditor is shown on Page 87. The Board of Directors' Finance & Auditing Committee examines the reports of the external auditor and assesses its work. The Committee then reports on this to the full Board. All the meetings of the Finance & Auditing Committee in 2018 were also attended by representatives of the external auditor.

Information for shareholders and bondholders

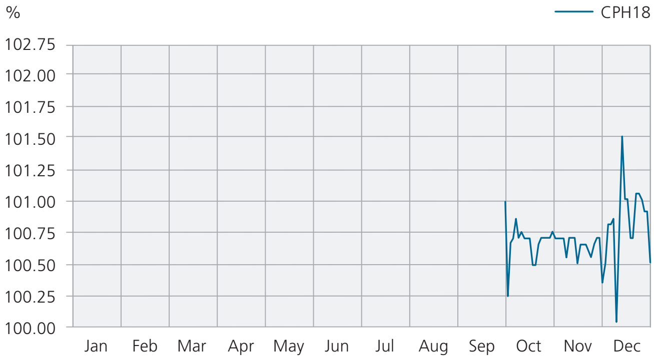
Bond price trends

CPH issued a five-year CHF 100 million bond with a coupon of 2.00% in October 2018. This is intended to refinance the existing 2.75% bond, which matures in 2019. Both bonds are listed on the SIX Swiss Exchange. The 2014–2019 bond closed the 2018 business year on 28 December at 101.03, compared to 102.55 at the end of 2017. The 2018–2023 bond closed the year at 100.10.

The CPH 14–19 CHF corporate bond



The CPH 18–23 CHF corporate bond



Bond information	CPH 18–23	CPH 14–19
Issued by	CPH Chemie + Papier Holding AG	CPH Chemie + Papier Holding AG
Listed on	SIX Swiss Exchange	SIX Swiss Exchange
Securities number	43 467 836	24 761 122
ISIN	CH0434678360	CH0247611228
SIX symbol	CPH18	CPH14
Trading currency	CHF	CHF
Nominal volume	CHF 100 million	CHF 120 million
Issue price	100.00	100.00
Coupon	2.00%	2.75%
Denomination	CHF 5 000	CHF 5 000
Annual coupon payment	12 October	10 July
Issue date	12 October 2018	10 July 2014
Maturity	12 October 2023	10 July 2019
Redeemable	No	No
Credit rating by rating agency	None	None

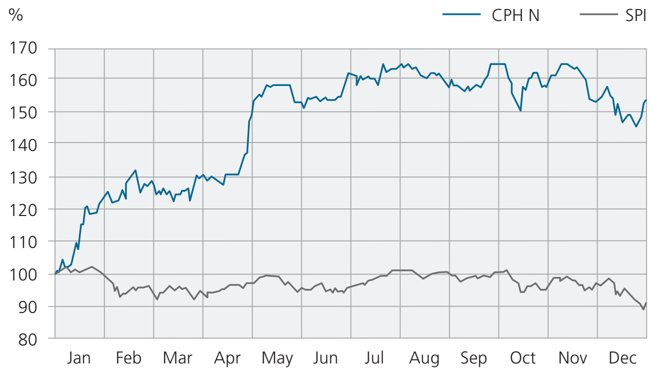
Share price trends

The CPH share, which is listed on the SIX Swiss Exchange, closed at CHF 82.50 on 28 December 2018, a 54.1% increase on its closing price at the end of 2017. This was well above the performance of the market as a whole: the Swiss Performance Index (SPI) declined 8.8% over the same period.

Share information

Listed on	SIX Swiss Exchange
Securities number	162 471
ISIN	CH0001624714
Reuters symbol	CPH.S
SIX symbol	CPHN

The CPH share price (compared to the Swiss Performance Index)



Per-share statistics [1]	2018	2017	2016	2015	2014
Share price on 31 December in CHF	82.50	53.55	40.00	31.40	56.45
High in CHF	89.00	57.30	42.20	59.90	63.80
Low in CHF	54.00	39.00	29.80	30.00	55.95
Nominal value per share in CHF	2.00	5.00	5.00	5.00	5.00
Key figures per share [2]					
Equity per share in CHF	67.87	66.06	63.49	67.12	73.67
Price-to-book ratio on 31 December	1.22	0.81	0.63	0.47	0.77
Net result per share in CHF	7.05	2.66	–1.32	–5.52	1.75
Price/earnings ratio on 31 December	11.70	20.10	n.a.	n.a.	32.25
Cash flow per share in CHF	11.50	2.41	4.71	1.20	6.80
Free cash flow per share in CHF	3.05	2.14	0.32	0.23	0.07
Dividend per share (2018: recommendation) in CHF	1.80	0.65	0.65	0.60	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	12	30	30	30	30
Market capitalization in CHF million	495	321	240	188	339

[1] All information restated in view of the 1:20 share split of 10 April 2015
[2] Based on consolidated financial statements; excluding minorities

Investor relations agenda

26 February 2019	Publication of the 2018 Annual Report; media conference and investors' meeting
19 March 2019	Ordinary General Meeting
19 July 2019	2019 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 2018

Peter Schaub

Chairman

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

Current positions

Partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich; Chairman of the Board of Directors of Scobag Privatbank AG, Basel; 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 boards of directors of various further unlisted companies; trustee of various foundations.

Former 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, was first elected in 1994 and has been Deputy Chairman since 2015.

Current positions

Majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon; Chairman of the Advisory Board of Single Holding GmbH, Hochdorf (Germany); Member of the Board of Directors of Bachofen AG, Uster.

Former 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., was first elected in 2005 and has been chair of the Personnel & Compensation Committee since 2010.

Current positions

Chairman of the Board of Directors of The PME & Co, Luxembourg.

Former positions

Chairman of the Board of Directors of Pharmalp SA; Vice President Organizational Excellence & Project Management Europe, Sano-Aventis, Paris; Vice President Central & Southern Europe, Sano-Aventis, Paris.

Kaspar W. Kelterborn

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

Former 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, was 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.

Former 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, was 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.

Former positions

CEO of Wipf AG, Volketswil; Executive Management of Seetal Schaller AG, Brugg.

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

Group Executive Management

AS OF 31 DECEMBER 2018

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 and Deputy Chairman of the Board of the Central Switzerland Chamber of Industry & Commerce (IHZ), Lucerne.

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

Group 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 has been CFO of the CPH Group since 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 in 2012 to head its Paper Division.

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 went on 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, Richard Unterhuber, Klemens Gottstein, Alois Waldburg-Zeil and Peter Schildknecht.

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 2018.

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 2018.

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 2018 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 2018 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. A further benchmark reappraisal of the remunerations concerned is planned for 2019.

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 "VegüV" 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 2015 Ordinary General Meeting.

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 are set as the financial results targets. 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 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 with recommendations on the individual bonuses to be paid. The final decision on such bonuses is then taken by the Board in toto, 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.

With effect from the 2015 Ordinary General Meeting, and in accordance with Switzerland's "VegüV" 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 fixed and variable remuneration payable to Group Executive Management are approved by each Ordinary General Meeting for the following 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 business 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 2018 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

2018 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	1994	Chairman	Member	Personnel issues only	319	0	20	339
Tim Talaat	1994	Deputy Chairman		Member	91	8	6	105
Mauro Gabella	2005	Member		Chair	92	23	7	122
Kaspar W. Kelterborn	2015	Member	Chair		92	23	7	122
Manuel Werder	2015	Member	Member		91	8	6	105
Christian Wipf	2008	Member		Member	91	8	6	105
Total					**776**	**70**	**52**	**898**

A maximum aggregate remuneration of CHF 930 000 was set for the period between the 2018 and 2019 Ordinary General Meetings by the 2018 Meeting.

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	1994	Chairman	Member	Personnel issues only	315	0	20	335
Tim Talaat	1994	Deputy Chairman		Member	87	8	6	101
Mauro Gabella	2005	Member		Chair	88	23	7	118
Kaspar W. Kelterborn	2015	Member	Chair		88	23	7	118
Manuel Werder	2015	Member	Member		87	8	6	101
Christian Wipf	2008	Member		Member	87	8	6	101
Total					**752**	**70**	**52**	**874**

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

2018 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	425	160	4	1 089
Further GEM members combined		1 150	450	299	18	1 917
Total		**1 650**	**875**	**459**	**22**	**3 006**

A maximum aggregate remuneration of CHF 3 350 000 was set for the 2018 business year by the 2017 Ordinary General Meeting.

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	383	182	4	1 069
Further GEM members combined		1 140	334	308	16	1 798
Total		**1 640**	**717**	**490**	**20**	**2 867**

Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2018 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2017 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2017 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 2017. 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.

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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 for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in chapter 2 on pages 45 to 47 of the remuneration report.

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 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Illi Audit expert Auditor in charge	Josef Stadelmann Audit expert

Zürich, 14 February 2019

Sustainability Report

Long-term value creation at the CPH Group is predicated on ensuring that its business activities are sustainable in economic, social and environmental terms. Recycling is deeply embedded in the Group's DNA.

Sustainability anchored in corporate strategy

Sustainable value creation has been instrumental to the business success of the CPH Group over the past 200 years. The approach is firmly anchored in the Group's corporate strategy. CPH pays due and full regard to the needs of its business partners, its employees and the natural environment by assuming full and constant responsibility for all its business conduct in economic, social and ecological terms.

Economic sustainability is the foundation of the Group's industrial activities, where continued long-term development has always been centre-stage. CPH creates added value for its customers by providing high-quality products and services. Its employees ensure that the Group remains strongly innovative and effectively competitive in its target markets. Their safety, health and continued training are all top priorities. Avoiding and reducing emissions, waste water and other waste has been integrated into the planning of all three business divisions for many years now. And responsibility for ecological and quality issues is assigned to specially trained employees who report directly to top management.

Recycling is in the Group's DNA

The Paper Division, the biggest of the Group's three divisions, is a recycling business that helps greatly to ensure the careful use of valuable wood resources by recovering wood-containing waste paper and turning it into new printing and publication paper products. The division took over the waste paper recovery and reprocessing activities of Papierfabrik Utzenstorf AG at the beginning of 2018, and is now Switzerland's biggest waste paper recycler. APS Altpapier Service Schweiz AG, the new subsidiary founded for these purposes, channels several hundred thousand tonnes of waste paper that is recovered in Switzerland each year into these new uses. In doing so, it ensures that the CPH Group makes a major contribution to avoiding high transport costs and reducing carbon dioxide emissions. The Group has been setting its own goals for cutting its carbon emissions that go beyond those required by law for many years now. And thanks to various actions, such as replacing coal power with natural gas in China and procuring the steam needed in its Perlen paper production from the nearby Renergia waste incineration facility, the CPH Group has reduced the annual CO_2 emissions at its eight production sites worldwide from 80 850 tonnes to 16 493 tonnes over the past five years.

The CPH Group also takes its responsibility towards its employees very seriously. The first company health insurance scheme was established for workers at its Uetikon site as early as the 1860s. And 2018 marked the centenary of the foundation of the Group's occupational pension scheme for Swiss-based personnel. With the closure of its Uetikon site, too, the Group strove to find optimum solutions in social and economic terms for the 85 staff affected. Almost all these personnel had been found a suitable alternative by the time the site was handed over to its new owner Canton Zurich in summer 2018.

The CPH Group is further living up to its responsibilities in terms of the clean-up required of the Uetikon site following its many years of industrial use. The Group is meeting 80% of the costs of cleaning up the lake floor adjacent to the site. The corresponding provisions for this were made back in the 2016 financial year.

Economic sustainability

The CPH Group has diversified its industrial activities into different business segments. This is intended to better cushion the Group against fluctuations in its sales markets, some of which are volatile and cyclical by nature. The Group strives to create long-term value for its stakeholders by offering products that are tailored to its markets and their needs, along with interesting work opportunities and attractive shareholder returns. The Group has set itself the following medium-term financial targets:

- organic net sales growth of more than 3% a year
- an EBITDA margin of over 10%
- an equity ratio above 50%
- liquidity of at least CHF 30–50 million
- annual operating investments of CHF 15–20 million.

Social sustainability

The CPH Group makes every effort to secure the best employees and to promote, support and further train them as effectively as possible in their working world. An open communications culture, a management and leadership that put CPH's values into practice and a safe, healthy and varied work environment are all intended to encourage and further its employees commitment to their work and their identification with the Group, their company and their individual role. The CPH Group also attaches great importance to ensuring a sound work/life balance. At its German site, for instance, the Group offers part-time working models to make the transition to retirement a smoother and more flexible experience.

Three quarters of the workforce participated in a survey in autumn 2016 on the issues of workplace, professional development, leadership, communications, innovation, customers, strategy and involvement. A number of actions were adopted in the light of the results, the benefits of which should be seen in the next such survey, which is planned for 2019. The survey is conducted every three years on a groupwide scale. Staff turnover amounted to 8.3% in 2018, which was below the 8.8% of the previous year. CPH numbers many long-serving employees: some 21% of the 2018 workforce had been with the Group for 20 years or more. Service anniversaries are duly marked with awards ranging from small gifts to parties, depending on local customs. Many former employees also remain close to CPH, and meet up annually at retiree events which are organized by the Group.

Year-end total personnel numbers rose from 1 019 to 1 081. The increase was due largely to the expansion of the Packaging workforce, which passed the 400 mark for the first time. The majority of the Group's employees – 66% – are involved in production. Around half the total workforce are based in Switzerland (see charts). The CPH workforce is also highly diverse, employing individuals of 32 nationalities. Women made up 17.3% of the total 2018 workforce. The Group's US operations offer special communications training courses for female employees; and training is also regularly conducted on the issues of harassment and diversity.

Salary policy

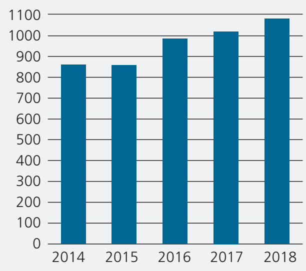
CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance, via bonus payments or (with management positions) via a variable salary component that is linked to the achievement of individually set performance goals and to divisional results. The Group made individual salary adjustments in 2018. The total cost of salaries, occupational pension scheme payments and basic and further training amounted to CHF 92.4 million. All employees at the Perlen and Utzenstorf sites 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). Elsewhere, personnel worked under individual employment contracts.

Initial and further training

Switzerland and Germany maintain a "dual" education system that combines company apprentice placements with attendance at vocational schools. The system is a key element in both countries' economies and business sectors, providing the skilled professionals needed to maintain their competitive credentials in the longer term. Through its own vocational training activities at its Swiss and German sites the CPH Group not only lives up to its social responsibility: the employees it trains play their full part, too, in achieving its business goals.

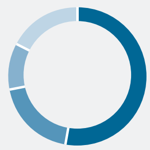
A total of 37 apprentices and interns were on the CPH Group payroll at the end of 2018. Thirteen apprentices completed their courses during the year, eight of whom could be given permanent positions. The Group's apprentices meet each year at the Apprentices Day, a group-level further training event. Two young asylum seekers were also inte-

Total workforce numbers



As of 31 December 2018

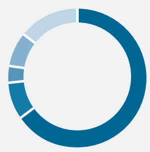
Workforce numbers by region



53%	Switzerland	572
19%	Rest of Europe	208
11%	The Americas	115
17%	Asia	186

As of 31 December 2018

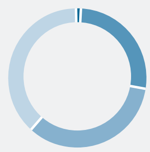
Workforce numbers by function



65%	Production	708
9%	Logistics	93
4%	R&D	41
8%	Marketing & sales	87
14%	Finance, procurement, HR, QM	152

As of 31 December 2018

Workforce numbers by division



1%	CPH Holding	6
27%	Chemistry	293
34%	Paper	369
38%	Packaging	413

As of 31 December 2018

grated into the work process at the Perlen site. After completing an internship, they embarked (or are about to embark) on training as plant operators. Two members of the Group's German workforce are currently completing a dual-education course in business administration at the Baden-Württemberg Cooperative State University under which the students spent alternating three-month periods at the university and at the company. Every CPH Group employee spent an average of 2.5 days on in-house or external training in 2018. The employees at the Group's Donghai (China) site, for instance, were thoroughly prepared for the coming switch to a three-shift operation. The Group spent a total of CHF 1.2 million on initial and further training for its employees in the course of the year.

Continuous improvement

Winning new customers and securing their long-term custom are among the core aspirations of the CPH Group's sales and distribution strategy. The Group's divisions maintain a constant dialogue with their customers to systematically monitor their satisfaction and identify possible improvements. The divisions also conduct customer satisfaction surveys every two to three years which address such areas as service quality, technical support, product quality, product range, delivery times, reliability, complaints management and pricing. The Group's Continuous Improvement Process (CIP) is a further key element in its ongoing endeavours to ensure its future development and further raise quality and efficiency, and CIP training is conducted every year in all three divisions. The 582 CIP ideas and 99 group CIP moderations of 2018 produced a number of proposals to help enhance efficiency, improve safety and ease environmental impact. All in all, these proposals delivered an annual benefit of some CHF 1.0 million.

The proposals included:

- In Chemistry: feeding the raw materials that fall out of the drums during molecular sieve manufacture back into the production process not by collecting them manually in barrels but by channelling them via a chute into a self-emptying container. Savings potential: around CHF 66 000 a year.
- In Paper: requantifying the amounts of starch used to fix the coating in the manufacture of coated paper products while still retaining the previous finish quality. Cost savings: around CHF 100 000 a year.
- In Packaging: creating a clean room for the finishing process, thereby increasing air exchange rates and lowering particle volumes, which has halved the number of times the rolling machines need to be cleaned and thus extended their running times. Annual savings: around CHF 46 000.

Occupational safety

CPH conducts regular training to help identify dangers and prevent accidents at all its operating sites. Any incidents or accidents that do

Total employees

1081

(Prior year: 1019)

Apprenticeships completed

13

(Prior year: 14)

Staff turnover

8.3%

(Prior year: 8.8%)

Sickness-related absence rate

2.0%

(Prior year: 2.0%)

Occupational accident-related absence rate

0.2%

(Prior year: 0.2%)

CO_2 emissions (tonnes)

16 493

(Prior year: 16 554)

Energy consumption (terajoules)

4 904

(Prior year: 4 629)

Waste water (million m³)

6.7

(Prior year: 7.5)

Waste paper from Swiss sources

81%

(Prior year: 54%)

PVdC utilization rate

99%

(Prior year: 98%)

occur are systematically analyzed to help prevent their recurrence. The 3.3 occupational accidents per one hundred employees in 2018 (which compares to 2.1 for the previous year) remained low for a manufacturing concern. The year saw one fire in a paper store, which caused limited damage and no personal injuries. One outside individual was seriously injured, however, in an accident that occurred during maintenance work. The occupational accident-related absence rate for 2018 amounted to 0.2%, unchanged from the previous year.

Healthcare

The Group's various operations offer numerous healthcare facilities, such as free flu vaccinations and annual health check-ups. Many of them also contribute to employees' fitness centre subscriptions. The site in Germany further teamed up with a number of other companies to conduct a health and safety afternoon to sensitize personnel to such issues. The sickness-related absence rate for the year was low again at 2.0%, unchanged from 2017.

Social involvement

Numerous employees of the CPH Group are involved in activities for the communal good both in and outside their companies. Some serve as company paramedics or company fire officers, while others take part in charity projects in their leisure time. Employees in the USA, for instance, participated in a charity run in the course of the year. Other group operations supported communal projects at the local level, such as in the integration of asylum seekers as mentioned above.

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 in the Paper Division, which has recovered paper as its key raw material. Perlen Papier recycled 468 137 tonnes of recovered paper in its operations in 2018, slightly more than the 463 990 tonnes of the previous year. Some 82% of this recovered paper was collected in Switzerland, with the rest coming from abroad. Around 10% of the paper was delivered to Perlen by rail (compared with 15% in the prior-year period). Perlen Papier also turned 109 263 bone-dry tonnes of round wood and woodchip into wood fibre in 2018 (2017: 109 579 bone-dry tonnes). CPH strives to minimize the transport distances involved: all of the round wood and 80% of the woodchip used come from Swiss sources. This latter figure should be further raised if possible. 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. Wherever possible, waste and scrap material from the various manufacturing steps are fed back into the production process as secondary raw materials. The raw material utilization rate for 2018 was 97% for PVC (compared to 98% in 2017) and 99% for PVdC (compared to 98% the previous year). Perlen Packaging is also actively involved in the VINYLPlus programme, which promotes PVC recycling.

Energy

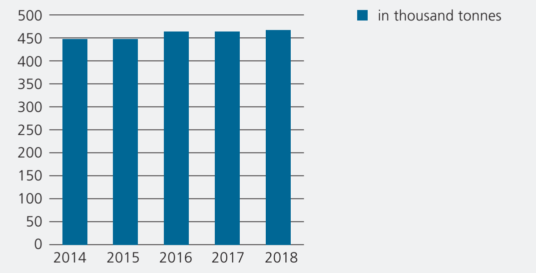
Over 90% of the energy used by the CPH Group in 2018 was for its paper production. Electricity is the Group's main energy source, and its consumption increased groupwide from 2 426 to 2 648 terajoules (TJ). The second most important energy provider was steam at 1 116 TJ (2017: 1 078 TJ). This was procured for paper production in Perlen from the nearby Renergia waste incinerator facility. Group gas consumption declined slightly from 355 to 344 TJ. For environmental reasons, the use of coal as an energy source in Donghai was reduced from 22 TJ to zero, with natural gas and pellets serving as the replacement energy sources. The CPH Group's overall energy consumption for 2018 totalled 4 904 TJ, up 276 TJ or 5.6% from its prior-year level.

Emissions, waste water and solid waste

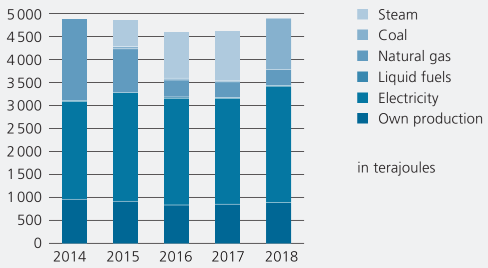
The CPH Group sets its own goals to reduce its emissions which are more rigorous than those required by law. As a result, its Perlen facility was exempt in 2018 from any carbon dioxide (CO_2) levy. The Perlen plant emits around 10% of the maximum CO_2 legally permitted. Total CO_2 emissions from CPH's sites amounted to 16 493 tonnes, down from the 16 554 tonnes of 2017. Of these, 9 435 tonnes derived from paper production and 5 441 tonnes from the Chemistry Division. The operation in Germany has been consistently using green electricity since 2018 in line with ISO 14001 environmental management standards. The sales of carbon credits generated an income of CHF 0.9 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 primarily on the scenario of fire. The Perlen site has its own fire service, which can be deployed if needed. The waste water produced by the Group's Perlen, Louisville and Donghai plants is processed in their own treatment facilities. An expansion of these is planned at the Donghai plant, in view of the sizeable recent increases in the plant's production volumes. Total groupwide waste water volume for the year amounted to 6.67 million cubic metres, a decline from the 7.46 million cubic metres of 2017. The solid waste produced by the Group's production activities primarily consists of sludge and ash, which, thanks to excellent dewatering processes, can be re-used in brickworks and in the cement industry. The solid waste generated in the production of molecular sieves consists of silicate-aluminium-clay compounds, and is of natural origin. As a result, it can be freely reburied. With the solid waste produced in paper and film production, the biomass is used to produce heat and electricity in the Group's own Perlen facility.

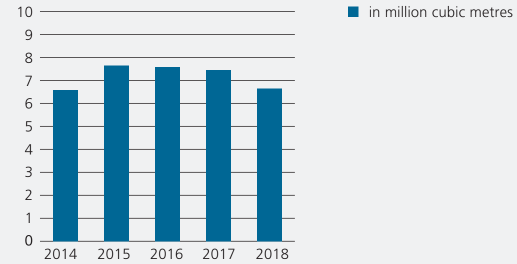
Waste paper consumption



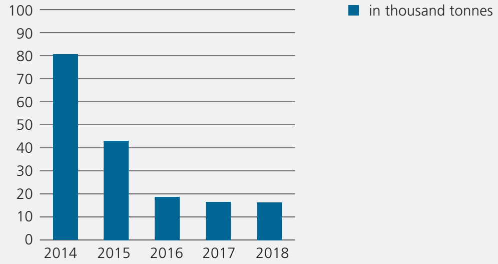
Energy consumption



Waste water produced



CO_2 emissions



Brand policy

The CPH Group pursues a clear brand policy. At the company level the Group maintains five brands, which are aimed at differing markets and target groups. CPH Chemie + Papier Holding AG ("CPH"), the Group's holding company, is not operationally active, but serves as the industrial conglomerate's umbrella brand towards its stakeholders.

The Group's three divisions operate under their corporate brands of "Zeochem", "Perlen Papier" and "Perlen Packaging". These were supplemented in 2018 with the addition of "APS Altpapier Schweiz" as a further corporate brand of the Paper Division. APS Altpapier Schweiz was adopted as a separate brand because the company operates independently in the waste paper procurement segment.

The corporate brands enjoy outstanding acceptance and high familiarity in their target markets. They are bywords for both tradition and innovation. Perlen Papier has been operating since 1873. Perlen Packaging originally emerged from the Paper Division at the same Perlen location, and has only been trading under its own Perlen Packaging brand for some ten years now. The Zeochem brand has been used since 1979, and originated at the Chemistry Division's US operation. To further sharpen the profiles of the Group's corporate brands in their various markets, the names of all the subsidiaries in the Chemistry and Packaging Divisions were standardized in 2018 to Zeochem and Perlen Packaging respectively.

The Group's various constituent companies maintain a product brand architecture that uses the same standard prefix to identify and assign products within each division. Thus, all Zeochem products begin with Zeo- (such as Zeoprep), all Perlen Papier products begin with Perlen- (such as Perlentop) and all Perlen Packaging products begin with Perla- (such as Perlalux). These product names are also registered as trademarks wherever possible, to protect them from counterfeiting activities.

Quality

Consistently high quality is a hallmark of all the products of the CPH Group. This makes stringent demands on its processes, which are audited to international standards (see table below). Production sites are subjected to regular audits by customers and by independent certification bodies.

The Packaging Division aligns its film manufacturing to the pharmaceuticals sector's Good Manufacturing Practice (GMP) standards. 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				
	Rüti	Louisville	Donghai	Zvornik	Perlen	Utzenstorf	Perlen	Müllheim	Whippany	Suzhou	Anápolis
ISO 9001	•	•	•	•	•	•	•	•	•	•	
ISO 14001 (environmental)					•						
ISO 15378 (GMP)							•	•		•	
ISO 50001 (energy)								•			
ISO 45001 (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	2018	2017
Net sales	1	**533 543**	**469 767**
Changes to semi-finished and finished inventories		6 991	–12 204
Other operating income	2	6 549	5 041
Goods and services on own account		291	615
Total income		**547 374**	**463 219**
Cost of materials		269 819	247 891
Energy costs		55 283	54 216
Personnel cost	3	92 337	84 471
Outsourced maintenance/repairs		18 833	16 507
Other operating expense	4	27 981	26 373
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**83 121**	**33 761**
Depreciation on tangible fixed assets	17	30 396	30 141
Depreciation on intangible assets	16	1 092	719
Earnings before interest and taxes (EBIT)		**51 633**	**2 901**
Financial income	6	710	1 619
Financial expense	7	6 686	8 223
Financial result		**–5 976**	**–6 604**
Earnings before taxes and non-operating/extraordinary items		**45 657**	**–3 703**
Non-operating result	8	60	22 840
Extraordinary result	9	0	0
Earnings before taxes		**45 717**	**19 137**
Income taxes	10	3 437	2 950
Net result for the year		**42 280**	**16 187**
– attributable to shareholder of CPH Chemie + Papier Holding AG		42 293	15 983
– attributable to minorities		–13	204

in CHF	Note	2018	2017
Net result after minorities per share	33	**7.05**	**2.66**
Diluted net result per share	33	**7.05**	**2.66**

Consolidated balance sheet

	Note	31.12.2018 in CHF thousand	31.12.2018 in %	31.12.2017 in CHF thousand	31.12.2017 in %
Assets					
Liquid funds	11	89 018	11	80 145	11
Securities	11	29	0	38	0
Trade accounts receivable	12	72 052	9	77 819	11
Other receivables	13	13 065	2	18 010	3
Prepaid expenses and accrued income		9 162	1	6 997	1
Inventories	14	69 649	9	59 215	8
Short-term financial receivables	15	100 322	13	21	0
Total current assets		**353 297**	**44**	**242 245**	**35**
Intangible assets	16	5 842	1	4 822	1
Tangible fixed assets	5/17	376 054	47	384 051	55
Long-term financial assets	18	10 000	1	10 000	1
Assets from employer contribution reserves	19	11 078	1	10 993	2
Pension scheme assets	3/19	11 406	1	11 606	2
Other long-term receivables	20	31 803	4	33 342	5
Prepaid taxes		989	0	493	0
Total fixed assets		**447 172**	**56**	**455 307**	**65**
Total assets		**800 469**	**100**	**697 552**	**100**
Equity and liabilities					
Trade accounts payable	21	69 746	9	69 529	10
Other payables	22	4 077	1	3 348	0
Accrued liabilities and deferred income	23	20 001	2	17 163	2
Short-term financial liabilities	24/26	5 788	1	9 802	1
Corporate bonds issued	24/26	120 000	15	0	0
Short-term provisions	25	1 204	0	5 555	1
Total current liabilities		**220 816**	**28**	**105 397**	**15**
Long-term financial liabilities	26	20 471	3	23 473	3
Corporate bonds issued	26	100 000	12	120 000	17
Pension scheme liabilities	19	1 270	0	564	0
Other long-term liabilities		816	0	49	0
Long-term provisions	27	49 952	6	51 824	7
Total long-term liabilities		**172 509**	**21**	**195 910**	**28**
Total liabilities		**393 325**	**49**	**301 307**	**43**
Share capital		12 000	1	30 000	4
Capital reserves		14 975	2	845	0
Treasury shares	34	–84	0	–96	0
Profit reserves		336 304	42	346 543	50
Net result for the year		42 293	5	15 983	2
Total equity excluding minorities		**405 488**	**51**	**393 275**	**56**
Minorities		1 656	0	2 970	1
Total equity including minorities		**407 144**	**51**	**396 245**	**57**
Total equity and liabilities		**800 469**	**100**	**697 552**	**100**

Consolidated cash flow statement

	Note	2018	2017
Net result for the year (including minorities)		**42 280**	**16 187**
Depreciation on tangible and intangible assets	16/17	31 488	30 860
Impairments to inventories and replacement parts	14	240	−3 491
Loss/(Profit) on fixed-asset sales		−348	−22 678
Change in employer contribution reserves, pension scheme assets/liabilities		821	−3 231
Book gains on securities		9	3
Increase in/(Release of) short-term provisions	25	30	336
Increase in/(Release of) long-term provisions	27	−762	−695
Use of provisions	25/27	−5 382	−2 618
Increase impairments to trade accounts receivable	12	428	−211
Release of/(Increase in) prepaid taxes		157	5
Cash flow		**68 961**	**14 467**
Decrease/(Increase) in securities		0	1
Decrease/(Increase) in trade accounts receivable	12	5 017	−7 711
Decrease/(Increase) in other receivables and prepaid expenses		−2 722	−5 275
Decrease/(Increase) in inventories	14	−8 568	13 608
Increase/(Decrease) in trade accounts payable	21	−1 129	15 769
Increase/(Decrease) in other and accrued liabilities	22/23	2 731	1 331
Decrease/(Increase) in net current assets		**−4 671**	**17 723**
Cash flow from operating activities		**64 290**	**32 190**
Investments in tangible fixed assets	17	−22 299	−32 314
Disposals of tangible fixed assets	17	6 314	15 391
Investments in intangible assets	16	−2 167	−2 410
Investments in business activities	28	−27 864	0
Cash flow from investment activities		**−46 016**	**−19 333**
Free cash flow		**18 274**	**12 857**
Increase/(Decrease) in short-term financial liabilities and receivables	15/24	−104 315	1 034
Increase in corporate bonds issued	26	100 000	0
Increase/(Decrease) in long-term financial liabilities	26	−3 002	−566
Increase/(Decrease) in other long-term liabilities and receivables		2 036	152
Treasury share purchases/sales	34	41	6
Dividends to shareholders		−3 899	−3 899
Cash flow from financing activities		**−9 139**	**−3 273**
Currency translation effects		−262	216
Net change in cash and cash equivalents		**8 873**	**9 800**
Cash and cash equivalents at 1 January		80 145	70 345
Change		8 873	9 800
Cash and cash equivalents at 31 December		**89 018**	**80 145**

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 31.12.2016	**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**
Dividends to shareholders		–3 899				–3 899		–3 899
Goodwill offset with equity				–23 833		–23 833		–23 833
Change in minorities						0	–1 176	–1 176
Nominal value reduction	–18 000	18 000				0		0
Net result for current year					42 293	42 293	–13	42 280
Treasury share purchases			–1 306			–1 306		–1 306
Treasury share sales		29	1 318			1 347		1 347
Impact of currency translation					–2 389	–2 389	–125	–2 514
As at 31.12.2018	**12 000**	**14 975**	**–84**	**–61 736**	**440 333**	**405 488**	**1 656**	**407 144**

The statutory reserves of the holding company and its subsidiaries amounted to CHF 46.6 million on 31 December 2018 (prior year: CHF 30.7 million). Of this amount, CHF 14.6 million (prior year: CHF 17.3 million) cannot be distributed.

The company held 1 063 treasury shares on 31 December 2018 (prior year: 1 766). For further details see Note 34.

As a result of the acquisitions of various companies, goodwill amounting to CHF 23.8 million was offset against equity in 2018 (see Notes 16 and 28).

Consolidated accounting principles

General

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.

The Swiss GAAP ARRs were unchanged in 2018, and the consolidated accounting principles below are also unchanged from the prior year.

Definitions

"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.

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 and the changes thereto in 2018, please see Note 28 in the "Additional information on the consolidated financial statements" and the "List of major shareholdings" on Page 90.

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:

	2018	2017
Balance sheets: year-end rates		
EUR	1.1270	1.1700
USD	0.9860	0.9750
CNY (CHF per 100 CNY)	14.3600	14.9600
HKD (CHF per 100 HKD)	12.5900	12.4700
BAM	0.5762	0.5982
BRL	0.2540	–
Income statements/ cash flow statements: average rates		
EUR	1.1550	1.1120
USD	0.9780	0.9850
CNY (CHF per 100 CNY)	14.8000	14.5700
HKD (CHF per 100 HKD)	12.4800	12.6400
BAM	0.5905	0.5686
BRL	0.2690	–

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 bonds
Corporate bonds are 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 31.4).

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. 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	2018	%	2017	%
Switzerland	72 842	14	53 167	11
Europe (excluding Switzerland)	341 325	64	313 696	67
The Americas	66 858	12	57 421	12
Asia	46 897	9	42 469	9
Rest of the world	5 621	1	3 014	1
Total	**533 543**	**100**	**469 767**	**100**

Total net sales were 13.6% (CHF 63.8 million) above their prior-year level, or 9.9% (CHF 46.3 million) above based on prior-year currency exchange rates and excluding acquisitions. Of the difference, currency movements accounted for 3.0% (CHF 14.1 million) and acquisitions/disposals 0.7% (CHF 3.4 million). Average Swiss-franc currency exchange rates were up 3.9% against the euro and down 0.7% against the US dollar.

1.2 Income statement by division

2018 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	**79 422**	**301 133**	**152 988**		**533 543**
EBITDA	**10 714**	**50 856**	**21 568**	**–17**	**83 121**
in % of net sales	13.5	16.9	14.1		15.6
EBIT	**6 126**	**30 142**	**15 418**	**–53**	**51 633**
in % of net sales	7.7	10.0	10.1		9.7
Financial result					–5 976
Earnings before taxes and extraordinary items					**45 657**
Non-operating result					60
Extraordinary result					0
Earnings before taxes					**45 717**
Taxes					3 437
Net result for the year					**42 280**
in % of net sales					7.9

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

2. Other operating income

The other operating income of CHF 6.5 million (prior year: CHF 5.0 million) consists of CHF 3.6 million of income from energy sales (prior year: CHF 2.7 million), CHF 0.5 million of rental income from business premises (prior year: CHF 0.7 million), CHF 1.0 million of income from production waste (prior year: CHF 0.8 million) and miscellaneous operating income of CHF 1.4 million (prior year: CHF 0.8 million).

3. Personnel cost

in CHF thousand	2018	2017
Salaries and wages	75 167	71 884
Pension scheme contributions and other social security costs	14 410	10 540
Other personnel costs	2 760	2 047
Total	92 337	84 471

Personnel cost rose 9.3% (CHF 7.9 million) as a result of net sales growth, the business activities acquired and higher USA pension scheme expense (see also Note 19.2). Revisions to the regulations of the Group’s Swiss-based company pension schemes had lowered pension scheme expense in 2017 (see also Note 19.3). 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 19.

4. Other operating expense

The CHF 28.0 million of other operating expense (prior year: CHF 26.4 million) includes sales and administrative costs and further operating expenses. Despite the bigger business volumes, other operating expense was only slightly above its prior-year level. The higher expenditure in Paper and Packaging was partially offset by the lower cost structure of the Chemistry Division.

5. Impairment

5.1 Impairment for 2018

The valuations of the tangible fixed assets held by the Paper Division for the 2018 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 1.125 for the 2019 plan period, CHF 1.15 for 2020 and CHF 1.17 for 2021. 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 1.17 (prior year: CHF 1.18) used for the years beyond the plan period was derived from the exchange rate as of 31 December 2018 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 2017

The valuations of the tangible fixed assets held by the CPH Group for the 2017 business year confirmed that no impairment was required on the assets concerned.

6. Financial income

in CHF thousand	2018	2017
Interest income	42	37
Other financial income	642	1 568
– currency exchange rate gains	631	1 470
– further financial income	11	98
Income from securities	26	14
Total	**710**	**1 619**

The CHF 0.9 million decrease in “Other financial income” for 2018 is attributable to the reduced impact of currency gains on amounts held in foreign currencies.

7. Financial expense

in CHF thousand	2018	2017
Interest expense	4 769	4 385
– interest paid	4 332	4 385
– changes in deferred interest due	437	0
Other financial expense	1 903	3 835
– currency exchange rate losses	1 094	3 422
– further financial expense	809	413
Expenditure on securities	14	3
Total	**6 686**	**8 223**

Despite higher interest expense (deriving from the CHF 100 million 2% corporate bond issued on 12 October 2018) and the associated issuance costs, financial expense was CHF 1.5 million below its 2017 level as a result of lower currency exchange rate losses.

8. Non-operating result

The non-operating income of CHF 0.5 million (prior year: CHF 27.1 million) includes income and sale proceeds from non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal. In 2018 only minor income was generated by real estate sales (CHF 0.3 million in Buchrain). In the previous year CHF 17.8 million had derived from the sale of residential-zone real estate in Perlen and Buchrain, and CHF 8.5 million had stemmed from the sale of industrial-zone real estate in Full-Reuenthal.

The non-operating expense of CHF 0.4 million (prior year: CHF 4.3 million) consists of expenditure relating to the sale and management of non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal. Most of the prior-year expense here was related to the real estate sales mentioned above.

9. Extraordinary result

There was no extraordinary income or extraordinary expense in the 2018 financial year.

10. Income taxes

in CHF thousand	2018	2017
Current income taxes	3 944	2 592
Deferred taxes	−507	358
Total	**3 437**	**2 950**

Tax rates vary between 5% and 43% (prior year: between 5% and 41%) depending on the country and the location.

Income taxes for 2018	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		**45 657**
Weighted average tax rate expected/estimated tax expense	14.9	6 808
Non-operating and extraordinary result		**60**
Weighted average tax rate expected/estimated tax expense	–	−17
Earnings before taxes		**45 717**
Weighted average tax rate expected/estimated tax expense	14.9	6 792
Impact of losses carried forward not recognized in current year in tax terms		262
Impact of losses carried forward not previously recognized in tax terms		−3 811
Taxes paid in prior years		133
Other effects		61
Tax rate/tax expense as per income statement	**7.5**	**3 437**

The Group’s expected income tax rate for 2018 amounted to 14.9% (prior year: 19.6%). This is the weighted average tax rate based on the individual profits/losses before taxes and tax rates for each group member company. The change in this expected income tax rate is due to the profit situation and to changed tax rates at various group companies. The difference between the estimated tax expense and the income tax expense shown in the income statement is attributable largely to the offsetting of losses carried forward from previous years.

In accordance with the consolidated accounting principles, deferred taxes on losses carried forward are not capitalized. These amounted to CHF 186.0 million for 2018 (prior year: CHF 305.7 million), with a potential tax impact of CHF 14.7 million, paying due regard to the provisions of and the possibilities under the relevant national tax laws. There are no losses carried forward which are usable with no time limitation, and losses carried forward of CHF 1.2 million which will expire within a year.

Income taxes for 2017	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		**–3 703**
Weighted average tax rate expected/estimated tax expense	–6.6	246
Non-operating and extraordinary result		**22 840**
Weighted average tax rate expected/estimated tax expense	15.3	3 499
Earnings before taxes		**19 137**
Weighted average tax rate expected/estimated tax expense	19.6	3 745
Impact of losses carried forward not recognized in current year in tax terms		955
Impact of losses carried forward not previously recognized in tax terms		–1 898
Taxes paid in prior years		–61
Other effects		209
Tax rate/tax expense as per income statement	**15.4**	**2 950**

11. Liquid funds and securities

Despite CHF 27.9 million of investments in new business activities, liquid funds were increased from CHF 80.1 million to CHF 89.0 million thanks to the positive business development.

12. Trade accounts receivable

in CHF thousand	2018	2017
Receivables from third parties	81 247	86 600
Receivables from associates	0	1
Provisions for doubtful debts	–9 195	–8 782
– individual adjustments	–9 189	–8 778
– blanket adjustments	–6	–4
Total	**72 052**	**77 819**

Individual adjustments were effected to certain doubtful receivables. The individual adjustments for 2018 were not substantially different from their prior-year levels. Such adjustments were increased slightly for the Paper Division.

13. Other receivables

Other receivables were CHF 4.9 million below their prior-year level. The high amount of other receivables in 2017 was due largely to sales of real estate and infrastructural development (see Note 8).

14. Inventories

14.1 Inventories by division

in CHF thousand	2018	2017
Chemistry	25 383	20 421
Paper	25 805	21 700
Packaging	18 461	17 094
Total	**69 649**	**59 215**

14.2 Inventories by type

in CHF thousand	2018	2017
Raw materials	16 146	13 843
Auxiliary and operating materials	14 286	13 307
Finished and semi-finished products	38 126	31 820
Goods for resale	1 091	245
Total	**69 649**	**59 215**

Inventories were subjected to an overall CHF 2.5 million impairment (prior year: CHF 2.2 million).

Inventory levels were raised in all three divisions as a result of the higher sales volumes and the addition of new production sites. Inventories at the end of 2017 had been very low, owing to supply chain enhancements and strong demand towards year-end.

15. Short-term financial receivables

Short-term financial receivables contain the funds generated from the CHF 100.0 million corporate bond issue of 12 October 2018, which will be used to repay the CHF 120.0 million CPH 2014–2019 corporate bond. The amount is invested in a fixed-term deposit maturing on 9 July 2019.

16. Intangible assets

Intangible assets in 2018 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
At purchase values			
Opening balance on 1.1.2018	12 902	1 234	14 136
Currency impact on opening balance	–93	–33	–126
Change in consolidated companies			0
Additions	2 167		2 167
Disposals/reclassifications			0
Currency impact on movements	–8	1	–7
Closing balance on 31.12.2018	**14 968**	**1 202**	**16 170**
Depreciation			
Opening balance on 1.1.2018	8 925	389	9 314
Currency impact on opening balance	–70	–1	–71
Depreciation for the period	1 067	25	1 092
Disposals/reclassifications			0
Currency impact on movements	–7		–7
Closing balance on 31.12.2018	**9 915**	**413**	**10 328**
Book value on 1.1.2018	3 977	845	4 822
Book value on 31.12.2018	**5 053**	**789**	**5 842**

Major investments (additions) were made in ERP systems (software) in the Chemistry and Packaging divisions.

The goodwill deriving from the acquisitions of business activities was offset directly against equity (see Note 28).

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
Additions	2 400		2 400
Disposals/reclassifications	–322		–322
Currency impact on movements	4		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
Depreciation for the period	696	23	719
Disposals/reclassifications	–332		–332
Currency impact on movements	5	1	6
Closing balance on 31.12.2017	**8 925**	**389**	**9 314**
Book value on 1.1.2017	2 239	852	3 091
Book value on 31.12.2017	**3 977**	**845**	**4 822**

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

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	2018	2017
At purchase values		
Opening balance on 1.1.	37 903	37 903
Additions	23 833	0
Closing balance on 31.12.	**61 736**	**37 903**
Depreciation		
Opening balance on 1.1.	30 188	27 752
Depreciation for the period	6 873	2 436
Closing balance on 31.12.	**37 061**	**30 188**
Net book value of goodwill on 1.1.	7 715	10 151
Net book value of goodwill on 31.12.	**24 675**	**7 715**

Impact of goodwill on the income statement

in CHF thousand	2018	2017
Earning before interest and taxes (EBIT)	51 633	2 901
EBIT margin in % of net sales	9.7	0.6
Depreciation of goodwill	−6 873	−2 436
Theoretical earning before interest and taxes (EBIT), including depreciation of goodwill	**44 760**	**465**
Theoretical EBIT in % of net sales	**8.4**	**0.1**
Net result for the year	42 280	16 187
Depreciation of goodwill	−6 873	−2 436
Theoretical net result, including depreciation of goodwill	**35 407**	**13 751**

Impact of goodwill on the balance sheet

in CHF thousand	2018	2017
Equity as per balance sheet	407 144	396 245
Equity in % of balance sheet total	50.9	56.8
Theoretical capitalization of net book value of goodwill	24 675	7 715
Theoretical equity, including net book value of goodwill	**431 819**	**403 960**
Theoretical equity in % of balance sheet total, including net book value of goodwill	**52.3**	**57.3**

17. Tangible fixed assets

Tangible fixed assets for 2018 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 1.1.2018	5 789	327 817	768 895	329 729	4 005	11 150	24 332	1 471 717
Currency impact on opening balance	–21	–979	–1 435	–247	8	–8	–298	–2 980
Change in consolidated companies		1 698	161	65			720	2 644
Investments		1 816	6 190	6 220	2 166	363	5 544	22 299
Disposals	–2	–72	–95 922	–7 030	–3	–905	–211	–104 145
Reclassifications		7 311	12 816	643		–12	–20 758	0
Currency impact on movements		–375	–120	–13		3	108	–397
Closing balance on 31.12.2018	**5 766**	**337 216**	**690 585**	**329 367**	**6 176**	**10 591**	**9 437**	**1 389 138**
Depreciation								
Opening balance on 1.1.2018	89	141 419	469 421	215 373	1 853	9 326	0	837 481
Currency impact on opening balance	–4	–128	–787	–124	8	–1		–1 036
Depreciation for the period	10	5 297	18 155	6 370	109	455		30 396
Disposals		–72	–88 618	–6 928	–4	–737		–96 359
Reclassifications								0
Currency impact on movements		–21	–100	–13				–134
Closing balance on 31.12.2018	**95**	**146 495**	**398 071**	**214 678**	**1 966**	**9 043**	**0**	**770 348**
Impairments								
Opening balance on 1.1.2018	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			–7 295	57			–211	–7 449
Reclassifications								0
Closing balance on 31.12.2018	**0**	**53 225**	**138 732**	**50 779**	**0**	**0**	**0**	**242 736**
Opening balance on 1.1.2018	5 700	133 173	153 447	63 634	2 152	1 824	24 121	384 051
Closing balance on 31.12.2018	**5 671**	**137 496**	**153 782**	**63 910**	**4 210**	**1 548**	**9 437**	**376 054**

The "Change in consolidated companies" line shows the impact of acquisitions of business activities (see Note 28 and the "List of major shareholdings" on Page 90). The paper machines of Perlen Papier AG were assessed in detail in 2018 in terms of their current value. No impairment was deemed necessary (for details see Note 5).

Major individual investments totalling CHF 6.5 million were made in establishing and developing the new Rüti (Switzerland) site for the Chemistry Division.

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
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.

Major individual investments totalling CHF 17.1 million were made in the Chemistry Division, in establishing the new operation in Zvornik (Bosnia and Herzegovina) and in expanding production capacity at the Louisville (USA) site.

18. Long-term financial assets

in CHF thousand	Long-term financial assets
At purchase values	
Opening balance on 1.1.2018	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2018	**10 000**
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**

As in 2017, 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.

19. Assets from employer contribution reserves and pension schemes

19.1 Pension schemes in Switzerland (549 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	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2017	2018	2017
Pension schemes	11 078				11 078	10 993	–85	–109
Total	**11 078**	**0**	**0**	**0**	**11 078**	**10 993**	**–85**	**–109**

Economic benefit/economic obligation and pension scheme expense	Funding surplus/ shortfall as per Swiss GAAP ARR 26	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
in CHF thousand	31.12.2018	31.12.2018	31.12.2017	31.12.2018	31.12.2018	2018	2017
CPH Group Pension Scheme					3 167	3 167	3 084
APV Uetikon					247	247	415
CU Chemie Uetikon AG Pension Scheme					234	234	275
Pension schemes without funding surplus/shortfall	**0**	**0**	**0**	**0**	**3 648**	**3 648**	**3 774**
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	3 822						
Perlen Group Assistance Fund	11 406	11 406	11 606	200		200	–2 596
Employer's funds	**15 228**	**11 406**	**11 606**	**200**	**0**	**200**	**–2 596**
Total	**15 228**	**11 406**	**11 606**	**200**	**3 648**	**3 848**	**1 178**

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

The Perlen and Uetikon operations have 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 latest static recalculation of actuarial capital was performed on 31 December 2017, based on an actuarial interest rate of 2.25%, the actuarial foundations of the BVG 2015 Generation Table (formerly the BVG 2010 Actuarial Table) and a conversion factor of 5.8% from 1 January 2018. Actuarial capital has since been further developed in line with insuree numbers effective 31 December 2018. The actuarial interest rate used here was reduced from 2.25% to 2.0% following a resolution by the boards of trustees of 19 October 2018, in line with a corresponding recommendation by the Swiss Chamber of Pension Actuaries (FRP Guideline 4). With the exception of the employer contribution reserve of CHF 11.1 million (prior year: CHF 11.0 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 108% as of 31 December 2018 (prior-year actual average funding ratio: 113%).

The APV Uetikon and CU Chemie Uetikon AG pension schemes were integrated into the CPH Group Pension Scheme with effect from 1 January 2019. It is intended that the UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund will, in its employer's fund capacity, contribute funds here to counteract any dilution of beneficiaries' entitlements.

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 4.7 million on 31 December 2018 (prior year: CHF 5.7 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 2018 (prior year: CHF 0.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 13.6 million on 31 December 2018 (prior year: CHF 13.8 million).

As for 2017, economic interest was calculated based on freely disposable trust capital excluding fluctuation reserves.

19.2 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	31.12.2018	31.12.2018	31.12.2017	31.12.2018	31.12.2018	2018	2017
USA					448	448	509
Pension schemes without funding surplus/shortfall	**0**	**0**	**0**	**0**	**448**	**448**	**509**
USA	–1 270	–1 270	–564	706		706	–427
Pension schemes with funding shortfall	**–1 270**	**–1 270**	**–564**	**706**	**0**	**706**	**–427**
Total	**–1 270**	**–1 270**	**–564**	**706**	**448**	**1 154**	**82**

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 1 288 000 (prior year: USD 578 000). 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.

19.3 Breakdown of pension scheme costs

in CHF thousand	In Switzerland	Outside Switzerland	2018	2017
Pension scheme contributions from employer	3 648	448	4 096	4 427
Total contributions	**3 648**	**448**	**4 096**	**4 427**
+/– changes in ECR through asset return, value adjustments etc.	–85		–85	–109
Contributions and changes in employer contribution reserves	**3 563**	**448**	**4 011**	**4 318**
Decrease/Increase in company's economic benefit from funding surplus	200		200	–2 596
Decrease/Increase in company's economic obligation towards funding shortfall		706	706	–571
Change in economic impact on company of funding surplus/shortfall	**200**	**706**	**906**	**–3 167**
Pension scheme expenses as part of personnel cost for the period	**3 763**	**1 154**	**4 917**	**1 151**

20. Other long-term receivables

Other long-term receivables consist mainly of a CHF 31.7 million (prior year: CHF 32.0 million) remaining receivable in the longer term from Canton Zurich (as part of the cost of cleaning up the adjacent lake bed) in connection with the 2016 sale of the Uetikon operating site.

21. Trade accounts payable

in CHF thousand	2018	2017
To third parties	69 711	69 505
To related parties and companies	35	24
Total	**69 746**	**69 529**

Trade accounts payable for 2018 were broadly at their prior-year level.

22. Other payables

in CHF thousand	2018	2017
To third parties	4 075	3 347
To related parties and companies	2	1
Total	**4 077**	**3 348**

The increase in this item in 2018 is due to higher customer prepayments in the Chemistry Division.

23. Accrued liabilities and deferred income

in CHF thousand	2018	2017
Accrued interest expense	2 053	1 617
Income tax owed	2 654	1 897
Accrued personnel expenses	5 684	4 957
Other accrued liabilities and deferred income	9 610	8 692
Total	**20 001**	**17 163**

Accrued liabilities and deferred income increased in 2018 owing to the new bond issue (and the associated accrued interest) and the higher business volumes.

24. Short-term financial liabilities

in CHF thousand	2018	2017
Towards third parties	125 788	9 694
– towards banks	5 788	9 694
– towards holder of corporate bond [1]	120 000	0
– other	0	0
Towards related parties and companies	0	108
Total	**125 788**	**9 802**

[1] unsecured bond, SIX Swiss Exchange "CPH14", issued 10.7.2014

Details of short-term financial liabilities are shown in Note 26.

25. Short-term provisions

in CHF thousand	Restructuring provisions	Guarantee obligations	Other provisions	Total short-term provisions
Opening balance on 1.1.2017	6 719	882	0	7 601
Currency impact on opening balance		9		9
Additions	676	288		964
Use	–2 327	–62		–2 389
Releases/reclassification	–196	–432		–628
Currency impact on movements		–2		–2
Closing balance on 31.12.2017	**4 872**	**683**	**0**	**5 555**
Opening balance on 1.1.2018	4 872	683	0	5 555
Currency impact on opening balance		–3		–3
Additions		123		123
Use	–4 235	–144		–4 379
Releases/reclassification		–93		–93
Currency impact on movements		1		1
Closing balance on 31.12.2018	**637**	**567**	**0**	**1 204**

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 site and transfer costs.

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

26. Long-term financial liabilities

2018 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2018
Long-term bank loans	3 000	7 971	3 000	6 500			20 471
Corporate bond [1]				100 000			100 000
Total	**3 000**	**7 971**	**3 000**	**106 500**	**0**	**0**	**120 471**

[1] unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

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**

[1] unsecured bond, SIX Swiss Exchange "CPH14", issued 10.7.2014

Financial liabilities for 2018

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Corporate bond	CHF		120 000	2.75	10.07.2019	
Bank loan	CHF		1 500	2.41	30.06.2019	[1]
Bank loan	CHF		1 500	2.41	31.12.2019	[1]
Current account credit	CHF		850	3.52	unlimited	
Current account credit	EUR	812	915	0.95	unlimited	
Current account credit	USD	1 000	986	6.16	unlimited	
Current account credit	BRL	138	37	4.99	unlimited	
Total			**125 788**			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Bank loan	EUR	1 000	1 126	0.95	30.01.2021	
Industrial bond	USD	3 900	3 845	4.90	01.08.2021	
Bank loan	CHF		15 500	2.41	20.03.2023	[1]
Total			**120 471**			
Total financial liabilities			**246 259**			

[1] Repayment in steps; debt ratio max. 3.25 (until 30.6.2018), max. 3.0 (until 30.6.2019), max. 2.5 (from 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. This requirement was still being met as of 31.12.2018.

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	30.06.2018	
Bank loan	EUR	120	141	2.85	30.09.2018	
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	10.07.2019	
Industrial bond	USD	3 900	3 803	4.90	01.08.2021	
Bank loan	CHF		18 500	2.41	20.03.2023	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 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. This requirement was still being met as of 31.12.2017.

27. 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 1.1.2017	3 702	39 259	500	2 172	6 835	52 468
Currency impact on opening balance				40	260	300
Additions					644	644
Use		–163		–66		–229
Releases/reclassification			–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**
Opening balance on 1.1.2018	3 702	39 096	0	1 593	7 433	51 824
Currency impact on opening balance				–13	–103	–116
Additions				18	808	826
Use		–1 003				–1 003
Releases/reclassification				–507	–1 081	–1 588
Currency impact on movements				4	5	9
Closing balance on 31.12.2018	**3 702**	**38 093**	**0**	**1 095**	**7 062**	**49 952**

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 relate to the 2016 closure of the Uetikon site.

"Other provisions" consist mainly of provisions for agency agreements in the Paper Division.

28. Purchase of business activities and minority shareholdings

Perlen Papier AG acquired 100% of the share capital of APS Altpapier Service Schweiz AG, Root, Switzerland effective 1 January 2018.

Perlen Converting AG acquired 60% of the share capital of Perlen Packaging Anápolis (formerly Sekoya) Indústria e Comércio Ltda., Anápolis, State of Goia, Brazil effective 1 January 2018.

Zeochem AG acquired the business activities of Armar AG, Döttingen, Switzerland effective 1 March 2018 under an asset deal.

CPH Chemie + Papier Holding AG acquired a further 12% of the share capital of Jiangsu Zeochem Technology Co. Ltd., Lianyungang, China effective 7 November 2018 and now holds 92% of the company's share capital.

The CPH Group acquired no business activities in 2017.

The balance sheet assets and liabilities (at current market values) and net cash flow acquired on the purchase date are shown below. The majority of the amounts shown relate to the acquisition of APS Altpapier Service Schweiz AG.

in CHF thousand	2018	2017
Current assets	−3 477	0
Fixed assets	−2 972	0
Current liabilities	3 347	0
Long-term liabilities	243	0
Minority interests from investments in business activities	427	0
Minority interests from investments in minority shareholdings	−1 603	0
Net assets acquired	**−4 035**	**0**
Cash and cash equivalents	4	0
Subtotal	**−4 032**	**0**
Goodwill incl. direct attributable cost	−23 833	0
Net cash flow	**−27 864**	**0**

29. Additional corporate governance information

29.1 Capital structure

	2018	2017
Share capital in CHF thousand	12 000	30 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	2	5
Market capitalization in CHF thousand	495 000	321 300

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 12 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 2 each. The Ordinary General Meeting of 14 March 2018 resolved to reduce the CPH share's nominal value from CHF 5 to CHF 2, with the resulting amount appropriated to capital reserves (the capital contribution reserve). This was legally effected with the appropriate amendment to the Articles of Incorporation on 23 May 2018.

29.2 Shareholders' rights

	2018	2017
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 no later than 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.

29.3 Transactions with related parties and companies

As in the previous year, all transactions with related parties and companies in 2018 were conducted at market rates. The following transactions were effected for services rendered with companies associated with Board members: CHF 64 000 (prior year: CHF 67 000) with Weber Schaub & Partner, Zurich; CHF 28 000 (prior year: CHF 235 000) with Niederer Kraft Frey AG, Zurich (Manuel Werder); CHF 9 000 (prior year: CHF 14 000) with UBV Immobilien Treuhand AG, Uetikon; and CHF 120 000 (prior year: CHF 62 000) with UBV Immobilien Treuhand Perlen AG, Root. There were no transactions with members of Group Executive Management or related parties in 2018 or 2017.

29.3.1 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	2018			
Name	Own	Related parties	2018	2017
Peter Schaub	1 000	400	1 400	1 400
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**	**98 420**

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

Name	2018	2017
Peter Schildknecht	200	200
Wolfgang Grimm	60	60
Richard Unterhuber	250	250
Alois Waldburg-Zeil	400	400
Total	**910**	**910**

29.3.2 Significant shareholders and numbers of shares held

Name	2018	2017
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**

29.4 Auditor’s remuneration and other fees

in CHF thousand	2018	2017
PricewaterhouseCoopers AG auditing fees	387	399
Other auditing fees	48	13
Other PricewaterhouseCoopers AG fees	171	25
Other auditing-related fees	33	0
Total	**639**	**437**

Auditing fees are the amounts paid for the auditing services which are provided each year to give an opinion on the consolidated financial statements and to compile reports on the financial statements of group member companies required under applicable local law. Other fees are the amounts paid to auditing companies for other consultancy services.

30. Net financial liabilities

in CHF thousand	2018	2017
Liquid funds and securities	89 047	80 183
Short-term financial receivables	100 322	21
Total liquid funds and financial receivables	**189 369**	**80 204**
Corporate bonds	120 000	0
Short-term financial liabilities to banks	5 788	9 694
Short-term financial liabilities to others	0	108
Total short-term financial liabilities	**125 788**	**9 802**
Corporate bonds	100 000	120 000
Long-term financial liabilities to banks	20 471	23 473
Total long-term financial liabilities	**120 471**	**143 473**
Net financial liabilities	**56 890**	**73 071**
Debt ratio (net financial liabilities/EBITDA)	**0.7**	**2.2**

31. Contingent liabilities and off-balance-sheet business

31.1 Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2018.

31.2 Pledged assets

Real estate in Müllheim, Germany, with a book value of CHF 10.0 million (prior year: CHF 10.5 million) was subject to a CHF 6.4 million lien as of 31 December 2018 (prior year: CHF 6.6 million). Real estate of Jiangsu ALSIO Technology Co. Ltd. with a book value of CHF 2.5 million (prior year: CHF 2.7 million) was subject to a CHF 2.5 million lien as of 31 December 2018 (prior year: CHF 2.7 million).

31.3 Other off-balance-sheet obligations

Other off-balance-sheet obligations consist of rental agreements of CHF 2.8 million (prior year: CHF 0.0 million) and operational leasing agreements for vehicles with notice periods of more than one year of CHF 0.5 million (prior year: CHF 0.8 million).

31.4 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 2018.

Open foreign-currency hedges as of 31 December 2018

in CHF thousand	2018				2017			
Instrument	**Contract value**	**Positive replacement value**	**Negative replacement value**	**Purpose**	**Contract value**	**Positive replacement value**	**Negative replacement value**	**Purpose**
Forward foreign-exchange contracts EUR	138 850	3 119	29	Cash flow hedge	112 356		2 696	Cash flow hedge
Forward foreign-exchange contracts USD	13 754	139	41	Cash flow hedge	6 967	58		Cash flow hedge
Total	**152 604**	**3 258**	**70**	**Cash flow hedge**	**119 323**	**58**	**2 696**	**Cash flow hedge**

The open foreign-currency hedges are forward contracts designed to secure future cash flows.

32. Risk management

32.1 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.

32.2 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.

32.3 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.

32.4 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 of the opinion 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.

33. Net result per share

Net result per share is 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 1 414 treasury shares in 2018 (prior year: 1 850). Since no authorized or conditional capital is currently outstanding, diluted net result per share is identical to the net result per share amount.

	2018	2017
Net result as per consolidated income statement (in CHF thousand) after minorities	42 293	15 983
Weighted average number of shares entitled to dividend	5 998 586	5 998 150
Net result per share (in CHF)	7.05	2.66

34. Treasury shares

			2018			2017
in CHF thousand	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	**1 766**	**54.37**	**96**	**1 934**	**83.84**	**162**
Purchased	17 051	76.61	1 306	10 876	50.62	550
Sold	17 754	75.85	–1 347	11 044	50.24	–556
Profit/loss			29			–60
Closing balance on 31.12.	**1 063**	**79.08**	**84**	**1 766**	**54.37**	**96**

The company held 1 063 treasury shares at the end of 2018 (prior year: 1 766 shares).

A total of 17 051 treasury shares were purchased on the SIX Swiss Exchange in the course of 2018 (prior year: 10 876 shares) at an average purchase price of CHF 76.61 (prior year: CHF 50.62) per share. A total of 17 754 treasury shares were sold via the SIX Swiss Exchange in the course of 2018 (prior year: 11 044 shares) at an average sale price of CHF 75.85 (prior year: CHF 50.24) per share.

35. Subsequent events

No further events occurred between 31 December 2018 and 14 February 2019 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 14 February 2019. 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
CPH Chemie + Papier Holding AG	Root/CH	CHF	12 000	100	F
Consolidated chemistry companies:					
Zeowest AG (holding company)	Rüti ZH/CH	CHF	1 000	100	F
Zeochem AG	Rüti ZH/CH	CHF	14 000	100	F
Zeochem L.L.C.	Louisville/USA	USD	36 547	100	F
Zeochem d.o.o.	Zvornik/BA	BAM	2	100	F
Jiangsu Zeochem Technology Co. Ltd.	Lianyungang/CN	CNY	90 000	92	F
Zeochem Pte. Ltd.	Singapore/SG	SGD	1	100	F
Consolidated paper companies:					
Perlen Papier AG	Root/CH	CHF	81 000	100	F
APS Altpapier Service Schweiz AG	Root/CH	CHF	100	100	F
Perlen Deutschland GmbH	Munich/D	EUR	100	100	F
Consolidated packaging companies:					
Perlen Converting AG	Root/CH	CHF	4 000	100	F
Perlen Packaging L.L.C.	Whippany/USA	USD	1 000	100	F
Perlen Packaging GmbH, Müllheim	Müllheim/D	EUR	1 300	100	F
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN	USD	10 400	100	F
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	BRL	2 464	60	F
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	HKD	100	100	F

Consolidation method:
F = fully consolidated

Changes in the scope of consolidation for 2018:
APS Altpapier Service Schweiz AG, Root/CH was newly consolidated with effect from 1 January 2018.
Perlen Packaging Anápolis (formerly Sekoya) Indústria e Comércio Ltda., Anápolis, State of Goia/BR was newly consolidated with effect from 1 January 2018.
A further 12% shareholding in Jiangsu Zeochem Technology Co. Ltd., Lianyungang/CN was acquired on 7 November 2018.

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.

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 income statement for the year ended 31 December 2018, consolidated balance sheet as at 31 December 2018, consolidated cash flow statement and consolidated statement of changes in equity 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 56 to 90) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 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.

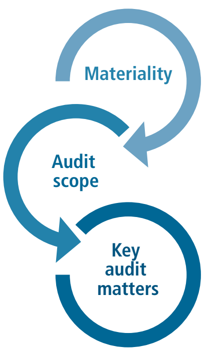
Basis for opinion

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 5 300 000

We concluded full scope audit work at eight reporting units in five countries. Our audit scope addressed 75% of the net sales and 92% of the total assets of the Group.

Additionally, we concluded reviews at a further four Group companies in three countries, which addressed an additional 23% of the net sales and 7% of the assets of the Group.

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

Impairment testing of tangible fixed assets of Perlen Papier AG

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 5 300 000
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 Group's volatile earnings performance in recent years, and it is a generally accepted benchmark for materiality considerations.

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. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order 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 was based on audit instructions and standardised reporting. It included telephone conferences with the component auditors, a review of the risk analysis and on-site visits to selected Group companies, where we participated in audit discussions with local management, the local auditor and Group representatives.

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

Production facilities must be up to date for sales targets to be achieved and technological requirements to be met. 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 in the amount of CHF 272 million 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 fixed 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.
- In addition, we compared the assumptions used in the impairment tests of the prior year with the actual 2018 results to consider whether, with hindsight, the assumptions used in the prior year were too optimistic.
- 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 assumptions and budget figures used in this process 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	Josef Stadelmann
Audit expert	Audit expert
Auditor in charge	

Zurich, 14 February 2019

Income statement

in CHF thousand	Note	2018	2017
Net revenue from sale of goods and services	**2.1**	**5 500**	**5 000**
Other income		344	351
Personnel expense		–3 313	–3 175
Other operating expense		–2 469	–1 947
Additions/Releases of impairment losses on non-current assets	2.2	4 901	–490
Earnings before interest and taxes (EBIT)		**4 963**	**–261**
Financial income		12 610	12 822
– Income from investments	2.3	6 731	7 050
– Interest income	2.4	5 695	5 452
– Book gains on securities held		2	0
– Other financial income	2.5	182	320
Financial expense		–4 474	–5 383
– Interest expense	2.6	–3 739	–3 301
– Book losses on securities held		–11	–3
– Other financial expense	2.7	–724	–2 079
Earnings before taxes and extraordinary items		**13 099**	**7 178**
Extraordinary, non-recurring or prior-period income	2.8	0	0
Extraordinary, non-recurring or prior-period expense	2.8	0	0
Earnings before taxes (EBT)		**13 099**	**7 178**
Direct taxes		–10	–94
Profit/Loss for the year		**13 089**	**7 084**

Balance sheet

in CHF thousand	Note	31.12.2018	31.12.2017
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.9	37 275	10 156
Other short-term receivables		3 620	5 648
– From third parties		3 620	5 303
– From group member companies		0	345
Prepaid expenses and accrued income		0	51
Short-term financial receivables	2.10	100 000	0
Total current assets		**140 895**	**15 855**
Financial assets		338 914	362 523
– Long-term receivables from group member companies	2.11	338 914	362 523
Investments	2.12	150 254	141 995
Property, plant and equipment		467	374
Total non-current assets		**489 635**	**504 892**
Total assets		**630 530**	**520 747**
Equity and liabilities			
Trade payables		246	93
– To third parties		246	93
Short-term interest-bearing liabilities	2.15	120 000	52
– Corporate bond		120 000	0
– Towards third parties	2.13	0	52
Other short-term liabilities		126	314
– Towards third parties		126	46
– Towards group member companies		0	268
Accrued expenses and deferred income	2.14	2 820	2 180
Total short-term liabilities		**123 192**	**2 639**
Long-term liabilities		110 750	130 750
– Corporate bonds	2.15	100 000	120 000
– Towards group member companies		10 750	10 750
Total long-term liabilities		**110 750**	**130 750**
Total liabilities		**233 942**	**133 389**
Equity	2.16	12 000	30 000
Legal capital reserves	2.17	15 005	904
– Capital contribution reserve		15 005	904
Legal retained earnings		10 016	10 016
Voluntary retained earnings		339 478	339 450
Earnings available for distribution		20 173	7 084
– Balance brought forward from prior year		7 084	0
– Profit/Loss for the year		13 089	7 084
Treasury shares	2.18	–84	–96
Total equity		**396 588**	**387 358**
Total equity and liabilities		**630 530**	**520 747**

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 for such valuation because of their similarity.

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.

Changes to shareholdings directly held

A further 12% of the share capital of Jiangsu Zeochem Technology Co. Ltd., Lianyungang/CN was acquired on 7 November 2018.

Foreign currency positions

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

Foreign currency	2018 income statement	2018 balance sheet	2017 income statement	2017 balance sheet
EUR	1.1550	1.1270	1.1120	1.1700
USD	0.9780	0.9860	0.9850	0.9750

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 domiciled in Root

The company employed an average of six persons in 2018 in full-time-equivalent terms (prior year: six persons).

2.1 Net revenue from sale of goods and services

The CHF 5.5 million in this item (prior year: CHF 5.0 million) represents the net revenue from goods and services provided to subsidiaries by the holding company and invoiced accordingly.

2.2 Additions/Releases of impairment losses on non-current assets

In view of the positive equity situation at subsidiary Perlen Papier AG, Root/CH, CHF 4.9 million of previous impairments could be reversed. An impairment of CHF 0.5 million was effected on the Perlen Papier AG holding in 2017.

2.3 Income from investments
This item includes profit distributions by certain subsidiaries.

2.4 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 2018.

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

2.6 Interest expense
This item consists largely of the CHF 3.7 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) and on the CHF 100 million 2.00% corporate bond (duration 12 October 2018 to 12 October 2023).

2.7 Other financial expense
Other financial expense for 2018 consists largely of the cost of the issuance of the new corporate bond (CHF 0.5 million), currency losses on loans to subsidiaries in foreign currencies (CHF 0.1 million) and ordinary financial expense (CHF 0.1 million). Prior-year other financial expense consisted largely of the costs of currency hedges (CHF 2.0 million) and ordinary financial expense (CHF 0.1 million).

2.8 Extraordinary, non-recurring or prior-period income and expense
No such amounts were earned or incurred in 2018 or 2017.

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

in CHF thousand	2018	2017
Cash and cash equivalents	37 246	10 118
Assets held for short-term disposal with a quoted market price	29	38
Total	**37 275**	**10 156**

2.10 Short-term financial receivables

Short-term financial receivables contain the funds generated from the CHF 100.0 million corporate bond issue of 12 October 2018, which will be used to repay the CHF 120.0 million CPH 2014–2019 corporate bond. The amount is invested in a fixed-term deposit maturing on 9 July 2019.

2.11 Long-term receivables from group member companies

Long-term receivables from group member companies declined CHF 23.6 million to CHF 338.9 million in 2018. The reduction is primarily attributable to loan repayments by subsidiaries.

2.12 Investments

				Holding in 2018		Holding in 2017	
Name and legal form	**Domicile**	**Remarks**	**Currency**	**Capital in thousand**	**Capital/ Voting rights**	**Capital in thousand**	**Capital/ Voting rights**
Chemie Uetikon AG	Uetikon/CH	Merged 1.1.2017 with Zeochem AG	CHF			2 220	100 %
Zeochem AG[1]	Rüti ZH/CH		CHF	14 000	100 %	14 000	100 %
Zeowest AG[1]	Rüti ZH/CH		CHF	1 000	100 %	1 000	100 %
Zeochem L.L.C.	Louisville/USA		USD	36 547	100 %	36 547	100 %
Jiangsu Zeochem Technology Co. Ltd.[1]	Lianyungang/CN		CNY	90 000	92 %	90 000	80 %
Zeochem d.o.o.[1]	Zvornik/BA		EUR	2	100 %	2	100 %
CU Deutero + Agro AG	Uetikon/CH	Merged 1.1.2017 with Zeochem AG	CHF			550	100 %
Perlen Papier AG[1]	Root/CH		CHF	81 000	100 %	81 000	100 %
APS Altpapier Service Schweiz AG	Root/CH	Purchase as of 1.1.2018	CHF	100	100 %		
Perlen Deutschland GmbH	Munich/D		EUR	100	100 %	100	100 %
Perlen Converting AG[1]	Root/CH		CHF	4 000	100 %	4 000	100 %
Perlen Packaging GmbH, Müllheim	Müllheim/D		EUR	1 300	100 %	1 300	100 %
Perlen Packaging L.L.C.	Whippany/USA		USD	1 000	100 %	1 000	100 %
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN		USD	10 400	100 %	10 400	100 %
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	Purchase as of 1.1.2018	BRL	2 464	60 %		
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	In liquidation since 20.10.2017	HKD	100	100 %	100	100 %

[1] Directly held by CPH Chemie + Papier Holding AG

CHF 4.9 million of previous impairments at subsidiary Perlen Papier AG, Root/CH were reversed in 2018 in view of the positive equity situation. An impairment of CHF 0.5 million was effected on the Perlen Papier AG holding in 2017.

2.13 Liabilities towards pension schemes

There were no liabilities towards pension schemes as of 31 December 2018 (prior year: CHF 0.05 million).

2.14 Accrued expenses and deferred income

Accrued expenses and deferred income includes CHF 1.6 million (prior year: CHF 1.6 million) in accrued interest on the CHF 120 million 2.75% corporate bond (duration 10 July 2014 to 10 July 2019), CHF 0.4 million (prior year: CHF 0.0 million) in accrued interest on the CHF 100 million 2.00% corporate bond (duration 12 October 2018 to 12 October 2023) and accruals for employees' salary and vacation entitlements.

2.15 Corporate bonds

This item relates to the CHF 120.0 million 2.75% unsecured corporate bond (SIX code CPH14) issued on 10 July 2014 and maturing on 10 July 2019 and the CHF 100.0 million 2.00% unsecured corporate bond (SIX code CPH18) issued on 12 October 2018 and maturing on 12 October 2023. Both bonds are listed on the SIX Swiss Exchange.

2.16 Share capital

Share capital consists of 6 000 000 registered shares with a nominal value of CHF 2 each. The Ordinary General Meeting of 14 March 2018 resolved to reduce the CPH share's nominal value from CHF 5 to CHF 2, with the resulting amount appropriated to legal capital reserves (the capital contribution reserve). This was legally effected with the appropriate amendment to the Articles of Incorporation on 23 May 2018. Uetikon Industrieholding AG, Uetikon holds 49.99% of share capital (prior year: 49.99%). For the shares held by members of the Board of Directors and other significant shareholders, please see Section 29.3.1 of the notes to the consolidated financial statements.

2.17 Legal capital reserves

The capital contribution reserve derives from the reduction in nominal value in 2018.

2.18 Treasury shares

CPH Chemie + Papier Holding AG held 1 063 treasury shares at the end of 2018 (prior year: 1 766 shares), at a purchase price of CHF 79.08 (prior year: CHF 54.37). A total of 17 051 treasury shares were purchased on the SIX Swiss Exchange in the course of 2018 (prior year: 10 876 shares) at an average purchase price of CHF 76.61 (prior year: CHF 50.62) per share. A total of 17 754 treasury shares were sold via the SIX Swiss Exchange in the course of 2018 (prior year: 11 044 shares) at an average sale price of CHF 75.85 (prior year: CHF 50.24) per share.

Guarantees to third parties

Contingent liabilities amount to CHF 29.8 million (prior year: CHF 29.1 million). These consist largely of guarantees issued 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 2018.

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 0.0 million).

Leasing liabilities

The liabilities on leased vehicles amount to CHF 0.1 million (prior year: CHF 0.0 million).

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

The remuneration paid is detailed in the Remuneration Report on Pages 44 to 47.

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). 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	2018	2017
Balance brought forward from prior year	7 084	−8 371
Appropriation of reserves available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
Offsetting from voluntary retained earnings	0	8 371
Dividend to shareholders	−3 899	−3 899
Profit	13 089	7 084
Release from capital contribution reserve	3 899	3 899
Earnings available at end of year	**20 173**	**7 084**

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

in CHF thousand	2018 Board recommendation	2017 General Meeting resolution
Earnings available	20 173	7 084
Release from capital contribution reserve	10 800	3 900
Dividend to shareholders	−10 800	−3 900
Transfer to voluntary retained earnings	−20 173	0
Balance of earnings to be carried forward	**0**	**7 084**

Dividend proposed

The Board of Directors will propose to the Ordinary General Meeting of 19 March 2019 that a dividend of CHF 1.30 per share be distributed for the 2018 business year, together with a special dividend of CHF 0.50 per share on the occasion of the company's 200th anniversary. Both dividends should be distributed in the form of a release from the capital contribution reserve.

A dividend of CHF 0.65 per share was distributed for the 2017 business year in the form of a release from the capital contribution reserve, following a corresponding resolution by the Ordinary General Meeting of 14 March 2018.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CPH Chemie + Papier Holding AG, which comprise the income statement for the year ended 31 December 2018, balance sheet as at 31 December 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 94 to 99) for the year ended 31 December 2018 comply with Swiss law and the articles of incorporation.

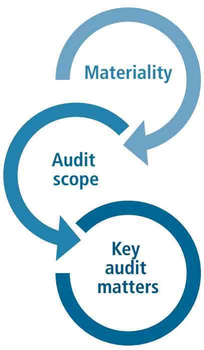
Basis for opinion

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 4 000 000

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

Valuation of long-term receivables from Group companies and of investments in Group companies

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 4 000 000
How we determined it	0.6% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark for determining materiality because it is a generally accepted benchmark for materiality considerations relating to a holding company.

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.

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 investments in Group companies

Key audit matter

We consider the valuation of long-term receivables from Group companies and of investments in Group companies as a key audit matter. These items are disclosed on the balance sheet in the amounts of CHF 338.9 million and CHF 150.3 million, respectively.

The valuation of long-term receivables from Group companies and of investments 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, 2.11 and 2.12 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 investments 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 investments in Group companies, we tested the recoverability of the investments on the basis of the net assets valued in accordance with Swiss GAAP FER or, where necessary, on the basis of Management's capitalised earnings estimates.
- In addition, we examined whether appropriate provisions or impairments were recognised in the event that letters of comfort or subordination agreements were accorded.

Our audit supports the amounts recognised by Management with regard to long-term receivables from Group companies and investments 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 intends either 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 retained earnings and of the statutory capital 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

Josef Stadelmann
Audit texpert

Zurich, 14 February 2019

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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.