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Consolidated income statement

	Note	2020	2019
Net sales	1	445 189	524 657
Changes to semi-finished and finished inventories		1 227	9 330
Other operating income	2	5 623	5 600
Goods and services on own account		246	87
Total income		452 285	539 674
Material expense		214 413	260 248
Energy expense		47 481	52 537
Personnel expense	3	93 131	92 902
Outsourced maintenance/repairs		17 375	19 913
Other operating expense	4	24 734	26 080
Earnings before interest, taxes, depreciation and amortization (EBITDA)		55 151	87 994
Depreciation on tangible fixed assets	16	29 214	30 225
Depreciation on intangible assets	15	1 274	1 169
Earnings before interest and taxes (EBIT)		24 663	56 600
Financial income	5	212	491
Financial expense	6	4 864	6 138
Financial result		-4 652	-5 647
Earnings before taxes and non-operating/extraordinary items		20 011	50 953
Non-operating result	7	6 841	826
Extraordinary result	8	12 000	0
Earnings before taxes		38 852	51 779
Income taxes	9	-8 111	3 326
Net result for the year		46 963	48 453
– attributable to shareholders of CPH Chemie + Papier Holding AG		46 901	48 341
– attributable to minorities		62	112
in CHF	Note	2020	2019
Net result after minorities per share	32	7.82	8.06
Diluted net result per share	32	7.82	8.06

Consolidated balance sheet

	Note	31.12.2020		31.12.2019	
		in CHF thousand	in %	in CHF thousand	in %
Assets					
Liquid funds	10	116 265	17	93 096	13
Securities	10	20	0	25	0
Trade accounts receivable	11	52 892	8	72 395	10
Other receivables	12	17 167	2	13 979	2
Prepaid expenses and accrued income	13	6 673	1	8 567	1
Inventories	14	78 323	11	78 543	11
Short-term financial receivables		0	0	36	0
Total current assets		271 340	39	266 641	38
Intangible assets	15	5 565	1	5 596	1
Tangible fixed assets	16	352 563	50	366 382	52
Long-term financial assets	17	10 000	1	10 000	1
Assets from employer contribution reserves	3/18	11 189	2	11 078	2
Pension scheme assets	3/18	11 550	2	11 350	2
Other long-term receivables	19	29 614	4	31 148	4
Deferred tax assets	20	12 412	2	463	0
Total fixed assets		432 893	61	436 017	62
Total assets		704 233	100	702 658	100
Equity and liabilities					
Trade accounts payable	21	56 751	8	66 253	9
Other payables	22	4 576	1	3 636	1
Accrued liabilities and deferred income	23	16 815	2	16 253	2
Short-term financial liabilities	24/26	8 088	1	5 889	1
Short-term provisions	25	3 331	0	3 822	1
Total current liabilities		89 561	13	95 853	14
Long-term financial liabilities	26	9 746	1	16 770	2
Corporate bonds issued	26	100 000	14	100 000	14
Pension scheme liabilities	3/18	1 157	0	678	0
Other long-term liabilities		369	0	600	0
Long-term provisions	27	31 533	4	47 468	7
Total long-term liabilities		142 805	20	165 516	23
Total liabilities		232 366	33	261 369	37
Share capital		1 200	0	12 000	2
Capital reserves		4 150	1	4 174	1
Treasury shares	33	-27	0	-45	0
Profit reserves		418 492	59	375 241	53
Net result for the year		46 901	7	48 341	7
Total equity excluding minorities		470 716	67	439 711	63
Minorities		1 151	0	1 578	0
Total equity including minorities		471 867	67	441 289	63
Total equity and liabilities		704 233	100	702 658	100

Consolidated cash flow statement

	Note	2020	2019
Net result for the year (including minorities)		46 963	48 453
Depreciation on tangible and intangible assets	15/16	30 488	31 393
Loss/(Profit) on fixed-asset sales		-5 042	-801
Change in employer contribution reserves, pension scheme assets/liabilities	18	168	-536
Book gains on securities, other non-cash currency effects		5	4
Share-based compensation	3/33	180	0
Change in provisions	25/27	-16 057	235
Release of/(Increase in) deferred tax assets	20	-11 967	507
Further non-cash income/expense		1 103	688
Cash flow		45 841	79 943
Decrease/(Increase) in securities		0	0
Decrease/(Increase) in trade accounts receivable	11	20 486	-1 319
Decrease/(Increase) in other receivables and prepaid expenses	12/13	-143	-583
Decrease/(Increase) in inventories	14	-4 059	-10 176
Increase/(Decrease) in trade accounts payable	21	-9 002	-2 823
Increase/(Decrease) in other and accrued liabilities	22/23	1 835	-4 015
Decrease/(Increase) in net current assets		9 117	-18 916
Cash flow from operating activities		54 958	61 027
Investments in tangible fixed assets	16	-17 507	-21 888
Disposals of tangible fixed assets	16	5 234	816
Investments in intangible assets	15	-1 268	-971
Investments in business activities/minorities	28	-1 600	0
Investments in financial and other long-term receivables	19	-258	0
Disposals of financial and other long-term receivables	19	124	100 942
Cash flow from investment activities		-15 275	78 899
Free cash flow		39 683	139 926
Increase in short-term financial liabilities	24	1 370	0
Decrease in short-term financial liabilities	24	-5 759	-3 393
Issue/(Redemption) of corporate bonds	26	0	-120 000
Increase/(Decrease) in long-term financial liabilities	26	0	-1 111
Increase/(Decrease) in other long-term liabilities		-231	-214
Treasury share purchases	33	-1 543	-1 358
Treasury share sales	33	1 355	1 394
Nominal value reduction		-10 798	0
Dividends to shareholders		-16	-10 921
Cash flow from financing activities		-15 622	-135 603
Currency translation effects		-892	-245
Net change in cash and cash equivalents		23 169	4 078
Cash and cash equivalents at 1 January		93 096	89 018
Change		23 169	4 078
Cash and cash equivalents at 31 December		116 265	93 096

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 31.12.2018	12 000	14 975	-84	-61 736	440 333	405 488	1 656	407 144
Distribution 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
Distribution to shareholders						0	-16	-16
Purchases in minorities				-1 285		-1 285	-315	-1 600
Nominal value reduction	-10 800	2				-10 798		-10 798
Net result for current year					46 901	46 901	62	46 963
Treasury share purchases			-1 543			-1 543		-1 543
Treasury share sales		-20	1 375			1 355		1 355
Share-based compensation		-6	186			180		180
Impact of currency translation					-3 805	-3 805	-158	-3 963
As at 31.12.2020	1 200	4 150	-27	-63 021	528 414	470 716	1 151	471 867

The statutory reserves of the holding company and its subsidiaries amounted to CHF 24.0 million on 31 December 2020 (prior year: CHF 21.3 million). Of this amount, CHF 9.5 million (prior year: CHF 9.3 million) cannot be distributed.

The company held 376 treasury shares on 31 December 2020 (prior year: 572). For further details see Note 33.

As a result of the acquisitions of minority holdings, goodwill amounting to CHF 1.3 million was offset against equity in 2020 (prior year: CHF 0.0 million). See also Notes 15 and 28.

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 2020, and the consolidated accounting principles below are also unchanged from the prior year. The capitalization and valuation principles were expanded with the addition of those for shared-based compensation.

Coronavirus crisis and 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. In view of the coronavirus crisis, further such possible ramifications have been studied in detail. On the basis of these studies, the Board of Directors and Group Executive Management have considered various scenarios, which offer no indication that business cannot continue as a going concern. The situation continues to be constantly monitored.

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 changes thereto in 2020, please see Note 28 in the “Additional information on the consolidated financial statements” and the “List of major shareholdings” on Page 74.

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:

	2020	2019
Balance sheets: year-end rates		
EUR	1.0820	1.0870
USD	0.8840	0.9680
CNY (CHF per 100 CNY)	13.52	13.90
SGD	0.6690	0.7200
BAM	0.5532	0.5558
BRL	0.1700	0.2400
Income statements/ cash flow statements: average rates		
EUR	1.0710	1.1120
USD	0.9380	0.9940
CNY (CHF per 100 CNY)	13.60	14.39
SGD	0.6800	0.7280
BAM	0.5476	0.5686
BRL	0.1840	0.2520

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 price or production cost, 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 depreciation required. Depreciation 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
Office buildings	33–66 years
Industrial buildings and infrastructure	25–50 years
Installations, production plant and machinery	5–30 years
Other plant and equipment	5–15 years
IT hardware (HW)	3–8 years
Installations in rented premises	Rental period
Vehicles	5–15 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 expense.

Pension scheme assets

Any economic benefits deriving from occupational pension schemes are capitalized here. Such economic benefits will be capitalized if the benefit concerned can be used for the company's future pension scheme obligations. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel expense.

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 suggest that an asset may have 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. Such liabilities will be capitalized if the criteria for making appropriate provisions are met. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel expense. The Group's Swiss-based subsidiaries maintain legally autonomous occupational pension schemes that are financed by employer's and employees' contributions. The economic impact on the Group through such schemes' overfunding or underfunding is determined on the basis of the schemes' annual financial statements and Swiss GAAP ARR 26. Any economic liabilities deriving from pension schemes outside Switzerland that meet the criteria for making appropriate provisions are capitalized.

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 31.4).

Share-based compensation

Share-based compensation is valued at the share price applicable on the shares' assignment, and is shown under both equity and personnel expense. The definitively assigned shares are subject to a three-year vesting period, during which the number of shares assigned is not contingent on any further performance, results or other vesting conditions. The difference between the share price on assignment and the purchase price of the treasury shares concerned is shown under capital reserves.

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 and value-added tax.

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 here 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 expense

Personnel expense comprises all the amounts paid to employees who are members of the group 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 performed by third parties (including the materials used) which 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	2020	%	2019	%
Switzerland	48 289	11	74 494	14
Europe (excluding Switzerland)	276 755	62	322 071	62
The Americas	64 602	15	69 482	13
Asia	49 461	11	53 403	10
Rest of the world	6 082	1	5 207	1
Total	445 189	100	524 657	100

Total net sales were 15.1% (CHF 79.5 million) below their prior-year level, or 10.7% (CHF 59.8 million) down based on prior-year currency exchange rates and excluding acquisitions. The impact of currency movements amounted to –4.4% (CHF –19.7 million) while, as in 2019, acquisitions and disposals had no impact on net sales results. Average Swiss-franc currency exchange rates were down 3.7% against the euro and down 5.6% against the US dollar.

1.2 Income statement by division

2020 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	73 286	209 581	162 322		445 189
EBITDA	9 467	17 369	27 819	496	55 151
in % of net sales	12.9	8.3	17.1		12.4
EBIT	4 612	–2 035	21 626	460	24 663
in % of net sales	6.3	–1.0	13.3		5.5

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

2. Other operating income

in CHF thousand	2020	2019
Energy sales	3 116	3 198
Rental income from business premises	507	498
Income from production waste	676	744
Miscellaneous	1 324	1 160
Total	5 623	5 600

Other operating income for 2020 was broadly in line with its prior-year level.

3. Personnel expense

in CHF thousand	2020	2019
Salaries and wages	76 914	77 037
Pension scheme contributions and other social security expense	14 346	13 635
Other personnel expense	1 871	2 230
Total	93 131	92 902

Personnel expense for 2020 was a 0.2% (CHF 0.2 million) increase on the prior year. The Packaging Division saw its workforce further enlarged in response to high product demand. By contrast, personnel expense for the Paper and Chemistry divisions (excluding the special impact of US pension scheme expense, see Note 18.2) was lower as a result of the lower business demand, rigorous cost management and short-time working compensation (CHF 1.6 million). In addition to the contributions to state social security institutions, "Pension scheme contributions and other social security costs" includes the contributions to company pension schemes described in Note 18. Members of Group Executive Management were assigned a total of 2 381 shares in 2020 under their share-based compensation provisions. At a share price of CHF 75.75, the corresponding expense, which is shown under "Salaries and wages", amounted to some CHF 180 000.

4. Other operating expense

The CHF 24.7 million of other operating expense (prior year: CHF 26.1 million) includes sales and administrative costs and further operating expenses. Thanks to consistent cost management and reduced travel activities in the light of the COVID-19 pandemic, other operating expense was CHF 1.4 million or 5.2% below its 2019 level.

5. Financial income

in CHF thousand	2020	2019
Interest income	32	42
Other financial income	179	424
– currency exchange rate gains	143	399
– further financial income	36	25
Income from securities	1	25
Total	212	491

Financial income was CHF 0.3 million below its prior-year level, owing to lower exchange rate gains on amounts held in foreign currencies.

6. Financial expense

in CHF thousand	2020	2019
Interest expense	2 693	4 648
– interest paid	2 690	6 202
– changes in deferred interest due	3	–1 554
Other financial expense	2 166	1 486
– currency exchange rate losses	1 856	1 160
– further financial expense	310	326
Expenditure on securities	5	4
Total	4 864	6 138

Financial expense was CHF 1.3 million below its prior-year level owing to lower interest expense (in 2019 interest was paid on two parallel corporate bonds).

7. Non-operating result

The non-operating income of CHF 7.3 million (prior year: CHF 1.4 million) comprises rental income and sale proceeds from non-operating real estate in Buchrain (CHF 5.2 million, prior year CHF 0.8 million) and Full-Reuenthal (CHF 0.1 million, prior year CHF 0.6 million), along with the release of CHF 2.0 million of provisions made for environmental protection measures to clean up the Rotholz waste disposal site in Meilen, Canton Zurich. The non-operating expense of CHF 0.5 million (prior year: CHF 0.6 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

The provisions for the lake bed clean-up at the former Uetikon site were reduced by CHF 12.0 million in 2020, with the release effected via the extraordinary result by analogy to the original creation in 2016 of the provisions concerned (see Notes 25/27). There was no extraordinary income or extraordinary expense in 2019.

9. Income taxes

in CHF thousand	2020	2019
Current income taxes	3 745	3 124
Deferred income taxes	-11 856	202
Total	-8 111	3 326

Perlen Papier AG has transferred real estate at the Perlen site to newly founded group member company Perlen Papier Immobilien AG at market rates. The transaction was effected using a previously uncapitalized CHF 97.1 million of tax losses carried forward. The intragroup transaction resulted in 2020 in deferred tax assets and corresponding deferred tax income of CHF 11.9 million, as the purely tax-related upward revaluation generated a deductible temporary difference. This resulted overall in profits from income taxes of CHF 8.1 million for the year. Tax rates varied in 2020 between 10% and 34% (prior year: between 10% and 34%) depending on the country and the location.

Income taxes for 2020	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes		38 852
Weighted average tax rate expected/estimated tax expense	18.2	7 080
Impact of losses carried forward not recognized in current year in tax terms		140
Impact of losses carried forward not previously recognized in tax terms		-3 656
Impact of intragroup real-estate transaction resulting in using of losses carried forward not previously recognized in tax terms		-11 929
Taxes paid in prior years		-135
Other effects		389
Tax rate/tax expense as per income statement	-20.9	-8 111

The Group's expected income tax rate for 2020 amounted to 18.2% (prior year: 14.2%). 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 income 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 connection with an intragroup real estate transaction.

In accordance with the consolidated accounting principles, deferred taxes on losses carried forward are not capitalized. Uncapitalized losses carried forward declined for 2020 to CHF 65.2 million (prior year: CHF 199.5 million), with a potential tax impact of CHF 7.4 million (prior year: CHF 11.8 million), paying due regard to the multi-year plan and the provisions of and possibilities under the relevant national tax laws. The change is attributable in particular to the use of CHF 97.1 million of losses carried forward in connection with an intragroup real estate transaction. None of the losses carried forward are of indefinite duration, and CHF 5.2 million thereof will expire within a year.

Income taxes for 2019	Tax rate in %	Tax amount in CHF thousand
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

10. Liquid funds and securities

Liquid funds increased from CHF 93.1 million to CHF 116.3 million in 2020 as a result of the positive free cash flow trends. Financial liabilities were also reduced by a net CHF 4.8 million.

11. Trade accounts receivable

in CHF thousand	2020	2019
Receivables from third parties	60 032	81 865
Receivables from associates	0	0
Provisions for doubtful debts	-7 140	-9 470
– individual adjustments	-7 135	-9 469
– blanket adjustments	-5	-1
Total	52 892	72 395

Trade accounts receivable were CHF 19.5 million below their prior-year level, owing to the lower net sales in the Paper Division.

Individual adjustments are effected to certain doubtful receivables. Such adjustments were CHF 2.3 million lower in 2020 than they had been for the prior year. A long-standing receivable issue with a Paper Division client was also resolved in the course of the year.

12. Other receivables

Other receivables were CHF 3.2 million up on their prior-year level. The increase is attributable largely to real estate activities and environmental protection actions.

13. Prepaid expenses and accrued income

Prepaid expenses and accrued income were down CHF 1.9 million from their prior-year level. 2019 had seen a substantially higher amount of outstanding state "KEV" compensation for green energy generated.

14. Inventories

14.1 Inventories by division

in CHF thousand	2020	2019
Chemistry	28 468	30 331
Paper	23 567	29 821
Packaging	26 288	18 391
Total	78 323	78 543

14.2 Inventories by type

in CHF thousand	2020	2019
Raw materials	17 367	15 460
Auxiliary and operating materials	13 997	14 888
Finished and semi-finished products	46 257	47 407
Goods for resale	702	788
Total	78 323	78 543

Inventories for 2020 were broadly at prior-year levels. Volumes of finished and semi-finished products declined in the Chemistry and Paper divisions as a result of active and cautious inventory management. Inventories for Packaging increased owing to the division's sales growth.

Inventories were subjected to an overall impairment of CHF 4.4 million (prior year: CHF 2.8 million), primarily for the Paper Division.

15. Intangible assets

Intangible assets in 2020	Software, licences and patents	Other intangible assets	Total intangible assets
in CHF thousand			
At purchase values			
Opening balance on 1.1.2020	15 769	1 173	16 942
Currency impact on opening balance	-24	-34	-58
Additions	1 268		1 268
Disposals/reclassifications	-167		-167
Currency impact on movements	2		2
Closing balance on 31.12.2020	16 848	1 139	17 987
Depreciation			
Opening balance on 1.1.2020	10 912	434	11 346
Currency impact on opening balance	-17	-14	-31
Depreciation for the period	1 251	23	1 274
Disposals/reclassifications	-167		-167
Currency impact on movements	1	-1	0
Closing balance on 31.12.2020	11 980	442	12 422
Book value on 1.1.2020	4 857	739	5 596
Book value on 31.12.2020	4 868	697	5 565

The goodwill deriving from the acquisitions of business activities and minorities was offset directly against equity (see Note 28). The "Additions" position reflects major investments in new ERP systems (software) for the Packaging Division.

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
Change in consolidated companies			0
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 adopting a new ERP system (software) in the Chemistry Division.

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

Theoretical goodwill movement

in CHF thousand	2020	2019
At purchase values		
Opening balance on 1.1.	61 736	61 736
Additions	1 285	0
Closing balance on 31.12.	63 021	61 736
Depreciation		
Opening balance on 1.1.	44 264	37 061
Depreciation for the period	7 203	7 203
Closing balance on 31.12.	51 467	44 264
Net book value of goodwill on 1.1.	17 472	24 675
Net book value of goodwill on 31.12.	11 554	17 472

Impact of goodwill on the income statement

in CHF thousand	2020	2019
Earnings before interest and taxes (EBIT)	24 663	56 600
EBIT margin in % of net sales	5.5	10.8
Depreciation of goodwill	-7 203	-7 203
Theoretical earnings before interest and taxes (EBIT), including depreciation of goodwill	17 460	49 397
Theoretical EBIT in % of net sales	3.9	9.4
Net result for the year	46 963	48 453
Depreciation of goodwill	-7 203	-7 203
Theoretical net result, including depreciation of goodwill	39 760	41 250

Impact of goodwill on the balance sheet

in CHF thousand	2020	2019
Equity as per balance sheet	471 867	441 289
Equity in % of balance sheet total	67.0	62.8
Theoretical capitalization of net book value of goodwill	11 554	17 472
Theoretical equity including net book value of goodwill	483 421	458 761
Theoretical equity including net book value of goodwill in % of balance sheet total	67.5	63.7

16. Tangible fixed assets

Tangible fixed assets for 2020	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities, IT HW	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2020	5 743	336 824	695 585	329 944	7 290	11 315	16 075	1 402 776
Currency impact on opening balance	-14	-2 347	-4 666	-246	-149	-44	-160	-7 626
Investments	1 050	214	7 529	3 463	25	177	6 031	18 489
Disposals	119	-2 524	-929	-519		-442		-4 295
Reclassifications	0	230	2 319	393			-2 942	0
Currency impact on movements	-5	-13	-44	-17	-1		3	-77
Closing balance on 31.12.2020	6 893	332 384	699 794	333 018	7 165	11 006	19 007	1 409 267
Depreciation								
Opening balance on 1.1.2020	102	151 274	412 399	218 670	2 397	8 816	0	793 658
Currency impact on opening balance	-3	-973	-3 380	-154	-142	-33		-4 685
Depreciation for the period	20	5 139	16 983	6 001	471	600		29 214
Disposals		-2 364	-778	-519		-442		-4 103
Reclassifications								0
Currency impact on movements	0	-21	-90	-5	-2	2		-116
Closing balance on 31.12.2020	119	153 055	425 134	223 993	2 724	8 943	0	813 968
Impairments								
Opening balance on 1.1.2020	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 31.12.2020	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2020	5 641	132 325	144 454	60 495	4 893	2 499	16 075	366 382
Closing balance on 31.12.2020	6 774	126 104	135 928	58 246	4 441	2 063	19 007	352 563

Tangible fixed assets for 2020 include a net book value of CHF 0.5 million for leased assets (vehicles) capitalized through finance leases maturing between 2021 and 2023. Leasing liabilities amount to some CHF 0.5 million, of which CHF 0.3 million are short-term.

The production facilities of the Paper Division were assessed in terms of their current value as of 31 December 2020. No impairment was deemed necessary. The valuations were conducted using a WACC of 5.4% and EUR/CHF exchange rates of CHF 1.05 for the 2021 plan period, CHF 1.11 for 2022 and CHF 1.14 for 2023. The values of the projected income statements were adjusted to take account of the facts and findings available on the balance sheet date.

Investments in the Chemistry Division in 2020 included various optimization projects (in Louisville, USA) and real estate (in Lianyungang, China). The Paper Division invested in a range of projects to maintain and further raise the efficiency of its production plant. The Packaging Division also made major investments at multiple locations: in enhancing the efficiency of the mono film production at its Müllheim (Germany) site, in modernizing the infrastructure at its Perlen facility and in expanding its production capacities in Suzhou, China.

Tangible fixed assets for 2019	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities, IT HW	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 included a net book value of CHF 0.8 million for leased assets (vehicles) capitalized through finance leases maturing between 2021 and 2023. Leasing liabilities amounted to CHF 0.9 million, of which CHF 0.4 million were short-term.

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

17. Long-term financial assets

in CHF thousand	Long-term financial assets
At purchase values	
Opening balance on 1.1.2020	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2020	10 000
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

As in 2019, 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 (547 working insureds)

Employer contribution reserve (ECR)	Nominal value	Appropriation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel expense	
in CHF thousand	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2019	2020	2019
Pension schemes	11 189				11 189	11 078	-111	0
Total	11 189	0	0	0	11 189	11 078	-111	0

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 expense	
in CHF thousand	31.12.2020	31.12.2020	31.12.2019	31.12.2020	31.12.2020	2020	2019
CPH Group Pension Scheme					3 800	3 800	3 699
Pension schemes without funding surplus/shortfall	0	0	0	0	3 800	3 800	3 699
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	664						
Perlen Group Assistance Fund	11 550	11 550	11 350	-200	0	-200	56
Employer's funds	12 214	11 550	11 350	-200	0	-200	56
Total	12 214	11 550	11 350	-200	3 800	3 600	3 755

Under the investment regulations of the CPH Group Pension Scheme, the scheme is considered to have a funding surplus if it has a fluctuation reserve amounting to 16.5% or more of its total asset investments (calculated using the Value-at-Risk Method).

The CPH Group Pension Scheme 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 2019, 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 2020. With the exception of the employer contribution reserve of CHF 11.2 million (prior year: CHF 11.1 million), all the scheme's surpluses are payable solely to its beneficiaries. According to its provisional balance sheet, the scheme had a funding ratio of 118% as of 31 December 2020 (prior-year actual funding ratio: 116%).

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 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 2020 (prior year: CHF 0.8 million).

The Perlen Group Assistance Fund, Perlen

The Perlen Group Assistance Fund is an employer's fund for all employees 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 2020 (prior year: CHF 0.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 13.7 million on 31 December 2020 (prior year: CHF 13.5 million).

As for 2019, 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 expense	
		31.12.2020	31.12.2019			2020	2019
Pensions scheme expense in CHF thousand							
USA					474	474	492
Pension schemes without funding surplus/shortfall	0	0	0	0	474	474	492
USA	-1 157	-1 157	-678	479	0	479	-592
Pension schemes with funding shortfall	-1 157	-1 157	-678	479	0	479	-592
Total	-1 157	-1 157	-678	479	474	953	-100

In the USA the CPH Group has one defined-contributions and one defined-benefits occupational pension scheme.

The 401(k) defined contribution plan 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 was frozen on 1 January 2016. As a result, there have been no further increases in pension obligations to beneficiaries since this date, and no further beneficiaries have been admitted. The scheme had 101 members as of 31 December 2020 (prior year: 108). The scheme currently has a funding shortfall of USD 1 309 000 (prior year: USD 700 000). 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 Group's occupational 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	2020	2019
Pension scheme contributions from employer	3 800	474	4 274	4 191
Total contributions	3 800	474	4 274	4 191
+/- changes in ECR through asset development, value adjustments etc.	-111		-111	0
Contributions and changes in employer contribution reserves	3 689	474	4 163	4 191
Decrease/Increase in company's economic benefit from funding surplus	-200		-200	56
Decrease/Increase in company's economic obligation towards funding shortfall		479	479	-592
Change in economic impact on company of funding surplus/shortfall	-200	479	279	-536
Pension scheme expenses as part of personnel expense for the period	3 489	953	4 442	3 655

19. Other long-term receivables

Other long-term receivables consist mainly of a CHF 29.6 million (prior year: CHF 31.1 million) remaining receivable from Canton Zurich in connection with the sale in 2016 of the former 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). Following a downward adjustment of the originally estimated CPH share of the lake bed clean-up costs from CHF 32 million to CHF 20 million in May 2020, some CHF 12 million should be returned to CPH after the project's completion in 2024. For further information see also Notes 25 and 27 on short-term and long-term provisions. The CHF 1.4 million of costs expected to be incurred in the following year (prior year: CHF 0.0 million) were reclassified as other short-term receivables.

20. Deferred tax assets

Temporary differences deriving from an intragroup real estate transaction resulted in deferred tax assets of CHF 11.9 million for 2020 (see also Note 9). The remaining CHF 0.5 million of this item relates to further temporary differences arising from deviations between the group consolidated value and the tax value of assets, equity and liabilities.

21. Trade accounts payable

in CHF thousand	2020	2019
To third parties	56 742	66 216
To related parties and companies	9	37
Total	56 751	66 253

Trade accounts payable declined in 2020 owing to the lower demand for the products of the Paper Division.

22. Other payables

in CHF thousand	2020	2019
To third parties	4 576	3 636
To related parties and companies	0	0
Total	4 576	3 636

The increase in other payables for 2020 is due to higher customer prepayments in the Chemistry Division.

23. Accrued liabilities and deferred income

in CHF thousand	2020	2019
Accrued interest expense	495	497
Income tax owed	1 561	925
Accrued personnel expense	6 508	5 290
Other accrued liabilities and deferred income	8 251	9 541
Total	16 815	16 253

Accrued liabilities and deferred income increased by CHF 0.6 million as a result of higher income taxes owed and accrued personnel expense.

24. Short-term financial liabilities

in CHF thousand	2020	2019
Towards third parties	8 088	5 889
– towards banks	7 818	5 532
– financial leasing liabilities	270	357
Total	8 088	5 889

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

25. Short-term provisions

in CHF thousand	Environmental protection measures	Restructuring provisions	Guarantee obligations	Other provisions	Total short-term provisions
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			2		2
Reclassifications	2 579				2 579
Currency impact on movements					0
Closing balance on 31.12.2019	2 579	477	766	0	3 822
Opening balance on 1.1.2020	2 579	477	766	0	3 822
Currency impact on opening balance			–2		–2
Additions			711		711
Use	–556	–37	–207		–800
Releases	–2 023		–302		–2 325
Reclassifications	1 925				1 925
Currency impact on movements					0
Closing balance on 31.12.2020	1 925	440	966	0	3 331

The environmental protection measures relate to the lake bed clean-up at the former Uetikon site and to future waste disposal site obligations (see Note 27 for further details). The provisions for the clean-up of the Rotholz waste disposal site in Meilen were released in May 2020. The income expected from the sale of the Rotholz site should cover all its clean-up costs.

The restructuring provisions relate to the closure of the Uetikon site (and the associated lake bed clean-up).

The guarantee obligations stem from the Paper and Packaging divisions, and relate to any claims or entitlements arising from customer complaints.

26. Long-term financial liabilities

2020 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2020
Long-term bank loans	3 000	6 500					9 500
Corporate bond ¹⁾		100 000					100 000
Financial leasing liabilities	164	82					246
Total	3 164	106 582	0	0	0	0	109 746

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

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

Financial liabilities for 2020

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	30.06.2021	¹⁾
Bank loan	CHF		1 500	2.41	31.12.2021	¹⁾
Bank loan (PPPA paycheck protection program loan SBA US)	USD	1 550	1 370	1.25	open	
Industrial bond	USD	3 900	3 448	4.44	01.08.2021	
Financial leasing liabilities	CHF		270	–	various	
Total			8 088			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Bank loan	CHF		9 500	2.41	20.03.2023	¹⁾
Financial leasing liabilities	CHF		246	–	various	
Total			109 746			
Total financial liabilities			117 834			

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 31.12.2020.

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

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.

27. 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 1.1.2019	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			–8	–615	–623
Reclassifications		–2 579			–2 579
Currency impact on movements			–1	–2	–3
Closing balance on 31.12.2019	3 702	35 156	1 943	6 667	47 468
Opening balance on 1.1.2020	3 702	35 156	1 943	6 667	47 468
Currency impact on opening balance			–1	–72	–73
Additions				339	339
Use		–294			–294
Releases		–12 000	–1 755	–227	–13 982
Reclassifications		–1 925			–1 925
Currency impact on movements			–1	1	0
Closing balance on 31.12.2020	3 702	20 937	186	6 708	31 533

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 at the time for CPH's share in the expense of cleaning up the adjacent lake bed. The remaining 20% of these costs are being met by Canton Zurich. Since the site's sale was concluded, a pilot project and inspections were conducted for the lake bed clean-up between 2016 and 2018. A tender invitation for the clean-up work was issued in 2019, and a study was also commissioned on the options available. In May 2020 Canton Zurich awarded the commission for the work to a general contractor. As a result of this, the Canton now expects the total cost of the work to be CHF 25.0 million, of which 80% or CHF 20.0 million will be borne by the CPH Group. In view of this, the corresponding provisions were reduced by CHF 12.0 million, in the form of extraordinary income, in May 2020. The clean-up work is expected to commence towards the end of 2021, and will take about two years. The corresponding provisions amounted to CHF 19.0 million at the end of 2020 (prior year: CHF 31.4 million), of which CHF 1.4 million are short-term provisions and CHF 17.6 million long-term provisions. The use of these provisions since their creation in 2016 has been largely for the project work and the external consultancy and inspection services required.

The further CHF 3.8 million of provisions for environmental protection measures (CHF 0.5 million short-term, CHF 3.3 million long-term) relate to future waste disposal site running cost obligations and a possible transfer thereof 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 25).

28. Purchase of business activities and minority shareholdings

Perlen Packaging AG acquired the remaining 40% of the capital of Perlen Packaging Anápolis Indústria e Comércio Ltda., Anápolis, State of Goia (Brazil) on 4 December 2020, and now wholly owns the company. The consideration amounted to CHF 1.6 million, of which CHF 0.3 million was accounted for in minority interest and CHF 1.3 million in goodwill.

The CPH Group acquired no business activities in 2019.

29. Additional corporate governance information

29.1 Capital structure

	2020	2019
Share capital in CHF thousand	1 200	12 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	0.2	2.0
Market capitalization in CHF thousand	435 600	475 200

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 1.2 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 0.20 each.

29.2 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 2020 were conducted at market rates. The following transactions were effected for services rendered with companies associated with the CPH Group and members of its Board of Directors:

in CHF thousand	2020	2019
UBV Immobilien Treuhand Perlen AG, Root	99	145
UBV Immobilien Treuhand AG, Uetikon	0	19
Niederer Kraft Frey AG (Manuel Werder)	20	66
Weber Schaub & Partner (Peter Schaub)	42	66
Total transactions	161	296
Total open liabilities at year-end	9	26

As in the previous year, no loans or credits were granted to related parties in 2020.

29.2.1 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	2020			2019
	Own	Related parties	Total	
Peter Schaub	0	400	400	400
Tim Talaat	9 140	43 076	52 216	52 216
Manuel Werder	7 200	42 820	50 020	50 020
Christian Wipf	400	0	400	400
Total	16 740	86 296	103 036	103 036

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

Number of shares	2020 shares vested until		2020	2019
	2023	Later		
Peter Schildknecht	793	0	993	200
Klemens Gottstein	397	0	397	0
Wolfgang Grimm	397	0	457	60
Richard Unterhuber	397	0	647	250
Alois Waldburg-Zeil	397	0	797	400
Total	2 381	0	3 291	910

CPH Chemie + Papier Holding AG introduced a long-term incentive (LTI) programme for the members of Group Executive Management in 2020. The general contractual foundations and the vesting conditions thereof are detailed in the Remuneration Report. A total of 2 381 shares with a vesting period of three years were awarded under the programme in 2020.

29.2.2 Significant shareholders and numbers of shares held

Name	2020	2019
J. Safra Sarasin Investmentfonds AG	300 250	300 250
Ella Schnorf-Schmid estate	429 320	429 320
Uetikon Industrieholding AG	2 999 800	2 999 800
Total	3 729 370	3 729 370

30. Net financial liabilities

in CHF thousand	2020	2019
Liquid funds and securities	116 285	93 121
Short-term financial receivables	0	36
Total liquid funds and financial receivables	116 285	93 157
Short-term financial liabilities to banks	7 818	5 532
Short-term financial liabilities to others/financial leasing	270	357
Total short-term financial liabilities	8 088	5 889
Corporate bonds	100 000	100 000
Long-term financial liabilities to banks	9 500	16 275
Long-term financial liabilities to others/financial leasing	246	495
Total long-term financial liabilities	109 746	116 770
Net financial liabilities	1 549	29 502
EBITDA	55 151	87 994
Debt ratio (net financial liabilities/EBITDA)	0.0	0.3

31. Contingent liabilities and off-balance-sheet business

31.1 Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2020.

31.2 Pledged assets

Real estate of Jiangsu Zeechem Technology Co. Ltd. with a book value of CHF 3.2 million (prior year: CHF 2.4 million) was subject to a CHF 3.0 million (prior year: CHF 2.4 million) lien as of 31 December 2020. Liquid funds with a value of CHF 0.7 million are pledged.

31.3 Other off-balance-sheet obligations

Operating lease agreements with notice periods of more than one year amounted to CHF 0.8 million (prior year: CHF 1.0 million), and relate mainly to vehicle leases. They show the following maturities:

in CHF thousand	2020	2019
Below 1 year	421	405
1 to 5 years	330	615
Above 5 years	0	0
Total	751	1 020

Off-balance-sheet obligations relating to rental agreements amounted to CHF 4.0 million (prior year: CHF 4.7 million), and relate largely to rental agreements in Rüti (Switzerland), Utzenstorf (Switzerland) and Whippany (USA). They show the following maturities:

in CHF thousand	2020	2019
Below 1 year	1 159	926
1 to 5 years	2 788	3 211
Above 5 years	100	550
Total	4 047	4 687

Purchase obligations for the acquisition of tangible fixed assets and intangible assets totalled CHF 12.3 million as of 31 December 2020 (prior year: CHF 5.1 million).

31.4 Derivative financial instruments and foreign-currency hedges

As in the prior year, no derivative financial instruments subject to balance sheet reporting were held as of 31 December 2020.

Open foreign-currency hedges as of 31 December 2020

in CHF thousand	2020				2019			
Instrument	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Forward foreign-exchange contracts in EUR	91 888	0	1 392	Cash flow hedge	115 027	2 535	54	Cash flow hedge
Forward foreign-exchange contracts in USD	9 726	533	0	Cash flow hedge	15 321	175	7	Cash flow hedge
Total	101 614	533	1 392	Cash flow hedge	130 348	2 710	61	Cash flow hedge

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

32. 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 474 treasury shares in 2020 (prior year: 816 shares). Since no authorized or conditional capital is currently outstanding, diluted net result per share is identical to the net result per share amount.

	2020	2019
Net result as per consolidated income statement (in CHF thousand) after minorities	46 901	48 341
Weighted average number of shares entitled to dividend	5 999 526	5 999 183
Net result per share (in CHF)	7.82	8.06

33. Treasury shares

in CHF thousand	2020			2019		
	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	572	79.20	45	1 063	79.08	84
Purchased	21 438	71.97	1 543	16 584	81.91	1 358
Sold	19 253	70.38	–1 355	17 075	81.67	–1 394
Share-based compensation	2 381	75.75	–180			0
Profit/loss			–26			–3
Closing balance on 31.12.	376	72.61	27	572	79.20	45

The company held 376 treasury shares at the end of 2020 (prior year: 572 shares).

A total of 21 438 treasury shares were purchased on the SIX Swiss Exchange in the course of 2020 (prior year: 16 584 shares) at an average purchase price of CHF 71.97 (prior year: CHF 81.91) per share. A total of 19 253 treasury shares were sold via the SIX Swiss Exchange in the course of 2020 (prior year: 17 075 shares) at an average sale price of CHF 70.38 (prior year: CHF 81.67) per share. A total of 2 381 shares with a vesting period of three years were awarded in 2020 in the form of share-based compensation.

34. Subsequent events

The Board of Directors of CPH Chemie + Papier Holding AG has proposed to the company's shareholders to acquire Uetikon Industrieholding AG, which is presently the company's largest shareholder, via a merger by absorption. Under the merger proposal, the shareholders of Uetikon Industrieholding AG will exchange their shares therein for a commensurate number of shares in CPH Chemie + Papier Holding AG, newly giving them a direct CPH shareholding. The proposal will be submitted to the shareholders concerned for approval at an Extraordinary General Meeting in early June 2021.

No further events occurred between 31 December 2020 and 12 February 2021 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 12 February 2021. 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	1 200	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
Perlen Papier Immobilien AG	Root/CH	CHF	1 000	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, Perlen	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	100	F

Consolidation method:

F = fully consolidated

Changes in the scope of consolidation for 2020:

- The remaining 40% of the capital of Perlen Packaging Anápolis Indústria e Comércio Ltda., Anápolis, State of Goia (Brazil), was acquired on 4 December 2020.
- Perlen Papier Immobilien AG was founded on 7 December 2020.

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.

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 2020, consolidated balance sheet as at 31 December 2020, 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 48 to 74) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: CHF 4,400,000

We concluded full scope audit work at seven Group companies in four countries. For two additional companies, specific financial statement line items were tested. Our audit scope addressed 92% of the net sales and 83% of the total assets of the Group.

Additionally, we concluded reviews at a further two Group companies in two countries, which represented an additional 5% of the net sales and 11% of the assets of the Group.

As key audit matters, the following areas of focus were identified:

Impairment testing of tangible fixed assets of Perlen Papier

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.

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

Overall Group materiality	CHF 4,400,000
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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. In addition, it included telephone conferences with the component auditors, a review of the risk analysis and participation in audit discussions for selected components in which local management, the local auditor and selected Group representatives also participated.

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

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

Impairment testing of tangible fixed assets of Perlen Papier

Key audit matter

The business environment of the Paper Division continues to be challenging and volatile. As a result of deteriorating profitability in the 2020 financial year, tangible fixed assets of Perlen Papier with a carrying value of CHF 253 million were tested for impairment.

In view of the size of the assets and the significant scope for judgement in estimating the future cash flows that can be achieved with these assets, we consider the impairment testing of tangible fixed assets of Perlen Papier as a key audit matter.

Please refer to note 16 in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

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

- Inspection of the minutes of meetings of the Board of Directors and its committees.
- Identification of potential indications of impairment.
- Discussion of the impairment tests with Management and with the Finance & Auditing Committee of the Board of Directors.
- Plausibility check of the assumptions used by Management concerning sales trends, costs and margins.
- Comparison of the assumptions used in the prior year's impairment tests with the actual results achieved to determine, in hindsight, how accurate planning had been in the past.
- Recalculation of the discount rate as derived by Management and comparison with a rate that we determined ourselves.
- Assessment and testing of the mathematical accuracy of the impairment tests, performed by Management, which were based on a DCF method.

The results of our audit support Management's chosen impairment testing method, the related assumptions and budget figures.

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 23 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 of the future costs of the environmental measures and the significant estimates involved in calculating them, 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 25 and 27 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 memos 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 contract awards, expert opinions and bids on which the calculations are based and of the correspondence, meeting minutes and cost overviews 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 available on the website of EXPERTSuisse: <http://expertsuisse.ch/wirtschaftspruefung-revisionsbericht>. 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, 12 February 2021

Income statement

in CHF thousand	Note	2020	2019
Net revenue from sale of goods and services	2.1	4 930	5 041
Other income		322	342
Personnel expense		–3 246	–3 159
Other operating expense		–1 857	–1 959
Additions/Releases of impairment losses on non-current assets	2.2	0	40 000
Earnings before interest and taxes (EBIT)		149	40 265
Financial income		16 928	16 737
– Income from investments	2.3	12 197	11 443
– Interest income	2.4	4 726	5 244
– Book gains on securities held		0	0
– Other financial income	2.5	5	50
Financial expense		–2 553	–4 444
– Interest expense	2.6	–2 018	–3 743
– Book losses on securities held		–5	–4
– Other financial expense	2.7	–530	–697
Earnings before taxes and extraordinary items		14 524	52 558
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)		14 524	52 558
Direct taxes		–189	–5
Profit/Loss for the year		14 335	52 553

Balance sheet

in CHF thousand	Note	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.9	52 176	35 585
Other short-term receivables	2.10	4 398	4 517
– From third parties		4 398	4 517
– From group member companies		0	0
Prepaid expenses and accrued income		0	22
Short-term financial receivables		0	0
Total current assets		56 574	40 124
Financial assets		336 099	348 995
– Long-term receivables from third parties		0	0
– Long-term receivables from group member companies	2.11	336 099	348 995
Investments	2.12	150 254	150 254
Property, plant and equipment		395	431
Total non-current assets		486 748	499 680
Total assets		543 322	539 804
Equity and liabilities			
Trade payables		46	226
– To third parties		46	226
– To group member companies		0	0
Short-term interest-bearing liabilities		21	57
– Towards third parties	2.13	21	57
– Towards group member companies		0	0
Other short-term liabilities		1	56
– Towards third parties		1	56
– Towards group member companies		0	0
Accrued expenses and deferred income	2.14	1 347	1 085
Total short-term liabilities		1 415	1 424
Long-term liabilities		100 000	100 000
– Corporate bond	2.15	100 000	100 000
– Towards group member companies		0	0
Total long-term liabilities		100 000	100 000
Total liabilities		101 415	101 424
Equity	2.16	1 200	12 000
Legal capital reserves	2.17	4 207	4 207
– Capital contribution reserve		4 207	4 207
Legal retained earnings		10 016	10 016
Voluntary retained earnings		412 176	359 649
Earnings available for distribution		14 335	52 553
– Balance brought forward from prior year		0	0
– Profit/Loss for the year		14 335	52 553
Treasury shares	2.18	–27	–45
Total equity		441 907	438 380
Total equity and liabilities		543 322	539 804

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 value adjustments. 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.

Share-based compensation

Share-based compensation is valued at the share price applicable on the shares' assignment, and is shown under both equity and personnel expense. The definitively assigned shares are subject to a three-year vesting period, during which the number of shares assigned is not contingent on any further performance, results or other vesting conditions.

Foreign currency positions

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

Foreign currency	2020 income statement	2020 balance sheet	2019 income statement	2019 balance sheet
EUR	1.0710	1.0820	1.1120	1.0870
USD	0.9380	0.8840	0.9940	0.9680

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 2020 (prior year: six persons) in full-time-equivalent terms.

2.1 Net revenue from sale of goods and services

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

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

There were no such adjustments in 2020. In the prior year, 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.

2.3 Income from investments

This item includes profit distributions by certain subsidiaries.

2.4 Interest income

Interest income derives predominantly from intercompany loans. For 2020, these were subject to interest rates of between 1.00% and 2.25% (prior year: between 1.00% and 3.00%).

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 2.0 million (prior year: CHF 3.7 million) interest paid on the CHF 100 million 2.00% corporate bond (duration 12 October 2018 to 12 October 2023). Interest was paid on two concurrent corporate bonds in 2019.

2.7 Other financial expense

Other financial expense for 2020 consisted largely of currency losses of CHF 0.4 million (prior year: CHF 0.6 million) and ordinary financial expense of CHF 0.1 million (prior year: CHF 0.1 million).

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

No such amounts were earned or incurred in 2020 or 2019.

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

in CHF thousand	2020	2019
Cash and cash equivalents	52 156	35 560
Assets held for short-term disposal with a quoted market price	20	25
Total	52 176	35 585

2.10 Other short-term receivables

Other short-term receivables consisted largely of value-added tax credits in both 2020 and 2019.

2.11 Long-term receivables from group member companies

As a result of repayment activities, long-term receivables from group member companies decreased by a net CHF 12.9 million to CHF 336.1 million.

2.12 Investments

Name and legal form	Domicile	Remarks	Currency	Holding in 2020		Holding in 2019	
				Capital in thousand	Capital/Voting rights	Capital in thousand	Capital/Voting rights
Zeochem AG ¹⁾	Rüti ZH/CH		CHF	1 000	100 %	1 000	100 %
Zeochem L.L.C.	Louisville/USA		USD	36 547	100 %	36 547	100 %
Jiangsu Zeochem Technology Co. Ltd. ¹⁾	Lianyungang/CN		CNY	90 000	92 %	90 000	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 %
Perlen Papier Immobilien AG	Root/CH	Founded 7.12.2020	CHF	1 000	100 %		
APS Altpapier Service Schweiz AG	Root/CH		CHF	100	100 %	100	100 %
Perlen Deutschland GmbH	Munich/D		EUR	100	100 %	100	100 %
Perlen Packaging AG, Perlen 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 %	13 000	100 %
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	40 % holding purchased 4.12.2020	BRL	2 464	100 %	2 464	60 %

¹⁾ Directly held by CPH Chemie + Papier Holding AG

There were no changes to CPH Chemie + Papier Holding AG's directly held investments in 2020 or 2019.

2.13 Liabilities towards pension schemes

There were no liabilities towards pension schemes as of 31 December 2020 (prior year: CHF 0.0 million).

2.14 Accrued expenses and deferred income

Accrued expenses and deferred income for 2020 included accrued interest on corporate bonds of CHF 0.4 million (prior year: CHF 0.4 million), pending tax payments of CHF 0.3 million (prior year: CHF 0.0 million) and accruals on employees' salary and vacation entitlements of CHF 0.6 million (prior year: CHF 0.6 million).

2.15 Corporate bond

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 0.20 per share. The Ordinary General Meeting of 17 March 2020 resolved to reduce the nominal value of the CPH share by CHF 1.80 from CHF 2.00 to CHF 0.20 and to use the reduction amount of CHF 1.80 per share (CHF 10.8 million in total) as a repayment to shareholders. This was formally effected on 25 May 2020 through a corresponding amendment to the company's Articles of Incorporation. 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 Note 29.2 in the "Additional information on 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 (and share-based compensation)

CPH Chemie + Papier Holding AG held 376 treasury shares at the end of 2020 (prior year: 572 shares), acquired at an average purchase price of CHF 72.61 (prior year: CHF 79.20) per share. A total of 21 438 treasury shares were purchased on the SIX Swiss Exchange in the course of 2020 (prior year: 16 584 shares) at an average purchase price of CHF 71.97 (prior year: CHF 81.91) per share, and a total of 19 253 treasury shares were sold via the SIX Swiss Exchange in the course of 2020 (prior year: 17 075 shares) at an average sale price of CHF 70.38 (prior year: CHF 81.67) per share. A further 1 190 shares of a total value of CHF 0.09 million were assigned to members of the management of CPH Chemie + Papier Holding AG in share-based compensation; and a further 1 191 shares of a total value of CHF 0.09 million were sold to subsidiaries for such assignment to their management members.

Guarantees to third parties

Contingent liabilities amount to CHF 37.9 million (prior year: CHF 41.2 million), of which CHF 27.9 million (prior year: CHF 31.2 million) consists of guarantees and securities 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

Liquid funds with a value of CHF 0.7 million are pledged.

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 0.0 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 35 to 38.

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

The Board of Directors of CPH Chemie + Papier Holding AG has proposed to the company's shareholders to acquire Uetikon Industrieholding AG, which is presently the company's largest shareholder, via a merger by absorption. Under the merger proposal, the shareholders of Uetikon Industrieholding AG will exchange their shares therein for a commensurate number of shares in CPH Chemie+Papier Holding AG, newly giving them a direct CPH shareholding. The proposal will be submitted to the shareholders concerned for approval at an Extraordinary General Meeting in early June 2021. No further events occurred between 31 December 2020 and 12 February 2021.

Recommendation on the appropriation of available earnings and reserves

Movements in earnings available

in CHF thousand	2020	2019
Balance brought forward from prior year	52 553	20 173
Appropriation of reserves available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
To voluntary retained earnings	–52 553	–20 173
Distribution to shareholders	0	–10 798
Profit	14 335	52 553
Release from capital contribution reserve	0	10 798
Earnings available at end of year	14 335	52 553

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

in CHF thousand	2020 Board recommendation	2019 General Meeting resolution
Earnings available	14 335	52 553
Release from capital contribution reserve	4 200	0
Distribution to shareholders	–10 800	0
Transfer to voluntary retained earnings	–7 735	–52 553
Balance of earnings to be carried forward	0	0

Distribution proposal

The Board of Directors will propose to the Ordinary General Meeting of 18 March 2021 that a distribution be awarded to shareholders of CHF 1.80 per share. Of this amount, CHF 1.10 per share will derive from current earnings available and CHF 0.70 per share from the capital contribution reserve.

For the 2019 financial year, the Ordinary General Meeting resolved 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.

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 2020, balance sheet as at 31 December 2020 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 78 to 83) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

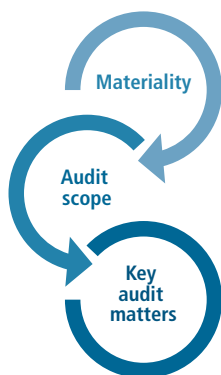
Basis for opinion

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 3,500,000

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 3,500,000
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How we

determined it

0.6% of total assets

Rationale for the materiality benchmark applied

We chose total assets as the benchmark for determining materiality because it is a generally accepted benchmark for materiality considerations relating to a holding company.

Audit scope

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

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

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

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

Key audit matter

We consider the valuation of long-term receivables from Group companies and of investments in Group companies as a key audit matter. These items are disclosed on the balance sheet in the amounts of CHF 336 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 and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zürich, 12 February 2021

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This Annual Report contains future-oriented statements about CPH that are subject to risk and uncertainties. These statements reflect the management's opinions at the time of the Report's compilation, but they may deviate from actual future events.

This Annual Report is also available in the original German. In the event of any discrepancy, the German version shall prevail.