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Consolidated income statement

	Note	2019	2018
Net sales	1	524 657	533 543
Changes to semi-finished and finished inventories		9 330	6 991
Other operating income	2	5 600	6 549
Goods and services on own account		87	291
Total income		539 674	547 374
Cost of materials		260 248	269 819
Energy costs		52 537	55 283
Personnel cost	3	92 902	92 337
Outsourced maintenance/repairs		19 913	18 833
Other operating expense	4	26 080	27 981
Earnings before interest, taxes, depreciation and amortization (EBITDA)		87 994	83 121
Depreciation on tangible fixed assets	16	30 225	30 396
Depreciation on intangible assets	15	1 169	1 092
Earnings before interest and taxes (EBIT)		56 600	51 633
Financial income	5	491	710
Financial expense	6	6 138	6 686
Financial result		-5 647	-5 976
Earnings before taxes and non-operating/extraordinary items		50 953	45 657
Non-operating result	7	826	60
Extraordinary result	8	0	0
Earnings before taxes		51 779	45 717
Income taxes	9	3 326	3 437
Net result for the year		48 453	42 280
– attributable to shareholders of CPH Chemie + Papier Holding AG		48 341	42 293
– attributable to minorities		112	-13
in CHF	Note	2019	2018
Net result after minorities per share	31	8.06	7.05
Diluted net result per share	31	8.06	7.05

Consolidated balance sheet

		31.12.2019		31.12.2018	
	Note	in CHF thousand	in %	in CHF thousand	in %
Assets					
Liquid funds	10	93 096	13	89 018	11
Securities	10	25	0	29	0
Trade accounts receivable	11	72 395	10	72 052	9
Other receivables	12	13 979	2	13 065	
Prepaid expenses and accrued income		8 567	1	9 162	1
Inventories	13	78 543	11	69 649	9
Short-term financial receivables	14	36	0	100 322	13
Total current assets		266 641	38	353 297	44
Intangible assets	15	5 596	1	5 842	1
Tangible fixed assets	16	366 382	52	376 054	47
Long-term financial assets	17	10 000	1	10 000	1
Assets from employer contribution reserves	3/18	11 078	2	11 078	1
Pension scheme assets	3/18	11 350	2	11 406	1
Other long-term receivables	19	31 148	4	31 803	4
Prepaid taxes		463	0	989	0
Total fixed assets		436 017	62	447 172	56
Total assets		702 658	100	800 469	100
Equity and liabilities					
Trade accounts payable	20	66 253	9	69 746	9
Other payables	21	3 636	1	4 077	1
Accrued liabilities and deferred income	22	16 253	2	20 001	2
Short-term financial liabilities	23/25	5 889	1	5 788	1
Corporate bonds issued	23/25	0	0	120 000	15
Short-term provisions	24	3 822	1	1 204	0
Total current liabilities		95 853	14	220 816	28
Long-term financial liabilities	25	16 770	2	20 471	3
Corporate bonds issued	25	100 000	14	100 000	12
Pension scheme liabilities	3/18	678	0	1 270	0
Other long-term liabilities		600	0	816	0
Long-term provisions	26	47 468	7	49 952	6
Total long-term liabilities		165 516	23	172 509	21
Total liabilities		261 369	37	393 325	49
Share capital		12 000	2	12 000	1
Capital reserves		4 174	1	14 975	2
Treasury shares	32	-45	0	-84	0
Profit reserves		375 241	53	336 304	42
Net result for the year		48 341	7	42 293	5
Total equity excluding minorities		439 711	63	405 488	51
Minorities		1 578	0	1 656	0
Total equity including minorities		441 289	63	407 144	51
Total equity and liabilities		702 658	100	800 469	100

Consolidated cash flow statement

	Note	2019	2018 ¹⁾
Net result for the year (including minorities)		48 453	42 280
Depreciation on tangible and intangible assets	15/16	31 393	31 488
Impairments to inventories and replacement parts	13	396	240
Loss/(Profit) on fixed-asset sales		-801	-348
Change in employer contribution reserves, pension scheme assets/liabilities		-536	821
Book gains on securities		4	9
Increase in/(Release of) short-term provisions	24	3 115	30
Increase in/(Release of) long-term provisions	26	-2 027	-762
Use of provisions	24/26	-853	-5 382
Increase impairments to trade accounts receivable	11	292	428
Release of/(Increase in) prepaid taxes		507	157
Cash flow		79 943	68 961
Decrease/(Increase) in securities		0	0
Decrease/(Increase) in trade accounts receivable	11	-1 319	5 017
Decrease/(Increase) in other receivables and prepaid expenses		-583	-2 722
Decrease/(Increase) in inventories	13	-10 176	-8 568
Increase/(Decrease) in trade accounts payable	20	-2 823	-1 129
Increase/(Decrease) in other and accrued liabilities	21/22	-4 015	2 731
Decrease/(Increase) in net current assets		-18 916	-4 671
Cash flow from operating activities		61 027	64 290
Investments in tangible fixed assets	16	-21 888	-22 299
Disposals of tangible fixed assets	16	816	6 314
Investments in intangible assets	15	-971	-2 167
Investments in business activities	27	0	-27 864
Investments in financial and other long term receivables	14/19	0	-100 301
Disposal of financial and other long term receivables	14/19	100 942	1 539
Cash flow from investment activities		78 899	-144 778
Free cash flow		139 926	-80 488
Increase/(Decrease) in short-term financial liabilities	23	-3 393	-4 014
Issue/(Redemption) of corporate bonds	25	-120 000	100 000
Increase/(Decrease) in long-term financial liabilities	25	-1 111	-3 002
Increase/(Decrease) in other long-term liabilities		-214	497
Treasury share purchases/sales	32	36	41
Dividends to shareholders		-10 921	-3 899
Cash flow from financing activities		-135 603	89 623
Currency translation effects		-245	-262
Net change in cash and cash equivalents		4 078	8 873
Cash and cash equivalents at 1 January		89 018	80 145
Change		4 078	8 873
Cash and cash equivalents at 31 December		93 096	89 018

1) Restatement (see consolidated accounting principles)

Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Treasury shares	Goodwill	Retained earnings	Equity excluding minorities	Minorities	Equity including minorities
As at 31.12.2017	30 000	845	-96	-37 903	400 429	393 275	2 970	396 245
Dividends to shareholders		-3 899				-3 899		-3 899
Goodwill offset with equity				-23 833		-23 833		-23 833
Change in minorities						0	-1 176	-1 176
Nominal value reduction	-18 000	18 000				0		0
Net result for current year					42 293	42 293	-13	42 280
Treasury share purchases			-1 306			-1 306		-1 306
Treasury share sales		29	1 318			1 347		1 347
Impact of currency translation					-2 389	-2 389	-125	-2 514
As at 31.12.2018	12 000	14 975	-84	-61 736	440 333	405 488	1 656	407 144
Dividends to shareholders		-10 798				-10 798	-123	-10 921
Net result for current year					48 341	48 341	112	48 453
Treasury share purchases			-1 358			-1 358		-1 358
Treasury share sales		-3	1 397			1 394		1 394
Impact of currency translation					-3 356	-3 356	-67	-3 423
As at 31.12.2019	12 000	4 174	-45	-61 736	485 318	439 711	1 578	441 289

The statutory reserves of the holding company and its subsidiaries amounted to CHF 21.3 million on 31 December 2019 (prior year: CHF 46.6 million). Of this amount, CHF 9.3 million (prior year: CHF 14.6 million) cannot be distributed.

The company held 572 treasury shares on 31 December 2019 (prior year: 1 063). For further details see Note 32.

With no companies acquired in the period, no goodwill was offset against equity for 2019 (prior year: CHF 23.8 million). See also Notes 15 and 27.

Consolidated accounting principles

General remarks

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 2019, and the consolidated accounting principles below are also unchanged from the prior year, with the exception of the following:

In previous accounting years, cash flows from short-term and long-term financial investments and financial receivables and from other long-term receivables were shown as financing transactions. Following a corresponding adjustment, such transactions are now classified as investment transactions. For 2018 the change relates primarily to the presentation of the proceeds from the issue of a new corporate bond, which was invested in a fixed-term deposit until it was required to repay an earlier corporate bond on 10 July 2019. The new policy resulted in the restatement of the relevant 2018 positions.

Significant management estimates

For the compilation of the consolidated financial statements, estimates and assumptions must be made which may impact on the accounting principles to be used and on the amounts shown under assets, liabilities, income and expenditures and the presentation thereof.

Definitions

"Goodwill" is an intangible asset that arises when a company or part thereof is acquired.

In accordance with the Swiss GAAP ARRs, the cash flow statement shows as funds only cash and cash equivalents (excluding securities and fixed-term deposits of 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.

Alternative performance measures and indicators not defined in the Swiss GAAP ARRs

For the reader's benefit, CPH has added certain specific intermediate totals which can be deduced from the tables concerned. An overview of the alternative performance measures currently used by CPH is available for download under "Investors/Alternative performance measures" on the CPH website ([https://cph.ch/en/investors/Alternative performance measures](https://cph.ch/en/investors/Alternative%20performance%20measures)).

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 2019, please see Note 27 in the "Additional information on the consolidated financial statements" and the "List of major shareholdings" on Page 72.

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. In the event of the disposal of a foreign subsidiary, the associated translation differences to date are taken straight to the income statement.

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

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

	2019	2018
Balance sheets: year-end rates		
EUR	1.0870	1.1270
USD	0.9680	0.9860
CNY (CHF per 100 CNY)	13.9000	14.3600
HKD (CHF per 100 HKD)	12.4300	12.5900
BAM	0.5558	0.5762
BRL	0.2400	0.2540
Income statements/ cash flow statements: average rates		
EUR	1.1120	1.1550
USD	0.9940	0.9780
CNY (CHF per 100 CNY)	14.3900	14.8000
HKD (CHF per 100 HKD)	12.6800	12.4800
BAM	0.5686	0.5905
BRL	0.2520	0.2690

Capitalization and valuation principles

Liquid funds

Liquid funds consist of cash on hand, postal and bank account balances and fixed-term 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, movable 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 & installations	25–50 years
Plant and equipment	10–30 years
Movable property and vehicles	3–5 years

All depreciation is effected using the straight-line method.

Long-term financial assets

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

Long-term financial receivables

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

Assets from employer contribution reserves

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

Pension scheme assets

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

Asset impairments

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

Other long-term receivables

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

Trade accounts payable

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

Other payables

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

Accrued liabilities and deferred income

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

Short-term financial liabilities

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

(Short-term and long-term) provisions

Provisions are effected for likely liabilities arising from an event in the past (i.e. before the balance sheet date) whose extent and/or incurrence is uncertain but may be estimated. All provisions made are regularly reappraised (at least every year). Any release of provisions is effected via the same position through which the provision was originally effected. A distinction is made between short-term provisions (for liabilities likely to be incurred in up to one year) and long-term provisions (for liabilities likely to be incurred later than this). The changes in provisions are listed in the notes to the consolidated financial statements.

Long-term financial liabilities

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

Corporate bonds

Corporate bonds are shown at nominal value.

Pension scheme liabilities

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

Other long-term liabilities

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

Leases

Finance lease agreements are shown in tangible fixed assets and other financial liabilities if the associated risks and benefits are largely transferred to the CPH group member company concerned upon the lease's signing. Investment properties are shown at the lower of the cash value of the minimum leasing instalments or the current market value. The corresponding finance lease obligations are shown under

liabilities. Leasing instalments are divided into interest expense and repayment amounts using the Annuity Method. The item leased is depreciated over the shorter of its estimated service life or the lease's duration. Operating lease payments are taken to the income statement as other operating expense over the lease's duration.

Derivative financial instruments

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

Treasury shares

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. If they are later 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 fuel 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

Research costs are taken straight to the income statement. Development costs are only capitalized if a future economic benefit can be demonstrated. If not, these are also 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	2019	%	2018	%
Switzerland	74 494	14	72 842	14
Europe (excluding Switzerland)	322 071	62	341 325	64
The Americas	69 482	13	66 858	12
Asia	53 403	10	46 897	9
Rest of the world	5 207	1	5 621	1
Total	524 657	100	533 543	100

Total net sales were 1.7% (CHF 8.9 million) below their prior-year level, and 0.5% (CHF 2.5 million) down based on prior-year currency exchange rates and excluding acquisitions. The impact of currency movements amounted to –1.3% (CHF –6.8 million), while the impact of acquisitions/disposals amounted to 0.1% (CHF 0.4 million). Average Swiss-franc currency exchange rates were down 3.7% against the euro and up 1.6% against the US dollar.

1.2 Income statement by division

2019 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	78 212	293 236	153 209		524 657
EBITDA	9 491	54 511	23 746	246	87 994
in % of net sales	12.1	18.6	15.5		16.8
EBIT	4 403	34 724	17 263	210	56 600
in % of net sales	5.6	11.8	11.3		10.8

2018 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	79 422	301 133	152 988		533 543
EBITDA	10 714	50 856	21 568	–17	83 121
in % of net sales	13.5	16.9	14.1		15.6
EBIT	6 126	30 142	15 418	–53	51 633
in % of net sales	7.7	10.0	10.1		9.7

2. Other operating income

in CHF thousand	2019	2018
Energy sales	3 198	3 557
Rental income from business premises	498	485
Income from production waste	744	991
Miscellaneous	1 160	1 516
Total	5 600	6 549

Other operating income was CHF 0.9 million below its prior-year level, owing to lower energy sales in the Paper Division and the absence of the non-recurring income earned in 2018 through the closure of the Uetikon site.

3. Personnel cost

in CHF thousand	2019	2018
Salaries and wages	77 037	75 167
Pension scheme contributions and other social security costs	13 635	14 410
Other personnel costs	2 230	2 760
Total	92 902	92 337

Personnel cost rose 0.6% (CHF 0.6 million). The increase is due to the further expansion of activities in the Chemistry and Packaging divisions. In addition to the contributions to state social security institutions, "Pension scheme contributions and other social security costs" also includes the contributions to company pension schemes described in Note 18.

4. Other operating expense

The CHF 26.1 million of other operating expense (prior year: CHF 28.0 million) includes sales and administrative costs and further operating expenses. Other operating expense was 6.8% below its prior-year level thanks to active cost management in all three divisions.

5. Financial income

in CHF thousand	2019	2018
Interest income	42	42
Other financial income	424	642
– currency exchange rate gains	399	631
– further financial income	25	11
Income from securities	25	26
Total	491	710

Financial income was CHF 0.2 million below its prior-year level, owing to lower exchange rate gains on amounts held in foreign currencies.

6. Financial expense

in CHF thousand	2019	2018
Interest expense	4 648	4 769
– interest paid	6 202	4 332
– changes in deferred interest due	–1 554	437
Other financial expense	1 486	1 903
– currency exchange rate losses	1 160	1 094
– further financial expense	326	809
Expenditure on securities	4	14
Total	6 138	6 686

Financial expense was CHF 0.5 million below its prior-year level owing to lower further financial expense (which in 2018 had included the cost of issuing the new corporate bond).

7. Non-operating result

The non-operating income of CHF 1.4 million (prior year: CHF 0.5 million) includes rental income and sale proceeds from non-operating real estate in Buchrain (CHF 0.8 million; prior year CHF 0.3 million) and Full-Reuenthal (CHF 0.6 million; prior year CHF 0.0 million). The non-operating expense of CHF 0.6 million (prior year: CHF 0.4 million) consists of expenditure relating to the sale and management of non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal.

8. Extraordinary result

There was no extraordinary income or extraordinary expense in the 2019 financial year or the prior year.

9. Income taxes

in CHF thousand	2019	2018
Current income taxes	3 124	3 944
Deferred taxes	202	-507
Total	3 326	3 437

Despite a CHF 6.1 million year-on-year increase in earnings before taxes, income tax expense for 2019 was CHF 0.1 million below its prior-year level, as a result of the carry-forward of losses from previous years and changes in the profit situation at various group member companies. Tax rates vary between 10% and 34% (prior year: between 5% and 43%) depending on the country and the location.

Income taxes for 2019	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		50 953
Weighted average tax rate expected/estimated tax expense	14.2	7 253
Non-operating and extraordinary result		826
Weighted average tax rate expected/estimated tax expense	12.6	104
Earnings before taxes		51 779
Weighted average tax rate expected/estimated tax expense	14.2	7 357
Impact of losses carried forward not recognized in current year in tax terms		18
Impact of losses carried forward not previously recognized in tax terms		-4 500
Taxes paid in prior years		-35
Other effects		487
Tax rate/tax expense as per income statement	6.4	3 326

The Group's expected income tax rate for 2019 amounts to 14.2% (prior year: 14.9%). 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 changed tax rates at the various group member 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. Uncapitalized losses carried forward amount to CHF 199.5 million (prior year: CHF 186.0 million), with a potential tax impact of CHF 11.8 million (prior year: CHF 14.7 million), paying due regard to the multi-year plan and the provisions of and possibilities under the relevant national tax laws. None of these losses carried forward are of indefinite duration, and CHF 108.0 million thereof will expire within a year.

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

10. Liquid funds and securities

Despite a reduction in financial liabilities, liquid funds were increased from CHF 89.0 million to CHF 93.1 million thanks to the positive business development in 2019.

11. Trade accounts receivable

in CHF thousand	2019	2018
Receivables from third parties	81 865	81 247
Receivables from associates	0	0
Provisions for doubtful debts	-9 470	-9 195
– individual adjustments	-9 469	-9 189
– blanket adjustments	-1	-6
Total	72 395	72 052

Individual adjustments were effected to certain doubtful receivables. The individual adjustments for 2019 were not substantially different from their prior-year levels. Such adjustments were increased slightly for the Chemistry Division.

12. Other receivables

Other receivables were CHF 0.9 million above their prior-year level. The increase is attributable largely to sales of real estate and infrastructural development (see Note 7).

13. Inventories

13.1 Inventories by division

in CHF thousand	2019	2018
Chemistry	30 331	25 383
Paper	29 821	25 805
Packaging	18 391	18 461
Total	78 543	69 649

13.2 Inventories by type

in CHF thousand	2019	2018
Raw materials	15 460	16 146
Auxiliary and operating materials	14 888	14 286
Finished and semi-finished products	47 407	38 126
Goods for resale	788	1 091
Total	78 543	69 649

Inventories were subjected to an overall impairment of CHF 2.8 million (prior year: CHF 2.5 million). Inventory levels of finished and semi-finished products rose in 2019 in the Chemistry and Paper divisions, owing to more modest demand in the second half of the year.

14. Short-term financial receivables

Short-term financial receivables for 2018 contained the funds generated from the CHF 100.0 million corporate bond issue of 12 October 2018, which were used to repay the CHF 120.0 million CPH 2014-2019 corporate bond. The amount was invested in a fixed-term deposit which matured on 9 July 2019.

15. Intangible assets

Intangible assets in 2019	Software, licences and patents	Other intangible assets	Total intangible assets
in CHF thousand			
At purchase values			
Opening balance on 1.1.2019	14 968	1 202	16 170
Currency impact on opening balance	-94	-29	-123
Additions	971		971
Disposals/reclassifications	-71		-71
Currency impact on movements	-5		-5
Closing balance on 31.12.2019	15 769	1 173	16 942
Depreciation			
Opening balance on 1.1.2019	9 915	413	10 328
Currency impact on opening balance	-71	-4	-75
Depreciation for the period	1 144	25	1 169
Disposals/reclassifications	-71		-71
Currency impact on movements	-5		-5
Closing balance on 31.12.2019	10 912	434	11 346
Book value on 1.1.2019	5 053	789	5 842
Book value on 31.12.2019	4 857	739	5 596

The additions position reflects major investments in new ERP systems (software) for the Paper and Packaging divisions.

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

The goodwill deriving from the acquisitions of business activities was offset directly against equity (see Note 27).

The additions position reflects major investments in a new ERP system (software) for 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	2019	2018
At purchase values		
Opening balance on 1.1.	61 736	37 903
Additions	0	23 833
Closing balance on 31.12.	61 736	61 736
Depreciation		
Opening balance on 1.1.	37 061	30 188
Depreciation for the period	7 203	6 873
Closing balance on 31.12.	44 264	37 061
Net book value of goodwill on 1.1.	24 675	7 715
Net book value of goodwill on 31.12.	17 472	24 675

Impact of goodwill on the income statement

in CHF thousand	2019	2018
Earnings before interest and taxes (EBIT)	56 600	51 633
EBIT margin in % of net sales	10.8	9.7
Depreciation of goodwill	-7 203	-6 873
Theoretical earnings before interest and taxes (EBIT), including depreciation of goodwill	49 397	44 760
Theoretical EBIT in % of net sales	9.4	8.4
Net result for the year	48 453	42 280
Depreciation of goodwill	-7 203	-6 873
Theoretical net result, including depreciation of goodwill	41 250	35 407

Impact of goodwill on the balance sheet

in CHF thousand	2019	2018
Equity as per balance sheet	441 289	407 144
Equity in % of balance sheet total	62.8	50.9
Theoretical capitalization of net book value of goodwill	17 472	24 675
Theoretical equity, including net book value of goodwill	458 761	431 819
Theoretical equity in % of balance sheet total, including net book value of goodwill	63.7	52.3

16. Tangible fixed assets

Tangible fixed assets for 2019	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2019	5 766	337 216	690 585	329 367	6 176	10 591	9 437	1 389 138
Currency impact on opening balance	-16	-1 576	-2 760	-317	-41	-18	-113	-4 841
Investments		401	6 104	2 469		1 471	12 456	22 901
Disposals	-7	-4	-1 337	-2 141	-2	-779		-4 270
Reclassifications		830	3 082	562	1 157	49	-5 680	0
Currency impact on movements		-43	-89	4		1	-25	-152
Closing balance on 31.12.2019	5 743	336 824	695 585	329 944	7 290	11 315	16 075	1 402 776
Depreciation								
Opening balance on 1.1.2019	95	146 495	398 071	214 678	1 966	9 043	0	770 348
Currency impact on opening balance	-3	-427	-1 820	-189	-39	-11		-2 489
Depreciation for the period	10	5 249	17 622	6 314	474	556		30 225
Disposals		-4	-1 337	-2 141	-2	-772		-4 256
Reclassifications								0
Currency impact on movements	0	-39	-137	8	-2			-170
Closing balance on 31.12.2019	102	151 274	412 399	218 670	2 397	8 816	0	793 658
Impairments								
Opening balance on 1.1.2019	0	53 225	138 732	50 779	0	0	0	242 736
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals								0
Reclassifications								0
Closing balance on 31.12.2019	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2019	5 671	137 496	153 782	63 910	4 210	1 548	9 437	376 054
Closing balance on 31.12.2019	5 641	132 325	144 454	60 495	4 893	2 499	16 075	366 382

Tangible fixed assets for 2019 include a net book value of CHF 0.8 million for leased assets (vehicles) capitalized through finance leases maturing between 2021 and 2023. Leasing liabilities amount to CHF 0.9 million, of which CHF 0.4 million are short-term. There were no major finance lease agreements in 2018.

There were no indications as of 31 December 2019 that any impairment may be necessary on any production facilities.

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								
At purchase values								
Opening balance on 1.1.2018	5 789	327 817	768 895	329 729	4 005	11 150	24 332	1 471 717
Currency impact on opening balance	-21	-979	-1 435	-247	8	-8	-298	-2 980
Change in consolidated companies		1 698	161	65			720	2 644
Investments		1 816	6 190	6 220	2 166	363	5 544	22 299
Disposals	-2	-72	-95 922	-7 030	-3	-905	-211	-104 145
Reclassifications		7 311	12 816	643		-12	-20 758	0
Currency impact on movements		-375	-120	-13		3	108	-397
Closing balance on 31.12.2018	5 766	337 216	690 585	329 367	6 176	10 591	9 437	1 389 138
Depreciation								
Opening balance on 1.1.2018	89	141 419	469 421	215 373	1 853	9 326	0	837 481
Currency impact on opening balance	-4	-128	-787	-124	8	-1		-1 036
Depreciation for the period	10	5 297	18 155	6 370	109	455		30 396
Disposals		-72	-88 618	-6 928	-4	-737		-96 359
Reclassifications								0
Currency impact on movements		-21	-100	-13				-134
Closing balance on 31.12.2018	95	146 495	398 071	214 678	1 966	9 043	0	770 348
Impairments								
Opening balance on 1.1.2018	0	53 225	146 027	50 722	0	0	211	250 185
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals			-7 295	57			-211	-7 449
Reclassifications								0
Closing balance on 31.12.2018	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2018	5 700	133 173	153 447	63 634	2 152	1 824	24 121	384 051
Closing balance on 31.12.2018	5 671	137 496	153 782	63 910	4 210	1 548	9 437	376 054

The "Change in consolidated companies" line shows the impact of acquisitions of business activities (see Note 27 and the "List of major shareholdings" on Page 72). The paper machines of Perlen Papier AG were assessed in detail in 2018 in terms of their current value. No impairment was deemed necessary. Major individual investments totalling CHF 6.5 million were made in 2018 in establishing and developing the Chemistry Division's new Rüti (Switzerland) site.

17. Long-term financial assets

in CHF thousand	Long-term financial assets
At purchase values	
Opening balance on 1.1.2019	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2019	10 000
At purchase values	
Opening balance on 1.1.2018	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2018	10 000

As in 2018, 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 to the Perlen paper factory.

18. Assets from employer contribution reserves and pension schemes

18.1 Pension schemes in Switzerland (551 working insureds)

Employer contribution reserve (ECR)	Nominal value	Appropriation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
in CHF thousand	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	2019	2018
Pension schemes	11 078				11 078	11 078	0	-85
Total	11 078	0	0	0	11 078	11 078	0	-85

Economic benefit/economic obligation and pension scheme expense	Funding surplus/shortfall as per Swiss GAAP ARR 26	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
in CHF thousand	31.12.2019	31.12.2019	31.12.2018	31.12.2019	31.12.2019	2019	2018
CPH Group Pension Scheme					3 699	3 699	3 167
APV Uetikon (until 31.12.2018)							247
CU Chemie Uetikon AG Pension Scheme (until 31.12.2018)							234
Pension schemes without funding surplus/shortfall	0	0	0	0	3 699	3 699	3 648
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	645						
Perlen Group Assistance Fund	11 350	11 350	11 406	56	0	56	200
Employer's funds	11 995	11 350	11 406	56	0	56	200
Total	11 995	11 350	11 406	56	3 699	3 755	3 848

Under the corresponding investment regulations, a pension scheme is considered to have a funding surplus if it has a fluctuation reserve amounting to 15% or more of its total asset investments.

The APV Uetikon pension schemes and the CU Chemie Uetikon AG pension scheme were integrated into the CPH Group Pension Scheme with effect from 1 January 2019. This is a defined-contributions pension scheme offering old-age, death and disability benefits. Employer's contributions are strictly defined in the scheme's regulations and deed of trust. The companies concerned do not bear any primary risk, i.e. the insurance and investment risks are borne primarily by the pension scheme itself. Actuarial recalculations are regularly conducted.

The latest static recalculation of actuarial capital was performed on 31 December 2018, based on an actuarial interest rate of 2.0%, the actuarial foundations of the BVG 2015 Generation Table and a conversion factor of 5.8%. Actuarial capital has since been further developed in line with insuree numbers effective 31 December 2019. With the exception of the employer contribution reserve of CHF 11.1 million (prior year: CHF 11.1 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 116% as of 31 December 2019 (prior-year actual average funding ratio: 106%).

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 0.8 million on 31 December 2019 (prior year: CHF 3.5 million). The reduction is due to a one-off deposit into the CPH Group Pension Scheme as part of its assimilation of the APV Uetikon and CU Chemie Uetikon AG schemes.

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 2019 (prior year: CHF 0.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 13.5 million on 31 December 2019 (prior year: CHF 13.6 million).

As for 2018, economic interest was calculated based on freely disposable trust capital excluding fluctuation reserves.

18.2 Pension schemes outside Switzerland

Economic benefit/ economic obligation	Funding surplus/ shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
Pensions scheme expense in CHF thousand	31.12.2019	31.12.2019	31.12.2018	31.12.2019	31.12.2019	2019	2018
USA					492	492	448
Pension schemes without funding surplus/shortfall	0	0	0	0	492	492	448
USA	-678	-678	-1 270	-592		-592	706
Pension schemes with funding shortfall	-678	-678	-1 270	-592	0	-592	706
Total	-678	-678	-1 270	-592	492	-100	1 154

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 700 000 (prior year: USD 1 288 000). The calculations were made using the Current Liability Method, under which no regard is paid to future salary increases or expected returns on investment. The defined-benefits scheme was frozen on 1 January 2016. As a result, there will be no further increases in pension obligations to beneficiaries and no further admissions to the scheme.

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

18.3 Breakdown of pension scheme costs

in CHF thousand	In Switzerland	Outside Switzerland	2019	2018
Pension scheme contributions from employer	3 699	492	4 191	4 096
Total contributions	3 699	492	4 191	4 096
+/- changes in ECR through asset return, value adjustments etc.	0		0	-85
Contributions and changes in employer contribution reserves	3 699	492	4 191	4 011
Decrease/Increase in company's economic benefit from funding surplus	56		56	200
Decrease/Increase in company's economic obligation towards funding shortfall		-592	-592	706
Change in economic impact on company of funding surplus/shortfall	56	-592	-536	906
Pension scheme expenses as part of personnel cost for the period	3 755	-100	3 655	4 917

19. Other long-term receivables

Other long-term receivables consist mainly of a CHF 31.1 million (prior year: CHF 31.7 million) remaining receivable from Canton Zurich in connection with the sale in 2016 of the Uetikon operating site and the cost of cleaning up the adjacent lake bed (a total of CHF 32.0 million was originally retained in this regard from the sale proceeds of CHF 52.0 million). For further information see also Notes 24 and 26 on short-term and long-term provisions.

20. Trade accounts payable

in CHF thousand	2019	2018
To third parties	66 216	69 711
To related parties and companies	37	35
Total	66 253	69 746

Trade accounts payable for 2019 were down CHF 3.5 million from their prior-year level, as a result of lower demand towards year-end.

21. Other payables

in CHF thousand	2019	2018
To third parties	3 636	4 075
To related parties and companies	0	2
Total	3 636	4 077

The decrease in this item is due to a high prepayment by a Chemistry Division client in 2018.

22. Accrued liabilities and deferred income

in CHF thousand	2019	2018
Accrued interest expense	497	2 053
Income tax owed	925	2 654
Accrued personnel expenses	5 290	5 684
Other accrued liabilities and deferred income	9 541	9 610
Total	16 253	20 001

The CHF 3.7 million decrease in accrued liabilities and deferred income in 2019 is attributable primarily to lower accrued interest expense (which was down CHF 1.6 million) and lower income tax owed (which was down CHF 1.7 million). Interest expense was accrued for two corporate bonds in 2018.

23. Short-term financial liabilities

in CHF thousand	2019	2018
Towards third parties	5 889	125 788
– towards banks	5 532	5 788
– towards holders of corporate bond ¹⁾	0	120 000
– Financial leasing liabilities	357	0
Total	5 889	125 788

¹⁾ unsecured bond, SIX Swiss Exchange “CPH14”, issued 10.7.2014, repayment 10.7.2019

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

24. Short-term provisions

in CHF thousand	Environmental protection measures	Restructuring provisions	Guarantee obligations	Other provisions	Total short-term provisions
Opening balance on 1.1.2018	0	4 872	683	0	5 555
Currency impact on opening balance			–3		–3
Additions			123		123
Use		–4 235	–144		–4 379
Releases/reclassification			–93		–93
Currency impact on movements			1		1
Closing balance on 31.12.2018	0	637	567	0	1 204
Opening balance on 1.1.2019	0	637	567	0	1 204
Currency impact on opening balance			–2		–2
Additions		184	350		534
Use		–344	–151		–495
Releases/reclassification	2 579		2		2 581
Currency impact on movements					0
Closing balance on 31.12.2019	2 579	477	766	0	3 822

The environmental protection measures relate to a waste disposal site for which concrete clean-up plans have been approved. The clean-up will be conducted in 2020. The restructuring provisions relate to the closure of the Uetikon site in 2016. The guarantee obligations stem from the Paper and Packaging divisions, and relate to any claims or entitlements arising from customer complaints.

25. Long-term financial liabilities

2019 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2019
Long-term bank loans	6 775	3 000	6 500				16 275
Corporate bond ¹⁾			100 000				100 000
Financial leasing liabilities	249	164	82				495
Total	7 024	3 164	106 582	0	0	0	116 770

¹⁾ unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

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

¹⁾ unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

Financial liabilities for 2019

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan	CHF		1 500	2.41	30.06.2020	¹⁾
Bank loan	CHF		1 500	2.41	31.12.2020	¹⁾
Current account credit	CHF		1 796	3.90	unlimited	
Current account credit	USD	750	726	6.76	unlimited	
Current account credit	BRL	43	10	–	unlimited	
Financial leasing liabilities	CHF		357	–	various	
Total			5 889			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Industrial bond	USD	3 900	3 775	6.10	01.08.2021	
Bank loan	CHF		12 500	2.41	20.03.2023	¹⁾
Financial leasing liabilities	CHF		495	–	various	
Total			116 770			
Total financial liabilities			122 659			

¹⁾ Repayment in steps; debt ratio 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 31.12.2019.

The CPH Group also has an additional CHF 40 million credit facility with Swiss banks.

Financial liabilities for 2018

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

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

26. Long-term provisions

in CHF thousand	Major repairs and renovations	Environmental protection measures	Other provisions	Deferred tax liabilities	Total long-term provisions
Opening balance on 1.1.2018	3 702	39 096	1 593	7 433	51 824
Currency impact on opening balance			-13	-103	-116
Additions			18	808	826
Use		-1 003			-1 003
Releases/reclassification			-507	-1 081	-1 588
Currency impact on movements			4	5	9
Closing balance on 31.12.2018	3 702	38 093	1 095	7 062	49 952
Opening balance on 1.1.2019	3 702	38 093	1 095	7 062	49 952
Currency impact on opening balance			-8	-88	-96
Additions			865	310	1 175
Use		-358			-358
Releases/reclassification		-2 579	-8	-615	-3 202
Currency impact on movements			-1	-2	-3
Closing balance on 31.12.2019	3 702	35 156	1 943	6 667	47 468

The provisions for major repairs and renovations relate to the work required on the Perlen weir. The corresponding project was approved by Canton Lucerne in 2019, enabling the work to be performed in the next few years.

Environmental risks arise as a result of the Group's business activities. In connection with the CHF 52.0 million 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% of these costs is being met by Canton Zurich. A pilot project and inspections have been conducted for the lake bed clean-up since the site's sale was concluded. A tender invitation for the clean-up work was issued in 2019, and a study was also commissioned on the options available. Additional findings on the clean-up options and the associated costs are awaited in the course of 2020. The corresponding provisions amounted to CHF 31.4 million at the end of 2019 (prior year: CHF 31.7 million). The use of these provisions since their creation in 2016 has been largely for the external consultancy and inspection services required.

The further provisions for environmental protection measures relate to future waste disposal site running cost obligations and a possible transfer to the Canton Zurich Waste Disposal Site Aftercare Fund.

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

All provision amounts expected to be paid in the following year are reclassified as short-term provisions (see Note 24).

27. Purchase of business activities and minority shareholdings

The CPH Group acquired no business activities in 2019.

The CPH Group acquired the following business activities in 2018:

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

in CHF thousand	2019	2018
Current assets	0	-3 477
Fixed assets	0	-2 972
Current liabilities	0	3 347
Long-term liabilities	0	243
Minority interests from investments in business activities	0	427
Minority interests from investments in minority shareholdings	0	-1 603
Net assets acquired	0	-4 035
Cash and cash equivalents	0	4
Subtotal	0	-4 032
Goodwill incl. direct attributable cost	0	-23 833
Net cash flow	0	-27 864

28. Additional corporate governance information

28.1 Capital structure

	2019	2018
Share capital in CHF thousand	12 000	12 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	2	2
Market capitalization in CHF thousand	475 200	495 000

The registered shares of CPH Chemie+Papier Holding AG are listed on the SIX Swiss Exchange in the Swiss Reporting Standard segment. The company's share capital amounts to CHF 12.0 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 2.00 each.

28.2 Transactions with related parties and companies

All balances and business transactions between companies within the scope of consolidation were eliminated during consolidation and are not shown here. As in the previous year, all transactions with related parties and companies in 2019 were conducted at market rates. The following transactions were effected for services rendered with companies associated with the CPH Group and its Board members:

in CHF thousand	2019	2018
Weber Schaub & Partner (Peter Schaub)	66	64
Niederer Kraft Frey AG (Manuel Werder)	66	28
UBV Immobilien Treuhand AG, Uetikon	19	9
UBV Immobilien Treuhand Perlen AG, Root	145	120
Total transactions	296	221
Total open liabilities at year-end	26	32

As in the previous year, no loans or credits were granted to related parties in 2019.

28.2.1 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	2019		2019	2018
	Own	Related parties		
Peter Schaub	0	400	400	1 400
Tim Talaat	9 140	43 076	52 216	39 400
Manuel Werder	7 200	42 820	50 020	57 220
Christian Wipf	400	0	400	400
Total	16 740	86 296	103 036	98 420

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

Name	2019	2018
Peter Schildknecht	200	200
Wolfgang Grimm	60	60
Richard Unterhuber	250	250
Alois Waldburg-Zeil	400	400
Total	910	910

28.2.2 Significant shareholders and numbers of shares held

Name	2019	2018
J. Safra Sarasin Investmentfonds AG	300 250	300 250
Ella Schnorf-Schmid	429 320	429 320
Uetikon Industrieholding AG	2 999 800	2 999 800
Total	3 729 370	3 729 370

29. Net financial liabilities

in CHF thousand	2019	2018
Liquid funds and securities	93 121	89 047
Short-term financial receivables	36	100 322
Total liquid funds and financial receivables	93 157	189 369
Corporate bonds	0	120 000
Short-term financial liabilities to banks	5 532	5 788
Short-term financial liabilities to others/financial leasing	357	0
Total short-term financial liabilities	5 889	125 788
Corporate bonds	100 000	100 000
Long-term financial liabilities to banks	16 275	20 471
Long-term financial liabilities to others/financial leasing	495	0
Total long-term financial liabilities	116 770	120 471
Net financial liabilities	29 502	56 890
EBITDA	87 994	83 121
Debt ratio (net financial liabilities/EBITDA)	0.3	0.7

30. Contingent liabilities and off-balance-sheet business

30.1 Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2019.

30.2 Pledged assets

Real estate of Jiangsu Zeechem Technology Co. Ltd. with a book value of CHF 2.4 million (prior year: CHF 2.5 million) was subject to a CHF 2.4 million (prior year: CHF 2.5 million) lien as of 31 December 2019. Real estate in Müllheim, Germany, with a book value of CHF 10.0 million had been subject to a CHF 6.4 million lien as of 31 December 2018. The lien was cancelled following a loan return in the course of 2019.

30.3 Other off-balance-sheet obligations

Operating lease agreements with notice periods of more than one year amounted to CHF 1.0 million (prior year: CHF 0.5 million), and relate mainly to vehicle leases. They show the following maturities:

in CHF thousand	2019	2018
Below 1 year	405	163
1 to 5 years	615	350
Above 5 years	0	0
Total	1 020	513

Off-balance-sheet obligations relating to rental agreements amounted to CHF 4.7 million (prior year: CHF 2.8 million), and relate largely to rental agreements in Rüti (Switzerland), Utzenstorf (Switzerland) and Whippany (USA). They show the following maturities:

in CHF thousand	2019	2018
Below 1 year	926	350
1 to 5 years	3 211	1 402
Above 5 years	550	1 052
Total	4 687	2 804

Purchase obligations for the acquisition of tangible fixed assets and intangible assets totalled CHF 5.1 million as of 31 December 2019.

30.4 Derivative financial instruments and foreign-currency hedges

As in the prior year, no derivative financial instruments subject to balance sheet reporting were held as of 31 December 2019.

Open foreign-currency hedges as of 31 December 2019

in CHF thousand					2019				2018			
Instrument	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Forward foreign-exchange contracts EUR	115 027	2 535	54	Cash flow hedge	138 850	3 119	29	Cash flow hedge				
Forward foreign-exchange contracts USD	15 321	175	7	Cash flow hedge	13 754	139	41	Cash flow hedge				
Total	130 348	2 710	61	Cash flow hedge	152 604	3 258	70	Cash flow hedge				

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

31. 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 816 treasury shares in 2019 (prior year: 1 414). Since no authorized or conditional capital is currently outstanding, diluted net result per share is identical to the net result per share amount.

	2019	2018
Net result as per consolidated income statement (in CHF thousand) after minorities	48 341	42 293
Weighted average number of shares entitled to dividend	5 999 184	5 998 586
Net result per share (in CHF)	8.06	7.05

32. Treasury shares

in CHF thousand				2019			2018		
	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	1 063	79.08	84	1 766	54.37	96			
Purchased	16 584	81.91	1 358	17 051	76.61	1 306			
Sold	17 075	81.67	-1 394	17 754	75.85	-1 347			
Profit/loss			-3			29			
Closing balance on 31.12.	572	79.20	45	1 063	79.08	84			

The company held 572 treasury shares at the end of 2019 (prior year: 1 063 shares).

A total of 16 584 treasury shares were purchased on the SIX Swiss Exchange in the course of 2019 (prior year: 17 051 shares) at an average purchase price of CHF 81.91 (prior year: CHF 76.61) per share. A total of 17 075 treasury shares were sold via the SIX Swiss Exchange in the course of 2019 (prior year: 17 754 shares) at an average sale price of CHF 81.67 (prior year: CHF 75.85) per share.

33. Subsequent events

No further events occurred between 31 December 2019 and 14 February 2020 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 2020. 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:

Zeochem AG	Rüti ZH/CH	CHF	1 000	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 Packaging AG	Root/CH	CHF	24 000	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	13 000	100	F
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	BRL	2 464	60	F

Consolidation method:

F = fully consolidated

Changes in the scope of consolidation for 2019:

- Perlen Packaging (Hong Kong) Ltd., Hong Kong/HK was liquidated on 23 April 2019.
- Zeochem AG, Rüti ZH/CH was merged with Zeowest AG, Rüti ZH/CH on 23 June 2019 with retroactive effect to 1 January 2019. Zeowest AG, Rüti ZH/CH was subsequently renamed Zeochem AG, Rüti ZH/CH.

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.

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 2019, consolidated balance sheet as at 31 December 2019, 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 46 to 72) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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 5 250 000

We concluded full scope audit work at seven reporting units in four countries. For one additional company, specific financial statement line items were tested. Our audit scope addressed 77% of the net sales and 90% of the total assets of the Group.

Additionally, we concluded reviews at a further three Group companies in three countries, which addressed an additional 20% of the net sales and 8% of the assets of the Group.

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

Assessment of the adequacy of the provisions for environmental measures

Materiality

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

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

Overall Group materiality	CHF 5 250 000
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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 from the PwC network and from a third party. 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 selected 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.

Assessment of the adequacy of the provisions for environmental measures

Key audit matter

As at the balance sheet date, short-term and long-term provisions for environmental measures amounting to CHF 37.7 million have been recognised in connection with the closure and disposal of the production site at Uetikon and the obligation to decontaminate and absorb the costs of various landfills and properties.

In view of the magnitude and the significant estimates of future costs for the environmental measures, we consider the completeness and accuracy of these provisions as a key audit matter.

Information regarding the provisions for environmental measures can be found in notes 24 and 26 of the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures:

- Discussions with Management and the Finance and Audit Committee.
- Review and assessment of Management memoranda and file notes concerning the amount of provisions recognised.
- Sample-based testing of the calculations of and the assumptions relating to the cost estimates of the environmental measures.
- Inspection of the proposals supporting the calculations and of the correspondence and minutes of the joint working group set up with the environmental authority of the Canton of Zurich.
- Assessment of whether the disclosure of the provisions complies with the requirements of Swiss GAAP FER.

The evidence we obtained from our audit supports the provisions for environmental measures recognised as at the balance sheet date and the related disclosures.

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 2020

Income statement

in CHF thousand	Note	2019	2018
Net revenue from sale of goods and services	2.1	5 041	5 500
Other income		342	344
Personnel expense		–3 159	–3 313
Other operating expense		–1 959	–2 469
Additions/Releases of impairment losses on non-current assets	2.2	40 000	4 901
Earnings before interest and taxes (EBIT)		40 265	4 963
Financial income		16 737	12 610
– Income from investments	2.3	11 443	6 731
– Interest income	2.4	5 244	5 695
– Book gains on securities held		0	2
– Other financial income	2.5	50	182
Financial expense		–4 444	–4 474
– Interest expense	2.6	–3 743	–3 739
– Book losses on securities held		–4	–11
– Other financial expense	2.7	–697	–724
Earnings before taxes and extraordinary items		52 558	13 099
Extraordinary, non-recurring or prior-period income	2.8	0	0
Extraordinary, non-recurring or prior-period expense	2.8	0	0
Earnings before taxes (EBT)		52 558	13 099
Direct taxes		–5	–10
Profit/Loss for the year		52 553	13 089

Balance sheet

in CHF thousand	Note	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.9	35 585	37 275
Other short-term receivables		4 517	3 620
– From third parties		4 517	3 620
– From group member companies		0	0
Prepaid expenses and accrued income		22	0
Short-term financial receivables	2.10	0	100 000
Total current assets		40 124	140 895
Financial assets		348 995	338 914
– Long-term receivables from group member companies	2.11	348 995	338 914
Investments	2.12	150 254	150 254
Property, plant and equipment		431	467
Total non-current assets		499 680	489 635
Total assets		539 804	630 530
Equity and liabilities			
Trade payables		226	246
– To third parties		226	246
Short-term interest-bearing liabilities		57	120 000
– Corporate bond	2.15	0	120 000
– Towards third parties	2.13	57	0
Other short-term liabilities		56	126
– Towards third parties		56	126
– Towards group member companies		0	0
Accrued expenses and deferred income	2.14	1 085	2 820
Total short-term liabilities		1 424	123 192
Long-term liabilities		100 000	110 750
– Corporate bonds	2.15	100 000	100 000
– Towards group member companies		0	10 750
Total long-term liabilities		100 000	110 750
Total liabilities		101 424	233 942
Equity	2.16	12 000	12 000
Legal capital reserves	2.17	4 207	15 005
– Capital contribution reserve		4 207	15 005
Legal retained earnings		10 016	10 016
Voluntary retained earnings		359 649	339 478
Earnings available for distribution		52 553	20 173
– Balance brought forward from prior year		0	7 084
– Profit/Loss for the year		52 553	13 089
Treasury shares	2.18	–45	–84
Total equity		438 380	396 588
Total equity and liabilities		539 804	630 530

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 any similarity.

Treasury shares

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

Changes to shareholdings directly held

There were no changes to shareholdings directly held in 2019. In the prior year, 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	2019 income statement	2019 balance sheet	2018 income statement	2018 balance sheet
EUR	1.1120	1.0870	1.1550	1.1270
USD	0.9940	0.9680	0.9780	0.9860

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 2019 (prior year: six persons) in full-time-equivalent terms.

2.1 Net revenue from sale of goods and services

The CHF 5.0 million in this item (prior year: CHF 5.5 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 Zeochem AG, Rüti ZH/CH, CHF 40.0 million of previous impairments to an intercompany loan were reversed. In the prior year, in view of the positive equity situation at subsidiary Perlen Papier AG, Root/CH, CHF 4.9 million of previous impairments were reversed.

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 1.0% and 3.0% was applied in 2019.

2.5 Other financial income

This item consists primarily of 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 3.7 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 2019 consists largely of currency losses on loans to subsidiaries in foreign currencies (CHF 0.6 million) and ordinary financial expense (CHF 0.1 million). Prior-year other financial expense consisted 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).

2.8 Extraordinary, non-recurring or prior-period income and expense

No such amounts were earned or incurred in 2019 or 2018.

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

in CHF thousand	2019	2018
Cash and cash equivalents	35 560	37 246
Assets held for short-term disposal with a quoted market price	25	29
Total	35 585	37 275

2.10 Short-term financial receivables

Short-term financial receivables for 2018 included the funds generated by the CHF 100.0 million corporate bond issue of 12 October 2018, which were used to repay the CHF 120.0 million CPH 2014–2019 corporate bond. The amount was invested in a fixed-term deposit which matured on 9 July 2019.

2.11 Long-term receivables from group member companies

Long-term receivables from group member companies increased by CHF 10.1 million to CHF 349.0 million in 2019, following the reversal of a previous CHF 40.0 million impairment to an intercompany loan. Loans to subsidiaries for a net total of CHF 29.9 million were repaid.

2.12 Investments

Name and legal form	Domicile	Remarks	Currency	Holding in 2019		Holding in 2018	
				Capital in thousand	Capital/Voting rights	Capital in thousand	Capital/Voting rights
Zeochem AG ¹⁾	Rüti ZH/CH	Merged with Zeowest AG on 1.1.2019	CHF			14 000	100 %
Zeochem AG (ex Zeowest AG) ¹⁾	Rüti ZH/CH	Renamed from Zeowest AG to Zeochem AG on 1.1.2019	CHF	1 000	100 %	1 000	100 %
Zeochem L.L.C.	Louisville/USA		USD	36 547	100 %	36 547	100 %
Jiangsu Zeochem Technology Co. Ltd. ¹⁾	Lianyungang/CN		CNY	90 000	92 %	90 000	92 %
Zeochem d.o.o. ¹⁾	Zvornik/BA		EUR	2	100 %	2	100 %
Perlen Papier AG ¹⁾	Root/CH		CHF	81 000	100 %	81 000	100 %
APS Altpapier Service Schweiz AG	Root/CH	Purchase as of 1.1.2018	CHF	100	100 %	100	100 %
Perlen Deutschland GmbH	Munich/D		EUR	100	100 %	100	100 %
Perlen Packaging AG ¹⁾	Root/CH		CHF	24 000	100 %	24 000	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	13 000	100 %	10 400	100 %
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	Purchase as of 1.1.2018	BRL	2 464	60 %	2 464	60 %
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	Liquidation 23.4.2019	HKD			100	100 %

¹⁾ Directly held by CPH Chemie + Papier Holding AG

There were no changes to investments in 2019. In the prior year, CHF 4.9 million of previous impairments at subsidiary Perlen Papier AG, Root/CH were reversed in view of the positive equity situation.

2.13 Liabilities towards pension schemes

There were no liabilities towards pension schemes as of 31 December 2019 (prior year: CHF 0.0 million).

2.14 Accrued expenses and deferred income

Accrued expenses and deferred income includes CHF 0.4 million in accrued interest on corporate bonds (prior year: CHF 2.0 million) and accruals on employees' salary and vacation entitlements.

2.15 Corporate bonds

This item relates to the CHF 100.0 million 2.00% unsecured corporate bond (SIX code CPH18) issued on 12 October 2018 and maturing on 12 October 2023. The bond is 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 2.00 per share. Uetikon Industrieholding AG, Uetikon holds 49.99% (prior year: 49.99%) of share capital. For the shares held by members of the Board of Directors and other significant shareholders, please see Section 28.2 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 572 treasury shares at the end of 2019 (prior year: 1 063 shares), at an average purchase price of CHF 83.91 (prior year: CHF 79.08). A total of 16 584 treasury shares were purchased on the SIX Swiss Exchange in the course of 2019 (prior year: 17 051 shares) at an average purchase price of CHF 81.91 (prior year: CHF 76.61) per share. A total of 17 075 treasury shares were sold via the SIX Swiss Exchange in the course of 2019 (prior year: 17 754 shares) at an average sale price of CHF 81.67 (prior year: CHF 75.85) per share.

Guarantees to third parties

Contingent liabilities amount to CHF 41.2 million (prior year: CHF 29.8 million), of which CHF 31.2 million (prior year: CHF 29.8 million) consists of guarantees issued by CPH Chemie + Papier Holding AG to Swiss banking institutions in respect of subsidiaries' credit limits and overdraft facilities. CPH Chemie + Papier Holding AG has also provided a guarantee of CHF 10.0 million to Canton Zurich should Zeochem AG be unable to meet the outstanding costs of the inspection, monitoring and clean-up of a waste disposal site.

Pledged assets

As in the prior year, no assets were pledged at the end of 2019.

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 0.1 million).

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

The remuneration paid to members of the Board of Directors and Group Executive Management is detailed in the Remuneration Report on Pages 33 to 37.

Subordination agreements

Subordination agreements have been concluded between CPH Chemie + Papier Holding AG, Perlen and Zeochem AG, Rüti ZH amounting to CHF 40.0 million (prior year: CHF 40.0 million).

Subsequent events

None.

Recommendation on the appropriation of available earnings

Movements in earnings available

in CHF thousand	2019	2018
Balance brought forward from prior year	20 173	7 084
Appropriation of reserves available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
To voluntary retained earnings	–20 173	0
Dividend to shareholders	–10 798	–3 899
Profit	52 553	13 089
Release from capital contribution reserve	10 798	3 899
Earnings available at end of year	52 553	20 173

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

in CHF thousand	2019 Board recommendation	2018 General Meeting resolution
Earnings available	52 553	20 173
Release from capital contribution reserve	0	10 800
Dividend to shareholders	0	–10 800
Transfer to voluntary retained earnings	–52 553	–20 173
Balance of earnings to be carried forward	0	0

Repayment of reduction in nominal value

The Board of Directors will propose to the Ordinary General Meeting of 17 March 2020 that the nominal value of the CPH Chemie+Papier Holding AG registered share be reduced by CHF 1.80 from CHF 2.00 to CHF 0.20, and that the CHF 1.80-per-share reduction amount (total CHF 10.8 million) be repaid to shareholders.

After the repayment of this nominal value reduction amount, the company's share capital will total CHF 1.2 million, fully paid in, consisting of 6 000 000 registered shares with a nominal value of CHF 0.20 per share. The nominal value reduction amount is expected to be repaid to shareholders in June 2020, in accordance with the Swiss legal procedures regarding such reductions. Further information will be provided on the CPH website in due course.

For the 2018 financial year, the Ordinary General Meeting of 19 March 2019 resolved the payment of a dividend of CHF 1.80 per share, which was distributed in the form of a release from the capital contribution reserve.

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 2019, balance sheet as at 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 76 to 81) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

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

Our audit approach



Overview

Overall materiality: CHF 4 000 000

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 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	0.7% 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 349 million and CHF 150 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 based on 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 either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTSuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of available earnings 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

Zürich, 14 February 2020