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# Consolidated income statement

	Note	2018	2017
<b>Net sales</b>	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
<b>Total income</b>		<b>547 374</b>	<b>463 219</b>
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
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>83 121</b>	<b>33 761</b>
Depreciation on tangible fixed assets	17	30 396	30 141
Depreciation on intangible assets	16	1 092	719
<b>Earnings before interest and taxes (EBIT)</b>		<b>51 633</b>	<b>2 901</b>
Financial income	6	710	1 619
Financial expense	7	6 686	8 223
<b>Financial result</b>		<b>-5 976</b>	<b>-6 604</b>
<b>Earnings before taxes and non-operating/extraordinary items</b>		<b>45 657</b>	<b>-3 703</b>
Non-operating result	8	60	22 840
Extraordinary result	9	0	0
<b>Earnings before taxes</b>		<b>45 717</b>	<b>19 137</b>
Income taxes	10	3 437	2 950
<b>Net result for the year</b>		<b>42 280</b>	<b>16 187</b>
– attributable to shareholder of CPH Chemie + Papier Holding AG		42 293	15 983
– attributable to minorities		-13	204
<b>in CHF</b>			
<b>Net result after minorities per share</b>	33	<b>7.05</b>	<b>2.66</b>
<b>Diluted net result per share</b>	33	<b>7.05</b>	<b>2.66</b>

# Consolidated balance sheet

	Note	31.12.2018		31.12.2017	
		in CHF thousand	in %	in CHF thousand	in %
<b>Assets</b>					
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
<b>Total current assets</b>		<b>353 297</b>	<b>44</b>	<b>242 245</b>	<b>35</b>
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
<b>Total fixed assets</b>		<b>447 172</b>	<b>56</b>	<b>455 307</b>	<b>65</b>
<b>Total assets</b>		<b>800 469</b>	<b>100</b>	<b>697 552</b>	<b>100</b>
<b>Equity and liabilities</b>					
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
<b>Total current liabilities</b>		<b>220 816</b>	<b>28</b>	<b>105 397</b>	<b>15</b>
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
<b>Total long-term liabilities</b>		<b>172 509</b>	<b>21</b>	<b>195 910</b>	<b>28</b>
<b>Total liabilities</b>		<b>393 325</b>	<b>49</b>	<b>301 307</b>	<b>43</b>
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
<b>Total equity excluding minorities</b>		<b>405 488</b>	<b>51</b>	<b>393 275</b>	<b>56</b>
Minorities		1 656	0	2 970	1
<b>Total equity including minorities</b>		<b>407 144</b>	<b>51</b>	<b>396 245</b>	<b>57</b>
<b>Total equity and liabilities</b>		<b>800 469</b>	<b>100</b>	<b>697 552</b>	<b>100</b>

# Consolidated cash flow statement

	Note	2018	2017
<b>Net result for the year (including minorities)</b>		<b>42 280</b>	<b>16 187</b>
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
<b>Cash flow</b>		<b>68 961</b>	<b>14 467</b>
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
<b>Decrease/(Increase) in net current assets</b>		<b>-4 671</b>	<b>17 723</b>
<b>Cash flow from operating activities</b>		<b>64 290</b>	<b>32 190</b>
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
<b>Cash flow from investment activities</b>		<b>-46 016</b>	<b>-19 333</b>
<b>Free cash flow</b>		<b>18 274</b>	<b>12 857</b>
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
<b>Cash flow from financing activities</b>		<b>-9 139</b>	<b>-3 273</b>
Currency translation effects		-262	216
<b>Net change in cash and cash equivalents</b>		<b>8 873</b>	<b>9 800</b>
Cash and cash equivalents at 1 January		80 145	70 345
Change		8 873	9 800
<b>Cash and cash equivalents at 31 December</b>		<b>89 018</b>	<b>80 145</b>

# Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Treasury shares	Goodwill	Retained earnings	Equity excluding minorities	Minorities	Equity including minorities
<b>As at 31.12.2016</b>	<b>30 000</b>	<b>4 804</b>	<b>-162</b>	<b>-37 903</b>	<b>381 362</b>	<b>378 101</b>	<b>2 681</b>	<b>380 782</b>
Dividends to shareholders		-3 899				-3 899		-3 899
Net result for current year					15 983	15 983	204	16 187
Treasury share purchases			-550			-550		-550
Treasury share sales		-60	616			556		556
Impact of currency translation					3 084	3 084	85	3 169
<b>As at 31.12.2017</b>	<b>30 000</b>	<b>845</b>	<b>-96</b>	<b>-37 903</b>	<b>400 429</b>	<b>393 275</b>	<b>2 970</b>	<b>396 245</b>
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
<b>As at 31.12.2018</b>	<b>12 000</b>	<b>14 975</b>	<b>-84</b>	<b>-61 736</b>	<b>440 333</b>	<b>405 488</b>	<b>1 656</b>	<b>407 144</b>

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 trans-

action. 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
<b>Balance sheets: year-end rates</b>		
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	–
<b>Income statements/ cash flow statements: average rates</b>		
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 occurrence 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
<b>Total</b>	<b>533 543</b>	<b>100</b>	<b>469 767</b>	<b>100</b>

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
<b>Net sales</b>	<b>79 422</b>	<b>301 133</b>	<b>152 988</b>		<b>533 543</b>
<b>EBITDA</b>	<b>10 714</b>	<b>50 856</b>	<b>21 568</b>	<b>-17</b>	<b>83 121</b>
in % of net sales	13.5	16.9	14.1		15.6
<b>EBIT</b>	<b>6 126</b>	<b>30 142</b>	<b>15 418</b>	<b>-53</b>	<b>51 633</b>
in % of net sales	7.7	10.0	10.1		9.7
Financial result					-5 976
<b>Earnings before taxes and extraordinary items</b>					<b>45 657</b>
Non-operating result					60
Extraordinary result					0
<b>Earnings before taxes</b>					<b>45 717</b>
Taxes					3 437
<b>Net result for the year</b>					<b>42 280</b>
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
<b>Earnings before taxes and extraordinary items</b>					<b>-3 703</b>
Non-operating result					22 840
Extraordinary result					0
<b>Earnings before taxes</b>					<b>19 137</b>
Taxes					2 950
<b>Net result for the year</b>					<b>16 187</b>
in % of net sales					3.4

## 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
<b>Total</b>	<b>92 337</b>	<b>84 471</b>

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
<b>Total</b>	<b>710</b>	<b>1 619</b>

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
<b>Total</b>	<b>6 686</b>	<b>8 223</b>

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
<b>Total</b>	<b>3 437</b>	<b>2 950</b>

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
<b>Earnings before taxes and extraordinary items</b>		<b>45 657</b>
Weighted average tax rate expected/estimated tax expense	14.9	6 808
<b>Non-operating and extraordinary result</b>		<b>60</b>
Weighted average tax rate expected/estimated tax expense	-	-17
<b>Earnings before taxes</b>		<b>45 717</b>
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
<b>Tax rate/tax expense as per income statement</b>	<b>7.5</b>	<b>3 437</b>

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

### 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
<b>Total</b>	<b>72 052</b>	<b>77 819</b>

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
<b>Total</b>	<b>69 649</b>	<b>59 215</b>

### 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
<b>Total</b>	<b>69 649</b>	<b>59 215</b>

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
<b>At purchase values</b>			
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
<b>Closing balance on 31.12.2018</b>	<b>14 968</b>	<b>1 202</b>	<b>16 170</b>
<b>Depreciation</b>			
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
<b>Closing balance on 31.12.2018</b>	<b>9 915</b>	<b>413</b>	<b>10 328</b>
Book value on 1.1.2018	3 977	845	4 822
<b>Book value on 31.12.2018</b>	<b>5 053</b>	<b>789</b>	<b>5 842</b>

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

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

#### 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
<b>Theoretical earning before interest and taxes (EBIT), including depreciation of goodwill</b>	<b>44 760</b>	<b>465</b>
<b>Theoretical EBIT in % of net sales</b>	<b>8.4</b>	<b>0.1</b>
Net result for the year	42 280	16 187
Depreciation of goodwill	-6 873	-2 436
<b>Theoretical net result, including depreciation of goodwill</b>	<b>35 407</b>	<b>13 751</b>

#### 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
<b>Theoretical equity, including net book value of goodwill</b>	<b>431 819</b>	<b>403 960</b>
<b>Theoretical equity in % of balance sheet total, including net book value of goodwill</b>	<b>52.3</b>	<b>57.3</b>

## 17. Tangible fixed assets

Tangible fixed assets for 2018	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
<b>At purchase values</b>								
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
<b>Closing balance on 31.12.2018</b>	<b>5 766</b>	<b>337 216</b>	<b>690 585</b>	<b>329 367</b>	<b>6 176</b>	<b>10 591</b>	<b>9 437</b>	<b>1 389 138</b>
<b>Depreciation</b>								
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
<b>Closing balance on 31.12.2018</b>	<b>95</b>	<b>146 495</b>	<b>398 071</b>	<b>214 678</b>	<b>1 966</b>	<b>9 043</b>	<b>0</b>	<b>770 348</b>
<b>Impairments</b>								
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
<b>Closing balance on 31.12.2018</b>	<b>0</b>	<b>53 225</b>	<b>138 732</b>	<b>50 779</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>242 736</b>
Opening balance on 1.1.2018	5 700	133 173	153 447	63 634	2 152	1 824	24 121	384 051
<b>Closing balance on 31.12.2018</b>	<b>5 671</b>	<b>137 496</b>	<b>153 782</b>	<b>63 910</b>	<b>4 210</b>	<b>1 548</b>	<b>9 437</b>	<b>376 054</b>

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

The paper machines of Perlen Papier AG were assessed in detail in 2017 in terms of their current value. No impairment was deemed necessary.

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
<b>At purchase values</b>	
Opening balance on 1.1.2018	10 000
Investments	0
Disposals	0
Currency impact on movements	0
<b>Closing balance on 31.12.2018</b>	<b>10 000</b>
<b>At purchase values</b>	
Opening balance on 1.1.2017	10 000
Investments	0
Disposals	0
Currency impact on movements	0
<b>Closing balance on 31.12.2017</b>	<b>10 000</b>

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 insureds)

Employer contribution reserve (ECR) in CHF thousand	Nominal value	Appro- priation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
	31.12.2018	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
<b>Total</b>	<b>11 078</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11 078</b>	<b>10 993</b>	<b>-85</b>	<b>-109</b>

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

A pension scheme is considered to have a funding surplus if it has a fluctuation reserve amounting to at least 15% of its total 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	Funding surplus/ shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
		31.12.2018	31.12.2017			2018	2017
Pensions scheme expense in CHF thousand							
USA					448	448	509
<b>Pension schemes without funding surplus/shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>448</b>	<b>448</b>	<b>509</b>
USA	-1 270	-1 270	-564	706		706	-427
<b>Pension schemes with funding shortfall</b>	<b>-1 270</b>	<b>-1 270</b>	<b>-564</b>	<b>706</b>	<b>0</b>	<b>706</b>	<b>-427</b>
<b>Total</b>	<b>-1 270</b>	<b>-1 270</b>	<b>-564</b>	<b>706</b>	<b>448</b>	<b>1 154</b>	<b>82</b>

USA (108 insurees): In the USA the Group has one defined-contributions scheme and one defined-benefits scheme. Defined Contribution Plan 401 K is a purely contributions-based savings scheme that does not expose the company to any liability and has neither a surplus nor a shortfall. The defined-benefits scheme is the traditional form of pension scheme for all employees. The contributions are paid by the employer. The defined-benefits scheme currently has a funding shortfall of USD 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
<b>Total contributions</b>	<b>3 648</b>	<b>448</b>	<b>4 096</b>	<b>4 427</b>
+/- changes in ECR through asset return, value adjustments etc.	-85		-85	-109
<b>Contributions and changes in employer contribution reserves</b>	<b>3 563</b>	<b>448</b>	<b>4 011</b>	<b>4 318</b>
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
<b>Change in economic impact on company of funding surplus/shortfall</b>	<b>200</b>	<b>706</b>	<b>906</b>	<b>-3 167</b>
<b>Pension scheme expenses as part of personnel cost for the period</b>	<b>3 763</b>	<b>1 154</b>	<b>4 917</b>	<b>1 151</b>

### 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
<b>Total</b>	<b>69 746</b>	<b>69 529</b>

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
<b>Total</b>	<b>4 077</b>	<b>3 348</b>

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
<b>Total</b>	<b>20 001</b>	<b>17 163</b>

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 <sup>1)</sup>	120 000	0
– other	0	0
Towards related parties and companies	0	108
<b>Total</b>	<b>125 788</b>	<b>9 802</b>

<sup>1)</sup> 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
<b>Closing balance on 31.12.2017</b>	<b>4 872</b>	<b>683</b>	<b>0</b>	<b>5 555</b>
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
<b>Closing balance on 31.12.2018</b>	<b>637</b>	<b>567</b>	<b>0</b>	<b>1 204</b>

The restructuring provisions relate to the closure of the Uetikon site in 2016. They include provisions for the personnel affected, the closure and decommissioning of the production facilities, the rental back of the 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 <sup>1)</sup>				100 000			100 000
<b>Total</b>	<b>3 000</b>	<b>7 971</b>	<b>3 000</b>	<b>106 500</b>	<b>0</b>	<b>0</b>	<b>120 471</b>

<sup>1)</sup> 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 <sup>1)</sup>	120 000						120 000
<b>Total</b>	<b>123 000</b>	<b>3 000</b>	<b>6 803</b>	<b>3 000</b>	<b>6 500</b>	<b>1 170</b>	<b>143 473</b>

<sup>1)</sup> 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
<b>Short-term financial liabilities</b>						
Corporate bond	CHF		120 000	2.75	10.07.2019	
Bank loan	CHF		1 500	2.41	30.06.2019	<sup>1)</sup>
Bank loan	CHF		1 500	2.41	31.12.2019	<sup>1)</sup>
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	
<b>Total</b>			<b>125 788</b>			
<b>Long-term financial liabilities</b>						
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	<sup>1)</sup>
<b>Total</b>			<b>120 471</b>			
<b>Total financial liabilities</b>			<b>246 259</b>			

<sup>1)</sup> Repayment in steps; debt ratio max. 3.25 (until 30.6.2018), max. 3.0 (until 30.6.2019), max. 2.5 (from 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
<b>Short-term financial liabilities</b>						
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	<sup>1)</sup>
Current account credit	EUR	3 112	3 641	0.95	unlimited	
Current account credit	CHF		2 548	3.52	unlimited	
Current account credit	USD	1 000	975	6.16	unlimited	
Current account credit	CNY	2 900	434	5.44	unlimited	
Current account related party	CHF		108	1.00	unlimited	
<b>Total</b>			<b>9 802</b>			
<b>Long-term financial liabilities</b>						
Corporate bond	CHF		120 000	2.75	10.07.2019	
Industrial bond	USD	3 900	3 803	4.90	01.08.2021	
Bank loan	CHF		18 500	2.41	20.03.2023	<sup>1)</sup>
Bank loan	EUR	1 000	1 170	0.95	unlimited	
<b>Total</b>			<b>143 473</b>			
<b>Total financial liabilities</b>			<b>153 275</b>			

<sup>1)</sup> Repayment in steps; debt ratio max. 3.25 (until 30.6.2018), max. 3.0 (until 30.6.2019), max. 2.5 (from 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
<b>Closing balance on 31.12.2017</b>	<b>3 702</b>	<b>39 096</b>	<b>0</b>	<b>1 593</b>	<b>7 433</b>	<b>51 824</b>
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
<b>Closing balance on 31.12.2018</b>	<b>3 702</b>	<b>38 093</b>	<b>0</b>	<b>1 095</b>	<b>7 062</b>	<b>49 952</b>

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

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

The restructuring provisions 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
<b>Net assets acquired</b>	<b>-4 035</b>	<b>0</b>
Cash and cash equivalents	4	0
<b>Subtotal</b>	<b>-4 032</b>	<b>0</b>
Goodwill incl. direct attributable cost	-23 833	0
<b>Net cash flow</b>	<b>-27 864</b>	<b>0</b>

## 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		2018	2017
	Own	Related parties		
<b>Name</b>				
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
<b>Total</b>	<b>24 940</b>	<b>73 480</b>	<b>98 420</b>	<b>98 420</b>

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
<b>Total</b>	<b>910</b>	<b>910</b>



### 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
<b>Total</b>	<b>3 729 370</b>	<b>3 729 370</b>

### 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
<b>Total</b>	<b>639</b>	<b>437</b>

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
<b>Total liquid funds and financial receivables</b>	<b>189 369</b>	<b>80 204</b>
Corporate bonds	120 000	0
Short-term financial liabilities to banks	5 788	9 694
Short-term financial liabilities to others	0	108
<b>Total short-term financial liabilities</b>	<b>125 788</b>	<b>9 802</b>
Corporate bonds	100 000	120 000
Long-term financial liabilities to banks	20 471	23 473
<b>Total long-term financial liabilities</b>	<b>120 471</b>	<b>143 473</b>
<b>Net financial liabilities</b>	<b>56 890</b>	<b>73 071</b>
<b>Debt ratio (net financial liabilities/EBITDA)</b>	<b>0.7</b>	<b>2.2</b>

## 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

Instrument	2018				2017			
	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
<b>Total</b>	<b>152 604</b>	<b>3 258</b>	<b>70</b>	<b>Cash flow hedge</b>	<b>119 323</b>	<b>58</b>	<b>2 696</b>	<b>Cash flow hedge</b>

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

in CHF thousand	2018			2017		
	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.

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Overall Group materiality	CHF 5 300 000
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How we determined it	1% of net sales
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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.
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### 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  
Audit expert  
Auditor in charge



Josef Stadelmann  
Audit expert

Zurich, 14 February 2019

# Income statement

in CHF thousand	Note	2018	2017
<b>Net revenue from sale of goods and services</b>	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
<b>Earnings before interest and taxes (EBIT)</b>		<b>4 963</b>	<b>-261</b>
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
<b>Earnings before taxes and extraordinary items</b>		<b>13 099</b>	<b>7 178</b>
Extraordinary, non-recurring or prior-period income	2.8	0	0
Extraordinary, non-recurring or prior-period expense	2.8	0	0
<b>Earnings before taxes (EBT)</b>		<b>13 099</b>	<b>7 178</b>
Direct taxes		-10	-94
<b>Profit/Loss for the year</b>		<b>13 089</b>	<b>7 084</b>



# Balance sheet

in CHF thousand	Note	31.12.2018	31.12.2017
<b>Assets</b>			
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
<b>Total current assets</b>		<b>140 895</b>	<b>15 855</b>
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
<b>Total non-current assets</b>		<b>489 635</b>	<b>504 892</b>
<b>Total assets</b>		<b>630 530</b>	<b>520 747</b>
<b>Equity and liabilities</b>			
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
<b>Total short-term liabilities</b>		<b>123 192</b>	<b>2 639</b>
Long-term liabilities		110 750	130 750
– Corporate bonds	2.15	100 000	120 000
– Towards group member companies		10 750	10 750
<b>Total long-term liabilities</b>		<b>110 750</b>	<b>130 750</b>
<b>Total liabilities</b>		<b>233 942</b>	<b>133 389</b>
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
<b>Total equity</b>		<b>396 588</b>	<b>387 358</b>
<b>Total equity and liabilities</b>		<b>630 530</b>	<b>520 747</b>

# Additional information

## 1. Valuation principles used

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

### No cash flow statement or certain additional notes

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

### Financial assets and investments

Financial assets are stated at their nominal value less any value adjustments required. Investments are stated at their purchase price less any value adjustments required. Investments are valued individually, if they are material and are not usually grouped together 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
<b>Total</b>	<b>37 275</b>	<b>10 156</b>

## 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

Name and legal form	Domicile	Remarks	Currency	Holding in 2018		Holding in 2017	
				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 <sup>1)</sup>	Rüti ZH/CH		CHF	14 000	100 %	14 000	100 %
Zeowest AG <sup>1)</sup>	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. <sup>1)</sup>	Lianyungang/CN		CNY	90 000	92 %	90 000	80 %
Zeochem d.o.o. <sup>1)</sup>	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 <sup>1)</sup>	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 <sup>1)</sup>	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 %

<sup>1)</sup> 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, Rütli 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
<b>Appropriation of reserves available for distribution by resolution of the General Meeting</b>		
To legal retained earnings	0	0
Offsetting from voluntary retained earnings	0	8 371
Dividend to shareholders	-3 899	-3 899
Profit	13 089	7 084
Release from capital contribution reserve	3 899	3 899
<b>Earnings available at end of year</b>	<b>20 173</b>	<b>7 084</b>

## 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
<b>Balance of earnings to be carried forward</b>	<b>0</b>	<b>7 084</b>

### 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
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How we determined it	0.6% of total assets
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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.
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## 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 expert

Zurich, 14 February 2019