

ANNUAL REPORT 2013

CPH CHEMIE + PAPIER HOLDING AG



cph

Key figures

The CPH Group

in CHF thousand	2013	2012	2011	2010	2009
Net sales	481 303	488 691	520 932	417 396	481 674
Earnings before interest, taxes, depreciation and amortization (EBITDA)	30 933	38 102	46 816	28 858	70 518
in % of net sales	6.4%	7.8%	9.0%	6.9%	14.6%
Earnings before interest and taxes (EBIT) before impairment	-26 636	-22 234	-19 977	-30 660	8 515
in % of net sales	-5.5%	-4.5%	-3.8%	-7.3%	1.8%
Earnings before interest and taxes (EBIT)	-277 557	-22 234	-19 977	-30 660	8 515
in % of net sales	-57.7%	-4.5%	-3.8%	-7.3%	1.8%
Financial result	-3 883	-6 108	-12 141	-9 382	1 898
Earnings before taxes and extraordinary items	-281 440	-24 265	-50 848	-40 042	10 413
Net result for the year	-271 480	8 061	-17 991	-20 010	29 467
in % of net sales	-56.4%	1.6%	-3.5%	-4.8%	6.1%
in % of equity	-62.5%	1.1%	-2.5%	-2.8%	3.9%
in % of total capital	-39.8%	0.8%	-1.8%	-1.8%	3.0%
Cash flow	27 276	28 812	29 921	22 008	60 022
Investments in tangible assets (gross)	18 201	10 942	24 405 ¹⁾	196 013	265 237
Free cash flow	13 653	63 649	33 573	-116 702	-56 505
Balance sheet total	681 788	972 381	992 134	1 106 475	994 621
Fixed assets	467 264	752 397	798 538	883 902	743 261
in % of balance sheet total	69%	77%	80%	80%	75%
Equity	434 263	709 764	706 308	710 186	751 540
in % of balance sheet total	64%	73%	71%	64%	76%
Net financial debt	-66 733	-80 286	-137 021	-164 748	-26 426
Personnel at year-end	859	849	853	941	968

CPH Chemie + Papier Holding AG

in CHF thousand	2013	2012	2011	2010	2009
Net result for the year	-216 375	12 763	6 329	34 880	57 034
Equity	435 366	655 641	646 777	640 448	614 568

Per-share statistics

in CHF	2013	2012	2011	2010	2009
Share price					
high	1 349	1 470	1 700	1 800	2 000
low	1 184	985	950	1 222	1 126
on 31 December	1 230	1 300	1 010	1 700	1 750
Equity per share ²⁾	1 447	2 366	2 354	2 366	2 506
Net result per share ²⁾	-905	27	-60	-67	97
Cash flow per share ²⁾	91	96	100	20	200
Dividend per share ³⁾	13	13	13	0	30

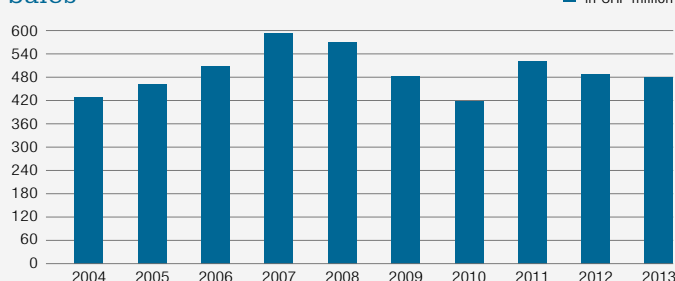
¹⁾ excluding divestiture of fine chemistry operations

²⁾ based on consolidated financial statements

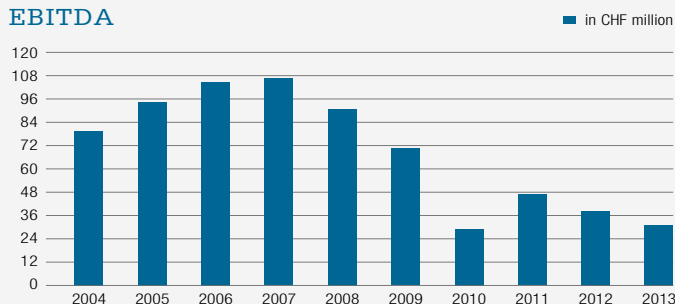
³⁾ for 2013: Board's recommendation to the 2014 Ordinary General Meeting

At a glance

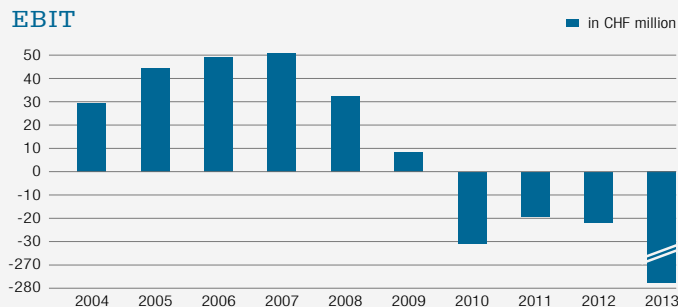
Sales



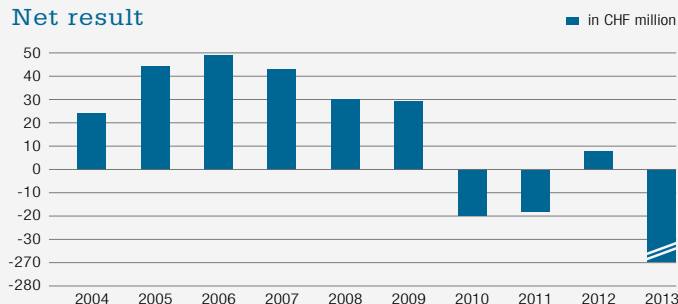
EBITDA



EBIT



Net result



The CPH Group

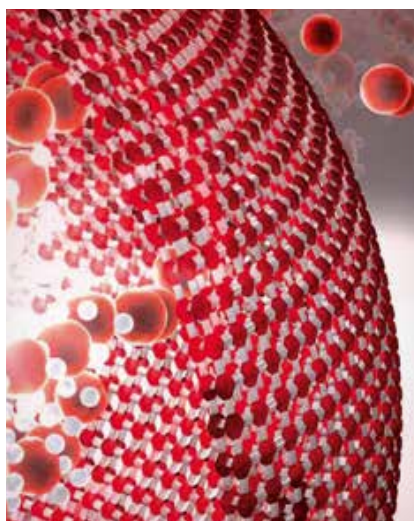
Business in 2013

- Net sales broadly maintained
- EBITDA of CHF 30.9 million
- Impairment of CHF 250.9 million
- Equity ratio still high at 64%

in CHF million	2013	2012
Net sales	481.3	488.7
EBITDA	30.9	38.1
EBIT before impairment	-26.6	22.2
EBIT after impairment	-277.6	

Portrait

CPH is an internationally active and diversified industrial group that is headquartered in Switzerland. The CPH Group manufactures chemicals, paper and pharmaceutical packaging films at five production facilities in Switzerland, Germany and the USA, and markets these products worldwide. CPH can draw on an industrial tradition dating back almost 200 years to 1818, the year its Uetikon chemicals factory (the oldest still operating in Switzerland) was founded, while its Paper Division traces its roots back to 1873. The company's shares have been listed on the SIX Swiss Exchange (under the Domestic Standard) since 2001.



Chemistry

Business in 2013

- Sales increased in the Americas
- Sluggish demand in Europe
- Impairment to Uetikon facilities
- Negative EBIT for the year

in CHF million	2013	2012
Net sales	59.2	67.1
EBITDA	0.0	5.7
EBIT before impairment	-5.3	0.1
EBIT after impairment	-21.3	

Portrait

The CPH Group's Chemistry Division, which has production facilities in Switzerland and the USA, is active primarily in the silicate chemistry business. Trading under the Zeochem brand, its Silicate Chemistry operation is a leading provider of molecular sieves (zeolites) and silica gels for industrial applications and of high-value chromatography gels for the pharmaceuticals sector. Its Other Chemistry business manufactures fertilizers and deuterated solvent products.



Paper

- Overcapacities depressing paper prices in Europe
- Net sales down despite higher sales volumes
- PM 4 production lost following winter fire
- Impairment to Perlen facilities

in CHF million	2013	2012
Net sales	305.7	314.3
EBITDA	15.6	22.6
EBIT before impairment	-29.7	-24.8
EBIT after impairment	-264.7	

The Group's Paper Division, which trades under the Perlen Papier brand, is Switzerland's biggest producer of newsprint and its sole manufacturer of magazine paper. Long and well established in its markets, the division produces all its paper in Switzerland and exports 80% thereof, largely to the euro zone. The paper manufactured is a recycled product that is more than 90% recovered paper and waste woodchip from sawmill operations.



Packaging

- Market share further increased in Europe
- 9.3% net sales growth
- EBIT gain through focus on higher-margin products
- Awarded 2013 "Oscar de l'Emballage" by the GISI

in CHF million	2013	2012
Net sales	116.4	106.5
EBITDA	12.9	11.2
EBIT	7.1	5.0

The Group's Packaging Division manufactures a comprehensive range of products from PVC monofilms to high-barrier PVdC-coated films for the pharmaceuticals sector at its Swiss, German and US production facilities, and is the world's third-largest supplier of laminated films. The products, which are marketed under the Perlen Packaging brand, are used primarily in the manufacture of blister packs for medicinal applications.

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Employee dedication

Eight hundred and fifty-nine people work for CPH and its customers in a wide range of areas and activities. For many of them, the commitment extends to additional duties, too, from supervising apprentices to the company fire service and representing employees and their interests and concerns. We present a sample six of these dedicated individuals, on Pages 9, 13, 20, 29, 34 and 70.

Report of the Board of Directors and Group Executive Management



Left to right:
Peter Schaub, Peter Schildknecht

Dear shareholder, dear reader,

The economic climate in Europe – the prime sales market for the products of the CPH Group – improved only slightly in 2013. On the whole, the continent's economies still showed sideways trends. To date, only the Group's Packaging Division has benefited from the slight recovery in market conditions. The Chemistry and Paper Divisions battled throughout the year with high overcapacities and corresponding pressures on pricing levels. The persistent strength of the Swiss franc also continues to have a substantial impact on group business results. And further efficiency enhancements, cost savings and increases in sales volumes all proved insufficient to offset these adversities, which were particularly strong in the paper sector. In tough market conditions, the Group achieved consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for the year of CHF 30.9 million, which compares to CHF 38.1 million for the prior-year period.

Predatory competition continues

The market environment in the paper sector has radically changed since CPH decided to invest in its new PM 7 paper machine back in 2008. Demand for newsprint and magazine paper has slumped, and the resulting fierce predatory competition has put strong pressure on prices, which have fallen some 30% in the intervening period in Swiss-franc terms. This has meant that more and more volumes of paper products have had to be sold to achieve the same net sales. For 2013 the Paper Division sold 514 398 tonnes of product, about 60% more than in 2008; yet net sales for the year were only a 7% improvement on their 2008 equivalent.

Demand is likely to continue to decline on the European paper markets – and the competition to persist accordingly – in the years ahead. On the currency front, too, we are unlikely to see any weakening of the Swiss franc towards eurozone purchasing-power parity any time soon. And although the PM 7 equips it well to cope with this difficult business environment, Perlen Papier AG will not be immune from its ramifications.

On the chemistry front, the CPH Group's Swiss-based operations faced substantial competitive pressure from low-price suppliers in China, which are forcing their way into the markets in Europe and the Middle East. The trend looks set to continue.

In view of these developments, the Board of Directors and Group Executive Management conducted a reassessment of the value of CPH's tangible fixed assets. After doing so, they concluded that an impairment of CHF 250.9 million should be effected on fixed assets in Switzerland. The bulk of this – CHF 235.0 million – is on the Perlen paper manufacturing facilities. Even after this impairment, the Group's balance sheet equity ratio still remains high at 64%.

Slight decline in group net sales

Consolidated net sales for the CPH Group amounted to CHF 481.3 million, a slight 1.5% decline on the previous year. In the chemistry sector, demand in Europe has not yet recovered, and net sales declined again following strong 2012 growth. On the paper front, 2013 sales were outpacing their prior-year equivalents until a fire occurred in the winder of the PM 4 paper machine at the end of October. Fortu-

nately, no one was injured, but the entire magazine paper production line had to be shut down until the end of the year; and, as a result of this production loss, net sales for the year as a whole were down on 2012. The Packaging Division reported further encouraging net sales growth, though this was insufficient to fully compensate for its sister divisions' declines.

EBIT strongly affected by impairments

Consolidated earnings before interest and taxes (EBIT) before impairments amounted to CHF –26.7 million, slightly down on the prior-year result. The Chemistry and Paper Divisions posted negative EBITs, and only the Packaging Division improved on its prior-year EBIT performance. Had it not been for the loss of PM 4 paper machine production following the winder fire, the CPH Group would have reported a consolidated EBIT for 2013 in line with prior-year levels. Impairments of CHF 250.9 million to tangible fixed assets in the Chemistry and Paper Divisions reduced consolidated EBIT to CHF –277.6 million. The net result for the year was also correspondingly negative at CHF –271.7 million. The CHF 8.1 million positive net result of 2012 had been achieved thanks to real-estate disposals. No significant income was generated from real-estate sales in 2013.

CHF 13.00 dividend to be proposed

In the interests of maintaining a consistent dividend policy, and in view of the fact that the impairment effected does not affect the Group's liquidity, the Board of Directors will recommend to the Ordinary General Meeting of 10 April 2014 that, as for 2012, a dividend of CHF 13.00 per share be distributed for the 2013 business year.

Change on the Board of Directors

Dr. Franz-Josef Albrecht will step down from the Board of Directors of the CPH Group on the occasion of the Annual General Meeting of 10 April 2014. Franz-Josef Albrecht has been instrumental in shaping the development of CPH over the 25 years that he has spent as a member of the CPH Board. In 1992 he was appointed Chairman of the Board of the off-exchange Perlen Holding AG, in which capacity he introduced a new holding structure. In 1997 he became Chairman of the Board of CPH Chemie + Papier Holding AG, which he then merged with Perlen Holding AG. The new company secured its listing on the Swiss stock exchange in 2001.

Under Franz-Josef Albrecht's 17-year chairmanship, CPH set major future courses, invested in its PM 4 and PM 7 paper machines, further internationalized its business operations and consolidated its three operating pillars of chemistry, paper and packaging. Dr. Albrecht stepped down as Board Chairman following the 2010 Annual General Meeting, handing over to Peter Schaub. CPH offers Franz-Josef Albrecht its deepest thanks for all his energies and endeavours in ensuring the further development of the CPH Group, together with every good wish for the future.

Outlook

The Paper Division continues to dominate the overall results of the CPH Group. The division will be taking further actions to enhance its business performance and its productivity, with the aim of achieving cost leadership in its prime sales market, and most of CPH's investments will be devoted to this objective. Further potential is offered here by the PM 7 paper machine, one of the most advanced in Europe, which is still ramping up to full use of its technological capacities.

On the cost front, the Perlen production site's switch to the free electricity market for its power needs from 1 January 2014 onwards should secure annual savings of over CHF 10 million. Perlen Papier also intends to procure more of its recovered paper – a key raw material – from the Swiss market, which offers lower overall costs. It is European paper prices, however, that wield the greatest influence over the Paper Division's earnings; and while these have recovered somewhat in recent times, the continuing decline in demand will put sizeable further pressure on paper pricing levels.

Both sales and profitability are expected to further improve in the chemistry and packaging segments. Product innovations and further product differentiation will be the prime focuses here. The efforts to promote higher-margin product sales will also be continued, as will the drive to tap new growth markets and thereby reduce CPH's broader exposure to European economic trends.

In the medium term, the CPH Group will strive to attain a better balance in the contributions of its three business divisions. The impairments in the chemistry and paper segments will reduce depreciation requirements in the years ahead. So despite facing a still-difficult business and market environment, CPH is confident of achieving a positive consolidated EBIT result for 2014.

Strong staff commitment

Once again, CPH's employees devoted substantial energies to the Group and its activities throughout the year. And for this we offer them our deepest thanks. Our people dedicate themselves day after day, and in some cases around the clock, to offering our customers outstanding products and services.

The fire incident which occurred in the winder of our PM 4 paper machine in October confirmed the vital importance of our people's commitment and professional approach. The swift initial response by our company fire service prevented the damage from being considerably worse; and the subsequent professionalism of our staff ensured that customers continued to receive the supplies they needed, and that the disruption to production was kept to a minimum. As a tribute to all the personnel who regularly go above and beyond their core duties in the interests of the CPH Group, we have portrayed six individuals from our various divisions and units in the pages of this year's Annual Report.

To our customers and suppliers, too, we express our gratitude and appreciation for their confidence in CPH. And to you, our shareholders, we offer a sincere thank-you for the support that you continue to show us, even in challenging business times.



Peter Schaub
Chairman of the Board



Peter Schildknecht
Group CEO



Diana Perini has been the Liaison Officer between the 120-odd retirees of CPH's Uetikon, Full and Turgi operations and their former employer for three years now. Every year she organizes an excursion for them: last year to Zurich Zoo, and the year before to Perlen to inspect the new PM7 paper machine. Around half the retirees take this opportunity to meet up and exchange news and views. "Next year I'll reach retirement age myself," Diana muses. "But I'd like to continue for one more year as the Assistant to our Zeochem CEO. After that maybe I can carry on part-time – and carry on organizing our retirees' excursions, too!"

Fixed-asset impairment weighs on results



The CPH Group generated net sales of CHF 481.3 million for 2013, a 1.5% decline on the previous year. EBITDA was also down at CHF 30.9 million. With the impairment effected to the Group's tangible fixed assets, consolidated EBIT fell to CHF -277.6 million and the net result to CHF -271.5 million.

While general economic conditions in the industrialized countries slowly brightened in 2013 (the US economy saw growth of more than 2% for the second-quarter period), the recovery in Europe did not begin until the second half of the year, and then was only hesitant. For 2013 as a whole, the economy stagnated in Europe, and thus in the CPH Group's prime sales markets. Asia remained on its current strong growth track.

In the chemistry segment, Europe has yet to see the return of any sustainable investment activity. The chemistry business in the USA, by contrast, showed encouraging trends. The CPH Group's Paper Division continues to operate in a market of shrinking demand, overcapacities and pricing pressures. The Packaging Division benefited from its consistent focus on the growing pharmaceuticals market. Despite further volume increases, however, the CHF 481.3 million net annual sales for the CPH Group represented a slight 1.5% year-on-year decline.

The market environments in the chemistry and paper segments have undergone major and permanent changes over the last few years. CPH's Uetikon chemistry operations are now under growing competitive pressure from suppliers based in the Asia-Pacific region; and on the European paper market the decline in demand has prompted steady price declines. The continued strength of the Swiss franc is further compromising the competitiveness of CPH's paper production activities.

With these trends looking set to continue, the Board of Directors and Group Executive Management have conducted a reassessment of the value of the Group's tangible fixed assets. As a result, an impairment of CHF 15.9 million has been effected on its Uetikon chemistry facilities, and a further impairment of CHF 235.0 million has been effected on its Perlen paper production plant.

Packaging still positive

The three divisions of the CPH Group operate in totally separate markets, and are thus subject not only to general economic trends but also to their own market's specific conditions and developments. In 2013 it was the Group's Swiss operations (which export over 80% of their production) that were faced with a particularly tough business environment, as their revenues were eroded by a strong Swiss franc. The Chemistry Division performed well in North and South America, which account for over a third of its total net sales. The division's Zeochem subsidiary operates its own production facility in the USA. The North American market saw stronger demand for CPH products in response to increased shale gas production, while the South American market witnessed a similar trend for ethanol production purposes. Within Europe the Chemistry Division's business in Switzerland suffered from customers' decisions to defer certain projects and from

sluggish demand in the markets served by its Uetikon operations. Overall, the division sustained an 11.8% decline in its annual net sales. EBIT for the year was clearly negative following the impairment to the Uetikon facilities.

The Paper Division sold 514 398 tonnes of newsprint and magazine paper in 2013. This was a slight 1.0% above prior-year levels, despite the reduced production capacity following the fire in the winder of the PM 4 machine. But with paper prices continuing to fall, net sales for the year were 2.8% down on 2012. Divisional EBIT was clearly negative, as a result of the impairment to the Perlen facilities and the PM 4 winder fire.

The Packaging Division further consolidated its position as a provider of premium packaging films to the growing pharmaceuticals market, and also increased its European market share. The range of films produced with differing barrier and protection credentials are used primarily for medicine blister packs. The division raised its net sales by 9.3% year-on-year, and improved its annual EBIT by a further substantial 41.8%.

Paper dominates group results

The Paper Division's contribution to total net sales remained unchanged in 2013 at 64%. Packaging's contribution increased further from 22% to 24%, while Chemistry's share declined from 14% to 12%. Europe (including Switzerland) remains the CPH Group's prime sales market: the region accounted for 84% of total net sales in 2013, unchanged from the previous year. The bulk of these sales are from the Paper Division, which distributes almost all its products within Switzerland and to neighbouring European markets.

Lower energy expense

Materials are the biggest cost item for the CPH Group, making up 52% of total operating expenditure. Overall, raw materials prices were slightly higher in 2013, though the increase was successfully offset by efficiency enhancements and further progress on the procurement front. Personnel cost accounted for 17% of total operating expense, unchanged from 2012. Energy costs felt the benefit of efficiency improvements, and their share of total expenditure declined accordingly from 17% to 16%.

Regrettably, the progress made in operational terms was nullified by exceptional factors. As a result, the CHF 30.9 million consolidated earnings before interest, taxes, depreciation and amortization (EBIT-DA) for the year fell short of the prior-year result.

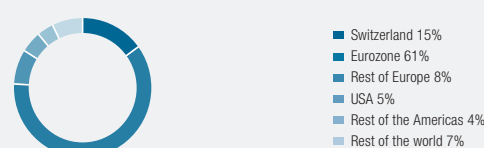
Earnings strongly affected by currency movements

The CPH Group incurs 70% of its costs in Swiss francs but generates only 15% of its sales in the Swiss currency. As a result, the movements of other currencies against the Swiss franc have a substantial impact on the Group's earnings performance. The most important foreign currency for CPH is the euro, whose exchange rate was kept stable throughout 2013 thanks to actions by the Swiss National Bank. Indeed, the euro even strengthened slightly from CHF 1.21 to CHF 1.23 in the course of the year. The US dollar, by contrast, weakened from CHF 0.94 to CHF 0.93.

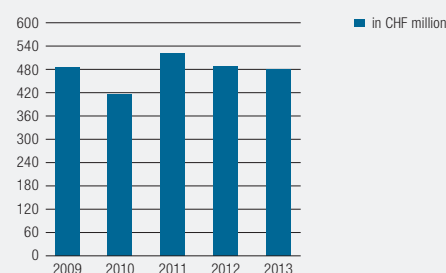
CPH Group net sales by division



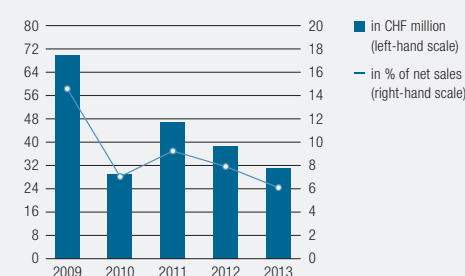
CPH Group net sales by region



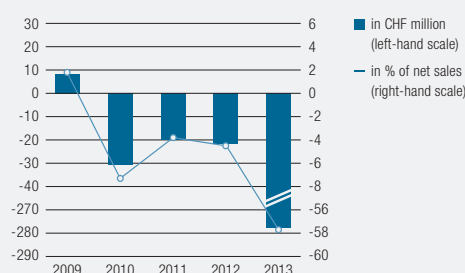
CPH Group net sales trends



CPH Group EBITDA trends



CPH Group EBIT trends



The loss of PM 4 paper machine production following its winder fire reduced earnings before interest and taxes (EBIT) for the year by CHF 4.5 million. Ordinary depreciation and amortization amounted to CHF 57.6 million, down from the CHF 60.4 million of 2012. Impairments totalling CHF 250.9 million were also effected to tangible fixed assets at the Uetikon and Perlen sites. As a result, consolidated EBIT for 2013 amounted to CHF –277.6 million.

Net result reflects operating result

The CHF 271.5 million net loss for the year was – like the EBIT result – strongly affected by the CHF 250.9 million of impairments to tangible fixed assets. Even excluding these impairments, however, the net result would have been a decline on the CHF 8.1 million of 2012, since the prior-year net result included CHF 33.9 million in income from real-estate sales, while hardly any such income was generated in 2013.

A sound capital base

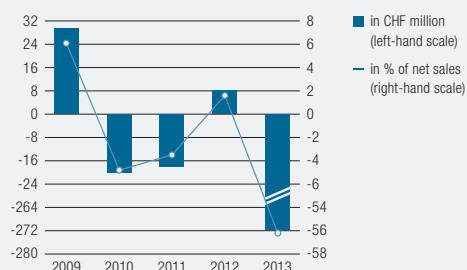
Even after the impairments to tangible fixed assets, the CPH Group remains on a sound financial footing with a balance sheet equity ratio of 64%. The impairments effected also lay a firm foundation for the Group's sustainable further development. Net debt at year-end stood at CHF 66.7 million, a CHF 13.6 million reduction from the CHF 80.3 million of 2012.

Capital spending increased in 2013 from the CHF 10.1 million of the prior year to CHF 18.2 million. The spending effected was on replacement plant and equipment designed to enhance efficiency. Workforce numbers remained virtually unchanged: CPH's five operating locations employed 859 personnel at the end of 2013, compared to 849 a year earlier.

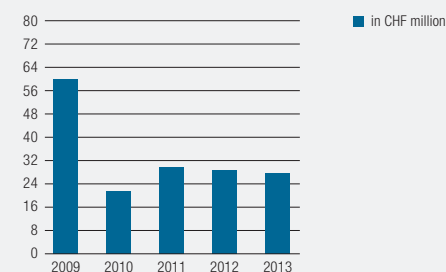
Outlook for 2014

The CPH Group is currently strongly exposed to developments in the paper market. The persistent decline in demand and the resulting overcapacities will continue to have their impact on paper pricing levels; but results are expected to improve via a combination of increased production volumes, efficiency enhancements and cost reductions (especially through lower energy prices). In the Chemistry and Packaging Divisions, the focus will be on higher-margin products and on tapping new markets in growth regions. The lower ordinary depreciation and amortization requirements following the 2013 impairments should also be reflected in future operating results, and 2014 should see the Group's consolidated EBIT return to the black.

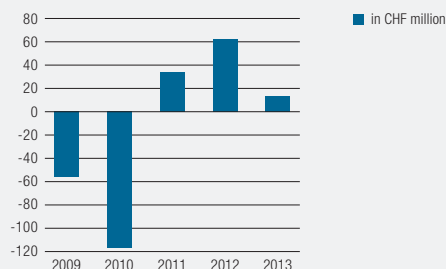
CPH Group net result trends



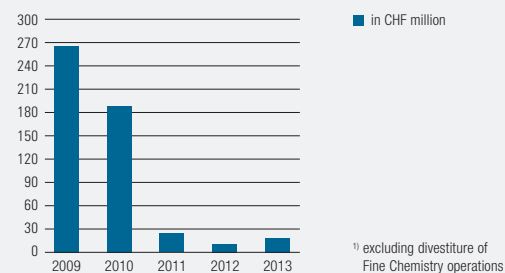
Cash flow



Free cash flow



Investments in tangible assets ¹⁾





Elmar Jungo, Head of Administration at Chemie Uetikon, has been the first person to turn to in the event of an accident at CPH's Uetikon site for the last 30 years. "They're mostly minor injuries like cuts or bruising, where we just provide first aid," he explains. Fortunately, Elmar and his team of paramedics have not had to deal with any serious injuries in the past ten years. "You have to be constantly prepared, though," he stresses. "And for me that means constant further training, because the techniques and the equipment are evolving all the time. Cardiac massage, for instance, is performed totally differently today than it was even five years ago."

Swiss and US operations show differing developments



The Chemistry Division sustained an 11.8% decline in its net sales to CHF 59.2 million. The encouraging sales increases in the USA were unable to fully offset the sales declines in Switzerland. The sluggish demand in the markets it serves, combined with pricing pressures, prompted a CHF 15.9 million impairment at the Uetikon facility.

Market environment

The sales markets of CPH's Chemistry Division were still feeling the after-effects of the economic and financial crisis in 2013. The division is primarily active in the silicate chemistry segment. Its main customers here are in the energy, chemicals and industrial fields, where molecular sieves are used to purify various products such as ethanol, natural gas, hydrogen and oxygen on an industrial scale. As a result, the demand for its products depends heavily on the construction of new facilities for such purposes and the pace at which existing facilities need their equipment replaced. The division also supplies chromatography gels, largely to the pharmaceuticals market, and further manufactures fertilizers (for the Swiss market) and deuterated solvents.

Cost pressures remained high in 2013, while demand for molecular sieves either stagnated or declined, especially in the European and Middle East markets. The situation was further exacerbated by customers in Europe turning increasingly to lower-price Asia-based suppliers. Business in North America, by contrast, saw increased demand from the shale gas extraction sector. The USA is promoting the development of domestic shale gas as an energy source, to lessen the country's reliance on energy imports. These efforts are also expected to prompt declines in energy prices. This in turn will enhance

the USA's appeal as a place to base energy-intensive industries – a trend that should further benefit CPH's local chemistry operations. The Middle East and Chinese markets also continued to grow, albeit at somewhat slower rates than in the previous years.

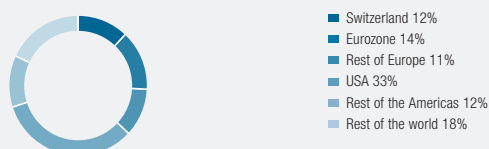
The specialist markets for medicinal oxygen, chromatography gels and high-performance zeolites showed differing developments. The pharmaceuticals market in particular offers further potential, given current demographic trends and the rising incomes in emerging economies.

Business development

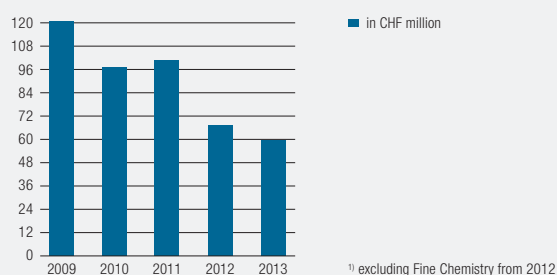
The 11.8% decline in net sales to CHF 59.2 million is essentially attributable to the performance of the division's Uetikon operations. High production costs and the continued strength of the Swiss franc are blunting the competitiveness of Swiss-made products on the international markets. A number of customer projects were also shelved, especially for industrial gas applications, and the division's Uetikon facilities were not fully utilized in 2013. While the efforts to focus on higher-margin products were continued, these were unable to fully offset the decline in volume business. On the chromatography gel front, intensified marketing was rewarded with stronger business trends.

Production at the division's US site, meanwhile, benefited from the

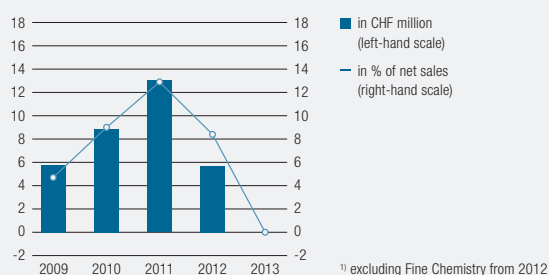
Chemistry net sales by region



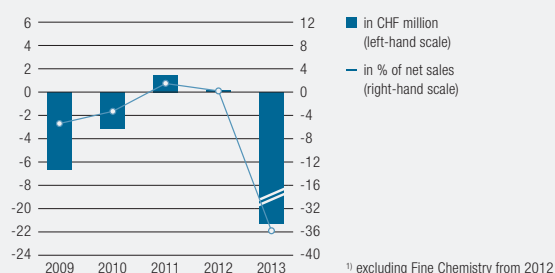
Chemistry net sales trends ¹⁾



Chemistry EBITDA trends ¹⁾



Chemistry EBIT trends ¹⁾



increased demand in North America for shale gas processing facilities. Demand was also strong in the South American market, in the shape of the ethanol industry. All in all, Zeochem's US production plant was well utilized throughout the year. In geographical terms, these differing trends led to a decline in the proportions of sales generated in Europe and the Middle East and increases in the American and Asian shares.

CU Agro manufactures mineral fertilizer on behalf of fenaco, the Swiss fertilizer market leader. Chemie Uetikon produces solvents for chemical analysis applications. Both operations made solid contributions to overall divisional results.

In view of the sluggish demand and the cost pressures in Europe, EBITDA for the Chemistry Division declined to CHF 0.0 million. EBIT for the year also fell from the CHF 0.1 million of 2012 to CHF -21.3 million, though the impairment in Uetikon accounted for CHF 15.9 million of the decline.

The division invested CHF 4.3 million in 2013 (compared to CHF 2.9 million the previous year) in expanding the manufacture of its high-margin products, including investments in a drying facility in the USA and a gel classifier for Uetikon. Otherwise the focus was on improving productivity and quality. The division employed 176 personnel at the end of 2013, unchanged from a year before.

Strategy

The Chemistry Division has set itself the clear objective of centring its business on high-quality higher-margin products, and has already developed and successfully launched new products on this front for medicinal oxygen applications. The emerging economies are experiencing a growing demand for medicinal oxygen, owing to a combination of rising purchasing power and poor air quality. The division also sees further potential in the gel products required for complex separation processes and in high-performance zeolites, which are used in such areas as odour adsorption.

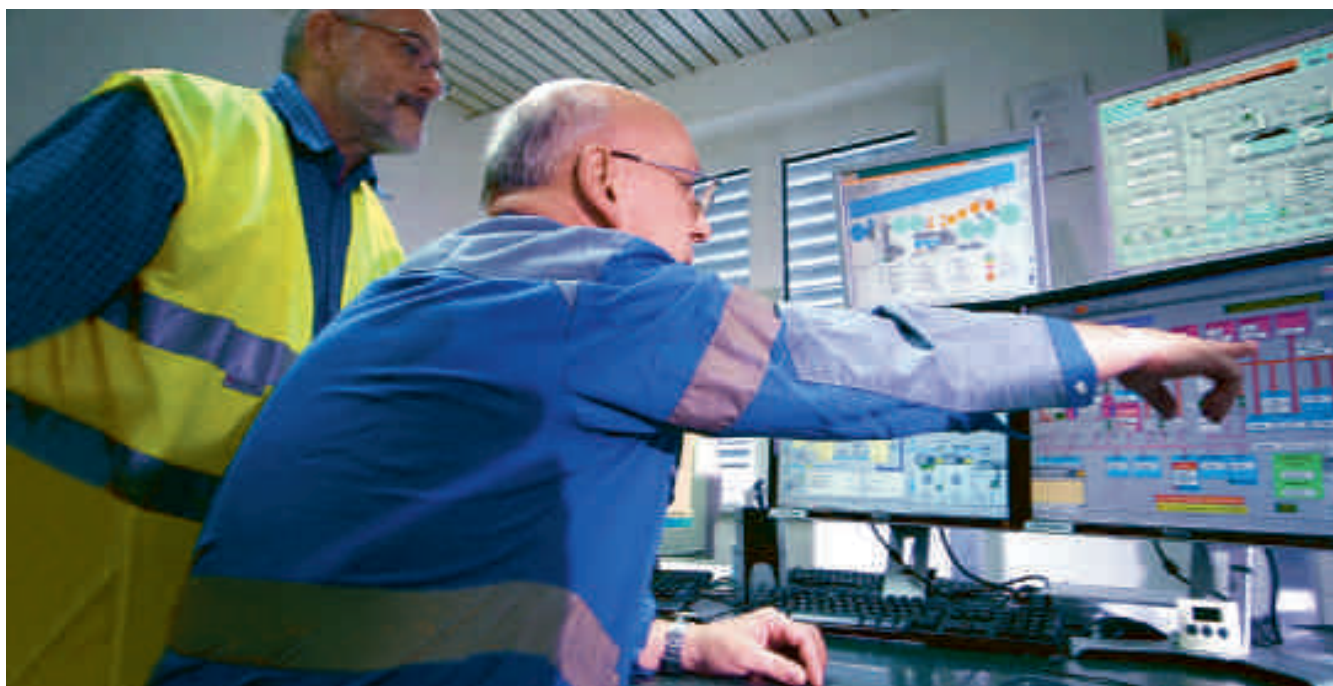
Innovative strength will remain a key competitive asset. The geographical expansion to the growth markets of China and the Middle East, which was embarked on last year, will also be continued.

Outlook

Demand for molecular sieves is strongly influenced by the general investment climate in the markets CPH serves. Not until these markets become firmly confident of an economic upturn can new impetus and rising investments be expected. While European economies are only gradually recovering, encouraging signals are emanating from the US energy sector. Economic developments in China, too, offer grounds for cautious optimism. Special areas, such as pharmaceutical applications, also promise further growth and improved margins, and lend additional support to the division's present strategy of positioning its activities in the higher-value product segment.

The Chemistry Division expects to increase its net sales in 2014. And, thanks to continuous and rigorous cost management, its focus on higher-value products and a concentration on new markets, the division should improve its earnings performance, too.

Operational progress nullified by consequences of fire and price declines



Despite an increase in the volumes of product sold, the Paper Division saw its net sales decline 2.8% to CHF 305.7 million. Falling prices, a fire in the winder of the PM 4 paper machine and an impairment to the division's tangible fixed assets all had their adverse impact on EBIT for the year, which stood at CHF –264.7 million.

Market environment

The demand in Western Europe for newsprint and magazine paper suffered a further decline in 2013, albeit a slighter one than the previous year. European demand for newsprint was down 6%, while magazine paper saw an 8% decline. By comparison, demand for newsprint in Switzerland fell 9% year-on-year, while Swiss demand for magazine paper was down 8%. The declines in the demand for magazine paper are due partly to a trend among customers to opt for lower paper qualities to reduce their costs.

On the supply side, the mothballing of newsprint facilities by several manufacturers had a positive effect. About a million tonnes of Western European newsprint production capacity was taken out of the market in 2013. As a result, and for the first time in years, supply and demand approached broadly equal levels, and prices could be raised in the second half of the year. The increases were modest, though, and were insufficient to fully offset first-half price declines. On the magazine paper front, Western Europe still has about a million tonnes of overcapacity. Machine utilizations here remained poor, and prices showed sideways and slightly downward trends.

Europe's paper manufacturers are experiencing bleak times in earnings terms, and most of them posted red-ink operating results for the year. CPH's Paper Division faces further adversity through the

continuing overvaluation of the Swiss franc: Perlen Papier manufactures all its products in Switzerland, but exported 81% in 2013 (compared to 79% the year before). The markets are also taking longer to recover than had been hoped, and the predatory competition remains fierce. In view of all these factors, the CPH Board of Directors and Group Executive Management resolved to effect a CHF 235.0 million impairment to the division's tangible fixed assets.

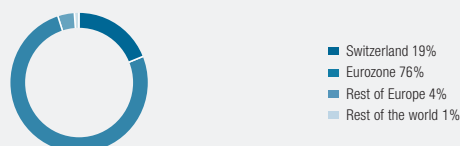
Business development

The Paper Division sold 373 008 tonnes of newsprint in 2013, an 8.9% increase on the previous year. The PM 7 paper machine is still ramping up on schedule to its full annual capacity, which should ultimately reach 360 000 tonnes. Last year – its third full year of operation – already brought the milestone of the first million tonnes.

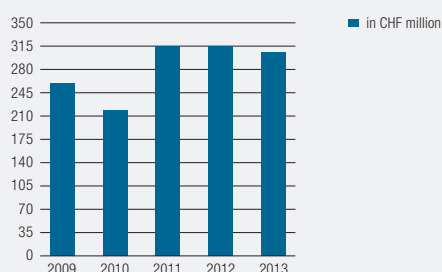
The 141 390 tonnes of magazine paper produced, by contrast, represented a 15.0% decline. The fire in the winder of the PM 4 paper machine at the end of October resulted in a 32 300-tonne loss of production in November and December. The damage caused by the fire and the resulting production loss were largely covered by insurance policies held.

Despite strong volume placements, the division's CHF 305.7 million net sales for the year fell short of the CHF 314.3 million generated in 2012.

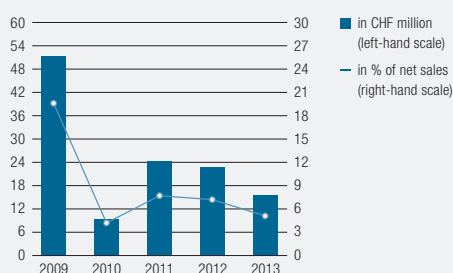
Paper net sales by region



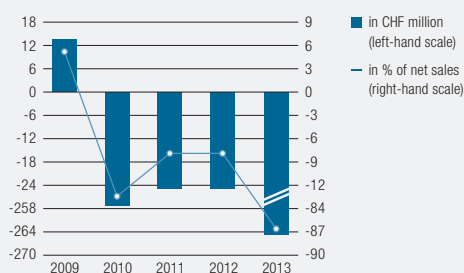
Paper net sales trends



Paper EBITDA trends



Paper EBIT trends



The reasons for this can be found primarily in the further paper price declines, which again nullified all the progress made on the cost front. Perlen Papier's share of the Swiss newsprint market was increased to 34%, while its share of the Swiss magazine paper market remained unchanged at 32%.

Perlen Papier has made great efforts to improve its performance and has achieved further efficiency gains. The increased volumes recorded over the past few years have been produced with a slightly smaller workforce, which numbered 365 personnel at the end of 2013. Savings have also been achieved on the energy cost front; and the drive to obtain more recovered paper from Swiss sources also showed further success.

The division reported an EBITDA for 2013 of CHF 15.6 million, down from the CHF 22.6 million of the previous year. Capital spending increased from the CHF 3.5 million of 2012 to CHF 9.8 million. Up until the PM 4 winder fire, year-to-date EBIT had been broadly at its 2012 levels. But the exceptional expense incurred through the fire and its impact on production removed CHF 4.5 million from the EBIT result. The impairment to the division's tangible fixed assets depressed the operating result by a further CHF 235.0 million, producing an EBIT for the year that, at CHF -264.7 million, was a decline on 2012.

Strategy

Perlen Papier aims to achieve cost leadership in its prime sales market for paper production activities. To this end, the division will continue to pursue its efficiency-enhancement and profitability-raising programme, with a particular emphasis on promoting the procurement of the recovered paper used in its production from Swiss sources.

In view of the energy-intensive nature of its manufacturing activities, the division is putting a further focus on enhancing energy costs. With this aim in mind, the Perlen site resolved to switch to the free electricity market for its energy needs from 2014 onwards. The move is expected to deliver savings of over CHF 10 million in 2014 alone. The entry into operation of the nearby Rennergia waste incinerator facility will further improve Perlen Papier's energy and carbon emission credentials. The Rennergia project is well on track, and the facility will open as planned in 2015.

Outlook

Given the present broad balance between supply and demand in the newsprint segment, the pressure on paper prices may ease in the shorter term. But Western European demand for this paper product is expected to decline a further 6% in 2014. On the magazine paper front, the overcapacities remain and the resulting predatory competition is likely to further increase. With its advanced manufacturing facilities, though, Perlen Papier is well equipped to meet and master these challenges; and its continued endeavours to raise the efficiency of its production and business activities should have a positive impact on its operating results.

Focus on the international pharmaceuticals sector delivers further success



The Packaging Division, which serves the growing blister-pack segment, achieved an above-market-average increase in its net sales for the year to CHF 116.4 million. Annual EBIT was raised 41.8% to CHF 7.1 million.

Market environment

The pharmaceuticals sector experienced a global increase in 2013 in its demand for blister packs. In Europe, which is the prime sales market for CPH's Packaging Division, the growth amounted to 3%, with above-average increases seen in Eastern Europe. Growth rates were slightly lower in North America, while Asia reported double-digit growth. The strongest drivers of these trends in the emerging economies are urbanization, rising incomes and increasing longevity. China in particular is urging its pharmaceuticals sector to produce higher-quality products that are suitable for export, with correspondingly high demands on the packagings concerned.

We are also witnessing a general trend within the pharmaceuticals sector towards medications with increasingly complex molecular structures that are intended for distribution worldwide. And this in turn is raising the requirements of the barrier qualities of the packagings used. CPH's Packaging Division is well positioned in the high-barrier-film packaging segment: the only supplier to devote itself clearly to the pharmaceuticals industry, Perlen Packaging is one of Europe's three leading manufacturers of the products concerned.

The prices of the division's raw materials rose slightly in 2013. But the extra costs were successfully offset by adopting a stronger focus on high-barrier-film products.

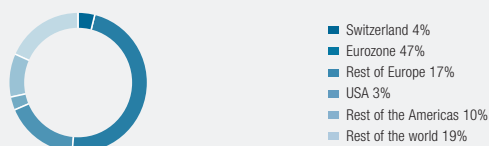
Business development

The Packaging Division achieved a 4.8% increase in its sales volumes for the year. Growth in Europe was well above general market trends; in North America the growth was in line with overall market development; growth in Asia fell just short of the market as a whole; and in South America Perlen Packaging sustained declines in both sales volumes and net sales, as a result of the substantial devaluation of the Brazilian real.

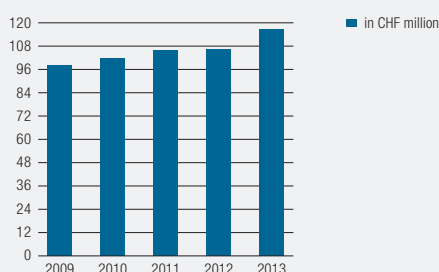
Net sales for 2013 totalled CHF 116.4 million, a 9.3% improvement on the previous year. The division gained market share in Europe, whose contribution to total net sales increased from the 62% of 2012 to 64%. The focus on higher-value products also improved margins, and EBITDA rose a corresponding 1.5% to CHF 12.9 million.

EBIT for the year was improved 41.8% to CHF 7.1 million, and EBIT margin rose accordingly from 4.7% to 6.1%. The division invested CHF 3.1 million in the course of the year (compared to CHF 3.0 million in 2012), with the spending devoted to tangible fixed assets designed to improve processes and procedures. To cope with its further business growth, the division also expanded its workforce from 279 to 304 personnel.

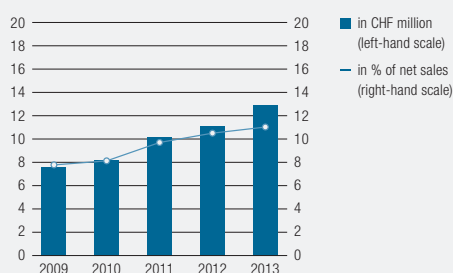
Packaging net sales by region



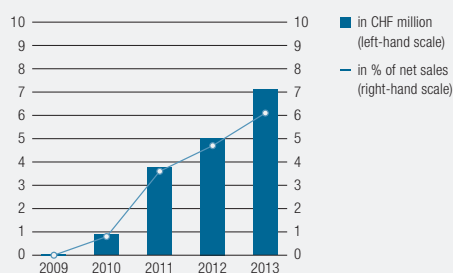
Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends



Strategy

Perlen Packaging is an integrated supplier that offers the full range of packaging products from PVC monofilms to coated PVdC films with the strongest barrier credentials. The films, which are largely used in blister packs, protect the contents of such packs (such as medicinal agents) from oxygen, hydrogen and other gaseous and liquid substances.

Perlen Packaging is currently focused on expanding its higher-margin high-barrier film business. To this end, the division is developing innovative new products such as Perlalux® Ultra Protect, a complex sandwich composite that offers double the protective qualities of today's high-barrier films. The division is also developing Steriplus, a sterilizable packaging that can be used wherever medical equipment needs to be packaged under sterile conditions, such as for use in hospital operating theatres.

The division's focus on new developments is reaping its rewards. Over 15% of its 2013 net sales derived from high-margin products that had been brought to market in the previous five years. Perlen Packaging's strong innovative credentials have been recognized by outside parties, too: the company's PERLAZID® product earned a prestigious packaging award in the "new materials" category in 2013 from the French-based Groupe Industrie Services Info S.A.S. (GISI).

In geographical terms, the Packaging Division will be striving both to further expand within its main European market and to consolidate its position in Asia and Latin America, to derive greater benefit from the above-average growth rates currently being seen in the markets concerned.

Outlook

Given today's demographic trends, the healthcare market is sure to witness further growth in the next few years. The proportion of the population aged over 65 is currently rising by some two percentage points a year; and this age group accounts for about two-thirds of all healthcare products and services.

Demand for medication, and thus also for the blister packs it comes in, is projected to increase by about 4% in 2014. Growth rates will vary, however, from region to region. The USA, the world's biggest pharmaceuticals market, will show below-average growth in demand for blister packagings because the medications there are still largely packaged in containers. Double-digit growth rates are projected for Asia and Latin America, while Europe is expected to see year-on-year growth of around 3%. With intensifying competition from generic medication manufacturers, pricing pressures are likely to further increase.

The Packaging Division expects to report improved net sales for 2014. Thanks to its strong focus on higher-margin products, the division is also confident of achieving a further increase in its EBIT for the year.



"In a major operation like our paper production in Perlen with its 400 or so personnel, there will always be issues that affect everyone," says Ivan Zimmermann, who is Head of Central Workshops at Perlen Paper. "That's what motivated me to get more involved in personnel issues; and as President of our Employees' Council, I represent our people's interests and concerns to Executive Management." The Council consists of 10 members drawn from all areas of the company who meet with top management six times a year to exchange news and views and devise joint solutions.

Geared to sustainability



The bodies charged with leading the CPH Group are united in their commitment to its sustainable long-term development.

The CPH Board of Directors and Group Executive Management attach great value to ensuring that the CPH Group and all its activities are managed responsibly in the interests of its shareholders, its customers, its employees and all further stakeholders. The following Corporate Governance section is structured in accordance with the corporate governance guidelines issued by the SIX Swiss Exchange. For certain items, reference is made to the annual financial statements from Page 35 onwards, and in particular to the additional corporate governance information provided in the annex to the consolidated financial statements.

Group structure and shareholders

Management structure as of 31 December 2013

CEO

Peter Schildknecht

Business divisions

Chemistry

Alois Waldburg-Zeil

Paper

Klemens Gottstein

Packaging

Wolfgang Grimm

Service functions

CFO

Manfred Häner

HR & Communications

Michel Segesser

The CPH Group comprises three business divisions, each of which is autonomously active in its particular markets. The Group is led by the Group CEO, while the business divisions are headed by the three Divisional CEOs. Group Executive Management consists of the Group CEO, the three Divisional CEOs, the CFO and the Head of HR & Communications. The Group CEO reports directly to the Chairman of the CPH Board of Directors. CPH Chemie + Papier Holding AG (the Group's holding company) is domiciled in Perlen, Switzerland. An overview of the subsidiaries included in the consolidated financial statements can be found on Page 68.

Capital structure

For details of the capital structure of CPH Chemie + Papier Holding AG, please see the additional corporate governance information on Page 62.

Shareholder structure	31.12.2013	31.12.2012
UBV Uetikon Betriebs- und Verwaltungs AG	49.9%	49.9%
Schnorf-Schmid Ella	7.2%	7.2%
Sarasin Investmentfonds AG	6.1%	6.6%
Members of the Board of Directors and Group Executive Management (and related parties)	2.8%	3.1%
Publicly-held shares	29.0%	28.5%
Shares currently not listed in the Share Register	5.0%	4.7%
Total shareholders	829	867

The Board of Directors

as of 31 December 2013



From left:
Tim Talaat, Hanspeter Balmer, Max Walter, Franz-Josef Albrecht,
Peter Schaub, Mauro Gabella, Christian Wipf

Peter Schaub

Chairman, born 1960, Swiss national, lic. iur., attorney-at-law, first elected in 1994.

Current positions

Partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich; Member of the Board of Directors of Mobimo AG, Lucerne; Deputy Chairman of the Board of Directors of UBV AG, Uetikon; Member of the Board of Directors of Rüegg Cheminée Holding AG, Zumikon.

Previous positions

Tax commissioner at the Cantonal Tax Office, Zurich; junior associate at the Schellenberg Wittmer law firm, Zurich.

Max Walter

Deputy Chairman, born 1945, Swiss national, Dr. iur., attorney-at-law, first elected in 1990.

Current positions

Self-employed attorney (SSW Rechtsanwälte, Zurich); Member of the Board of Directors of UBV AG, Uetikon; Member of the Board of Directors of Nickelmesh S.A., Biasca; Member of the Board of the Swiss Sponsorship Organization for Mountain Communities, Zurich.

Previous positions

Partner at Pestalozzi Rechtsanwälte AG, Zurich.

Franz-Josef Albrecht

Born 1948, Swiss national, Dr. oec. HSG, first elected in 1989.

Current positions

Member of the Board of Directors of UBV AG, Uetikon; Member of the Board of Directors of Toggenburger AG, Winterthur; Member of the Board of Directors of Eskimo Textil AG, Turbenthal; Member of the Board of International School Winterthur (ISW), Winterthur.

Previous positions

Chairman of the Board of Directors of CPH Chemie + Papier Holding AG, Root; CEO of Geillinger AG, Winterthur; Marketing Nestlé Philip-pines, Manila.

Hanspeter Balmer

Born 1950, Swiss national, Dr. oec. HSG, first elected in 1996.

Current positions

Chairman of the Board of Directors of Balmer-Etienne Partner Holding, Lucerne; Chairman of the Board of Directors of Schätzle Holding AG, Lucerne.

Previous positions

Chairman of the Board of Directors of Balmer-Etienne Treuhand AG, Lucerne; Deputy Chairman of the Board of Directors of the Lucerne Cantonal Bank, Lucerne.

Mauro Gabella

Born 1952, Swiss and French national, Dr. sc. nat., first elected in 2005.

Current positions

Chairman of the Board of Directors of PME&Co, Luxembourg; Chairman of the Board of Directors of Pharmalp SA, Conthey; CEO of HCS HealthCare Management Solutions, Chesières.

Previous positions

Vice President Organizational Excellence & Project Management Europe for Sanofi-Aventis, Paris; Vice President Central & Southern Europe for Sanofi-Aventis, Paris.

Tim Talaat

Born 1960, Swiss national, MSEE and MBA, first elected in 1994.

Current positions

CEO of Looser Holding AG, Arbon; chairman/member of the boards of directors of various subsidiaries of Looser Holding AG; Member of the Board of Directors of Bachofen AG, Uster.

Previous positions

Managing Partner at Swiss Industrial Finance AG, Pfäffikon SZ; CEO of SR Technics Switzerland and Member of the SR Technics Group Executive Board, Zurich Airport.

Christian Wipf

Born 1957, Swiss national, lic. oec. HSG, first elected in 2008.

Current positions

Chairman & Delegate of the Board of Directors and CEO of Wipf Holding AG, Volketswil; Chairman of the Board of Directors of Wipf AG, Volketswil; Chairman of the Board of Directors of Elco AG, Brugg; Chairman of the Board of Directors of Swiss Direct Marketing AG, Brugg.

Previous positions

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

Group Executive Management

as of 31 December 2013



From left:
Alois Waldburg-Zeil, Manfred Häner, Wolfgang Grimm,
Peter Schildknecht, Michel Segesser, Klemens Gottstein

Peter Schildknecht
Group CEO

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

Dr. Schildknecht is a Member of the Board of Euro-Graph (the European Association of Graphic Paper Producers), Deputy Chairman of the Board of the Central Switzerland Chamber of Industry & Commerce and Deputy President of the MTEC Foundation to promote research and education in business science at the Swiss Federal Institute of Technology (ETH), Zurich.

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

Klemens Gottstein
Head of the Paper Division

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

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

Wolfgang Grimm
Head of the Packaging Division

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

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

Manfred Häner
Head of Finance, Investor Relations, Real Estate & IT / CFO

Manfred Häner, who is a Swiss national, was born in 1956. The holder of a Swiss Federal Diploma as an Accounting & Controlling Specialist, he joined CPH as its Group CFO in 2012.

From 1999 to 2010 Manfred Häner served as CFO and Deputy CEO of Micronas Semiconductor Holding AG. He commenced his professional career in 1975 with Sulzer, with which he went on to hold various finance and controlling functions over the next 23 years culminating in his serving as CFO and Deputy CEO of the Sulzer International division. His Sulzer service also included several years of secondment to New York and Madrid.

Michel Segesser
HR & Communications

Michel Segesser, who is a Swiss national, was born in 1968. The holder of an Executive MBA, he joined CPH as its Head of Human Resources and Communications in 2011.

Michel Segesser was a high-school teacher before joining Credit Suisse, where he served in various personnel management functions between 2002 and 2005. From 2006 to 2010 he was with the Winterthur (later the AXA) Group as Head of HR Business Support in Winterthur and latterly as HR Director of the AXA Group based in Paris, France.

Alois Waldburg-Zeil
Head of the Chemistry Division

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

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

Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG is entrusted with the overall management of the company. The Board is responsible in particular for determining the company's strategic alignment and thrust, defining its accounting and financing principles, assessing business opportunities and risks and appointing and supervising Group Executive Management.

In full compliance with the relevant legal provisions and the company's Articles of Incorporation, the Board of Directors has delegated the management of the company to Group Executive Management, headed by the Group CEO (see above). The delimitation of authorities here and the collaboration among the Board, its committees, Group Executive Management and the Group's three business divisions are laid down in detail in the Company Bylaws of CPH Chemie + Papier Holding AG. To date, the members of the Board of Directors have been elected en bloc by the Ordinary General Meeting to serve for a three-year period. The period of office of the present Board members will expire on the date of the 2014 Ordinary General Meeting. Board members may be re-elected. In accordance with the Company Bylaws, a Board member's mandate will end at the latest at the Ordinary General Meeting for the year in which their 70th birthday falls.

To date, the Board of Directors has been self-constituting, and has elected from its ranks a Chairman, a Deputy Chairman and the chairs of its committees. The Board consisted of seven members as of 31 December 2013. No Board member is currently serving the company in an executive capacity, and no Board member has done so within the past three years. The Board of Directors has formed two permanent technical committees: Finance & Auditing and Personnel & Compensation. These committees do not take any decisions themselves: they primarily perform a preparatory and advisory function, helping the full Board to conduct its meetings more efficiently and take swift and well-founded decisions. Their duties are laid down in separate Descriptions of Duties. The two board technical committees are currently composed as follows:

Finance & Auditing

The Finance & Auditing board technical committee consists of Hanspeter Balmer (chair), Peter Schaub and Max Walter. The Group CEO and CFO also attend all committee meetings as permanent guests. The committee's tasks comprise in particular:

- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining the guidelines, quality standards and content thereof
- monitoring the assessment of corporate risks and the Group's risk management practices
- monitoring the Group's investment and hedging policies
- monitoring the Group's Internal Control System and its effectiveness
- monitoring the Group's business activities in terms of their observance and implementation of Board resolutions, company policy principles and directives and the relevant legal provisions, particularly those relating to stock exchange law
- assessing the work, performance, independence and remuneration of

the external group and statutory auditors and making recommendations on the election of the same to the Board of Directors and the General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditors' recommendations

- monitoring the Group's real-estate strategy.

The committee met for three half-day deliberations in 2013.

Personnel & Compensation

The Personnel & Compensation board technical committee comprises Mauro Gabella (chair), Tim Talaat, Christian Wipf and Peter Schaub (personnel affairs only). The Group CEO and the Head of HR & Communications also attend all committee meetings as permanent guests, unless their own compensation or other topics relating to them are being discussed. The committee's tasks comprise in particular:

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

The committee met for three half-day deliberations in 2013.

The Board of Directors met eight times in 2013: for three half-day meetings, four full-day meetings and a two-day strategy meeting. The Group CEO, the CFO and the Head of HR & Communications are permanent guests at all Board meetings unless topics relating directly to them (such as their compensation) are being discussed. Its own internal issues and further topics such as the compensation of the Group CEO are discussed by the Board in separate preliminary in-camera meetings.

Members of the Board of Directors and its committees as of 31 December 2013

	Board member since	Office expires	Board function	Finance & Auditing Committee	Personnel & Compensation Committee
Franz-Josef Albrecht	1989	2014	Member		
Hanspeter Balmer	1996	2014	Member	Chair	
Mauro Gabella	2005	2014	Member		Chair
Peter Schaub	1994	2014	Chairman	Member	Personnel only
Tim Talaat	1994	2014	Member		Member
Max Walter	1990	2014	Deputy Chairman	Member	
Christian Wipf	2008	2014	Member		Member

The current and future development of each business division are discussed in depth at dedicated annual half-day meetings. These are also attended by the full Divisional Management of the division concerned. The Board's two-day strategy meeting is devoted to strategic issues and the medium-term development of the CPH Group and its constituents. On one of these days the meeting is also attended by the full Group Executive Management and members of the three Divisional Management teams. The Chairman of the Board is in regular contact with the Group CEO to support him in his duties and the implementation of business strategy. The Board of Directors supervises Group Executive Management through structured reporting and controlling processes. The Board receives a comprehensive monthly written report on current business trends, financial results, market developments, emerging risks and other key events. The Group CEO also reports on the latest business trends and performance and all further issues of relevance to the Group at every Board meeting. Further details of CPH's Internal Control System (ICS) will be found in the annex to the consolidated financial statements on Page 67. The external auditors support the Board of Directors and its Finance & Auditing Committee in their control and monitoring functions.

With its members' current three-year period of office coming to an end on that date, the Board of Directors will be newly elected by the 2014 Ordinary General Meeting. In compliance with Switzerland's new "VegüV" ordinance against excessive compensation at stock exchange-listed companies, which came into effect on 1 January 2014, Board members will now be elected individually and annually. The Chairman of the Board will also be newly elected annually, by the General Meeting. The members of the Personnel & Compensation Committee will further be elected every year by shareholders from the 2014 Ordinary General Meeting onwards.

Group Executive Management

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

Compensation

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

Management members. The final amounts of fixed and variable (target bonus) compensation to be awarded to Group Executive Management in its entirety are approved each year by the Board of Directors.

Individual performance has a direct influence on the compensation paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via the variable salary compensation component. For each separate function, a target bonus is defined that will be paid if the targets concerned are achieved in full. The actual bonus to be paid will then be determined on the basis of the degrees to which such targets are achieved, with a maximum annual bonus payable amounting to 150% of the target bonus set. CPH does not award any discretionary bonus payments.

The CPH Group has no long-term variable compensation components. There are no management share ownership or share option plans for Board or management members. There are also no contractual agreements regarding severance payments. The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a contractual notice period of six months.

CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme.

For further information on compensation and the compensation amounts paid, please see the annex to the consolidated financial statements from Page 63 onwards.

Board of Directors

The compensation paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat per-day allowance for any work beyond their normal meeting activities. No such per-day allowances were awarded in 2013. Board members' expenses are subject to the currently valid and applicable Expenses Regulations, which have been approved by Canton Lucerne; minor expenses are reimbursed via an all-in lump-sum amount. The compensation paid to Board members is determined on the basis of comparisons with corresponding publicly available data for comparable Swiss companies whose shares are also listed on the SIX Swiss Exchange. The compensation rates concerned are proposed to the full Board of Directors by its Personnel & Compensation Committee.

Group Executive Management

The compensation paid to the members of CPH's Group Executive Management consists of a fixed and a variable component, both fully paid in monetary form. The target bonus for Group Executive Management accounts for 20% to 45% of their basic salary. The actual variable compensation paid depends on the degrees to which group targets and individual divisional or unit targets are achieved. Expenses are subject to the currently valid and applicable Expenses Regulations, which have been approved by Canton Lucerne; minor expenses are reimbursed via an all-in lump-sum amount. With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

The salaries of the members of Group Executive Management and the composition of their individual elements were last subjected to an extensive market comparison in 2011 by Klingler Consultants of Zurich. The corresponding analysis was based on two industry peer groups with comparable functions in management responsibility and geographical scope terms. This approach paid due regard to the differing activities of the Group's three business divisions. Subsequent developments in the compensation paid to Group Executive Management members have been monitored against publicly published studies, and are also the subject of an annual discussion on the Personnel & Compensation Committee.

A new target-setting process has been serving as the foundation for assessing the performance of the members of Group Executive Management and determining their variable compensation since 2012. Targets are now set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Management members, while individual divisional or functional targets are set in the four further areas. The achievement of the financial results targets accounts for 60% of the variable compensation, with the remaining 40% based on the achievement of the targets set in the other four areas. EBIT, operating cash flow and net working capital targets were set as the financial results targets for 2013. The Divisional CEOs' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performance of the Group CEO, the CFO and the Head of HR & Communications is based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with the financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management are also entitled to make target proposals. The latter have their achievement of their targets assessed by the Group CEO, who then submits appropriate recommendations to the Personnel & Compensation Committee. The Group CEO's performance in target achievement terms is assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set and recommendations on the individual bonuses to be paid in the light thereof. The final decision on such bonus awards is then taken by the Board in toto.

Shareholders' rights and change of control

Details of shareholders' rights and change-of-control clauses will be found in the additional corporate governance information on Page 62.

External auditor

Statutory and group auditor

PricewaterhouseCoopers AG, Zurich

First elected: 1971

Current term: the 2013 financial year

Auditor-in-charge

René Rausenberger (since 2009)

The remuneration paid to the external auditor is shown on Page 65.

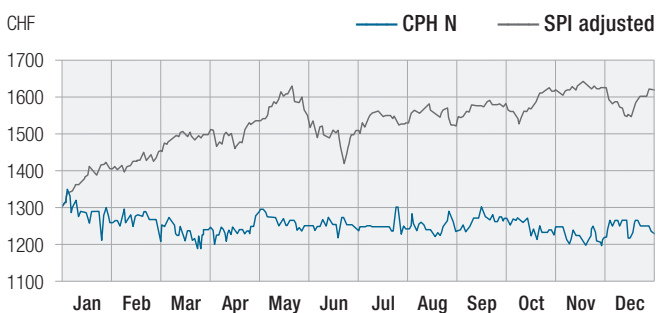
The Board of Directors' Finance & Auditing Committee examines the reports of the external auditor and assesses its work. The Committee then reports on this to the full Board. One meeting of the Finance & Auditing Committee in 2013 was also attended by representatives of the external auditor.

Information for shareholders

Share price trends

The price of the CPH share closed at CHF 1.230 on 30 December 2013, a 5.4% decline on its price at the end of 2012. CPH shares thus performed below general market trends: the Swiss Performance Index (SPI) rose 24.6% over the same 12-month period.

Share price developments in 2013



Share information

Securities number	162471
ISIN	CH0001624714
Reuters	CPH.S
SIX Swiss Exchange	CPHN

Investor relations agenda

17 January 2014	Publication of 2013 net sales results
27 February 2014	Publication of 2013 Annual Report
10 April 2014	Ordinary General Meeting
July 2014	2014 Half-Year Report (to 30 June)

CPH's communications on its business trends and performance, its letters to its shareholders and key ad-hoc disclosures may be obtained via an email service that is available from the www.cph.ch website (under Investors -> Communications). The latest CPH corporate communications and interim reports will also be found on the www.cph.ch website, together with further corporate information.

Investor relations contact

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Phone +41 41 455 8000

Email investor.relations@cph.ch



The employees of Perlen Packaging in Müllheim have submitted more than a thousand proposals under the operation's "KVP" continuous improvement programme over the last five years. Karin Heyn and her colleague are there to assist anyone doing so if needed. "I think I was almost predestined for this: I'm a total optimist!" she reflects. "In our KVP we take every idea seriously. What I try to do is put the right teams together to identify opportunities and devise effective solutions that can deliver genuine improvements, and which satisfy and motivate all the parties involved."

New Leadership Principles for the CPH Group



CPH devised new groupwide Leadership Principles in 2013. Management training is also being intensified, all to help more effectively ensure the sustainability of the Group's initial and further training activities.

Strategy

Sustainability – in economic, social and environmental terms – is a cornerstone of the business activities of the entire CPH Group. Without economic sustainability, the Group could not ensure its long-term business success: a success that will be founded on 200 years of industrial tradition by the end of the present decade, and a success that has always put continuous long-term development before short-term profit maximization.

The added value that CPH creates for the customer derives from its competitive products, services and procedures. These in turn are based on the Group's high quality standards, which are themselves ensured by rigorous adherence to the relevant ISO and GMP guidelines. The foundation of CPH's success, though, is provided by the Group's employees, whose training, health and safety enjoy the highest of priorities.

The CPH Group pursues a policy of maintaining individual brands within its three divisions, which are active in totally different markets. With their Zeochem, Perlen Papier and Perlen Packaging brands, each division is well established and well known in its market as a reliable and autonomous partner.

Being active in two highly eco-sensitive fields – paper manufacture and chemicals production – CPH puts a strong emphasis on environmental sustainability in all its activities. Making efficient use of raw materials also has a direct impact on the profitability of the operations

concerned. Paper manufacture is by far the most resource-intensive activity within the CPH Group, with the energy expense involved representing one of the biggest cost items. At the same time, CPH's paper production makes a major contribution to conserving natural resources through its recycling of recovered paper and its use of woodchip waste. The Group's chemistry operations produce molecular sieves, chromatography gels and fertilizers, while its packaging activities are centred on manufacturing and coating PVC films. Avoiding and reducing emissions, waste water and solid waste have been integrated for years in the planning at all three divisions.

CPH is further committed to the climate protection project of Switzerland's Business Energy Agency. The Group is also a member of Responsible Care, a global initiative by the chemicals industry to effect constant further improvements in the environmental, health and safety fields. And Perlen Papier AG is a member of ECOSwiss, the environmental protection organization of the Swiss business community.

Responsibility for environmental and quality issues at all of CPH's production sites rests with a designated employee at each facility who reports directly to top management. CPH also strives through its "KVP" continuous improvement programme to maintain a culture of steady enhancement of its business flows and procedures. Additional ideas and impetus for improvements derive from regular surveys among customers and employees.

Personnel

Once again in 2013, the economic challenges that the business year brought demanded extensive commitment, substantial flexibility and a willingness to accept and effect change from all employees throughout the CPH Group. As was shown by the high response rate of almost 70% to the employee survey conducted in the second half of the year, CPH's personnel are actively involved in the Group's further development. The results of this poll were to be analyzed in detail by specific working groups for each division in early 2014. The findings here will then be used to devise further actions to ensure that such commitment continues to play a major role in the Group's longer-term development.

Group staff turnover for the year stood at 6.5%, only slightly up on the 5.8% of 2012. Overall personnel numbers also rose, with a reduction in staffing within the Paper Division offset by staff increases in Packaging. A total of 859 personnel (including 45 apprentices) were employed by the CPH Group at the end of 2013, compared to 849 a year before.

Salary policy

CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy offers salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance via a variable salary component that is linked to the achievement of individual performance goals and to divisional results.

Once again, no across-the-board salary increases were awarded during the year, although the divisions devoted some 0.5% of their total salary expense to individual increases at their Swiss operations. The CPH Group spent CHF 85.6 million on salaries, company pension scheme contributions and training in 2013.

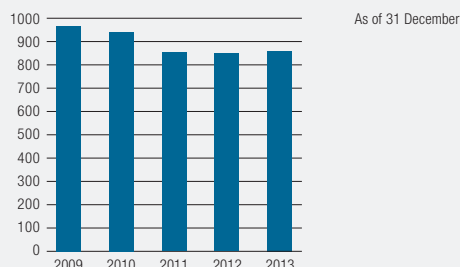
Employees at the Perlen site are subject to the collective labour agreement of the Swiss paper industry, while those at Müllheim are subject to the collective labour agreement of the "Chemische Industrie West". The Uetikon silicate chemistry operation has its own staff association. Elsewhere, personnel are subject to individual employment contracts.

Initial and further training

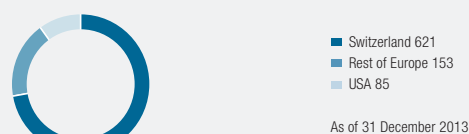
The twin developments of an increasingly dynamic economic environment and changing societal expectations are putting more and more demands on executives today. In response, the CPH Group has devised new guidelines for its management corps in the form of new Leadership Principles. The Group has also developed a new management training programme, the first module of which commenced in September 2013, to better ensure the sustainability of its initial and further training activities. The first such training is being devoted to team leaders and department heads in the Chemistry and Packaging divisions. The executives at Perlen Papier AG are currently engaged in their own personnel development programme, which was also launched in the course of 2013. All in all, the CPH Group spent over CHF 1.2 million on initial and further staff training for the year.

The task of training the Group's own personnel to assume future CPH

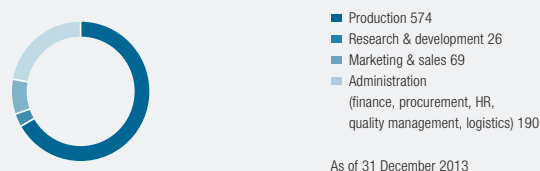
Total workforce numbers



Workforce numbers by region



Workforce numbers by function



duties and responsibilities remains as vital as ever. To this end, all the Group's operating sites in Switzerland and Germany serve as active training centres. Five apprentices completed their training in the course of the year.

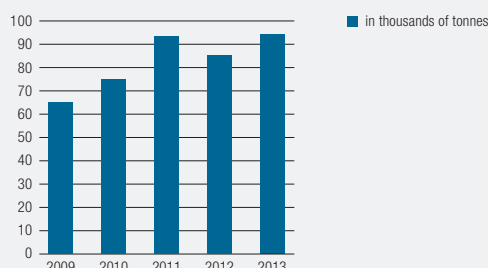
Continuous improvement

CPH's "KVP" continuous improvement programme is a vital element in the Group's constant endeavours to further enhance the quality of its products, services and activities through the commitment of its personnel. The KVP has been adopted by all three divisions. All in all, employees contributed 676 ideas to the programme in 2013. Together with the 127 moderations conducted by teams of employees, the proposals submitted were expected to add some CHF 1.0 million to annual earnings results.

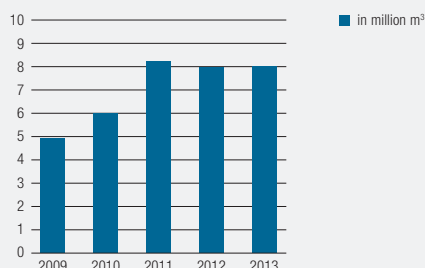
Occupational safety

CPH conducts regular training and instruction sessions to help pre-

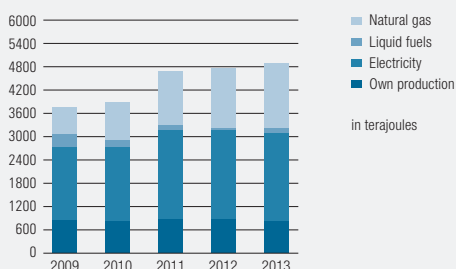
CO₂ emissions



Waste water



Energy consumption



vent accidents at all its operating sites. As a result, all personnel are keenly aware of workplace hazards and risks. Systematic analyses are also conducted of any incidents or accidents that occur, to help prevent their recurrence. The CPH Group incurred 1.36 minor occupational accidents per 100 employees in 2013 (compared to 2.20 for the previous year). No major occupational accidents were incurred. These are very low rates for an industrial manufacturing company, and are a tribute to the keen sensitivity of the Group's employees to occupational hazards and risks. Sickness-related absence rates also remained low at 2.53% (compared to 2.18% in 2012).

Environmental care

The CPH Group's environmental reporting now covers a year that runs

from 1 November to 31 October. Prior-year figures have been restated accordingly.

Use of resources

In tonnage terms, the largest proportion of resources within the CPH Group is devoted to paper production. The two prime raw materials here are wood and recovered paper. Perlen Papier turned 97 208 bone-dry tonnes of round wood and woodchip into wood fibre in 2013 (2012: 110 522 bone-dry tonnes). In its procurement of these supplies, CPH attaches great importance to minimizing the transport distances involved: most of the wood used comes from Swiss forests. Perlen Papier also recycled 401 079 bone-dry tonnes of recovered paper in its operations in 2013 (2012: 434 126 tonnes). All the recovered paper used came from sources in Switzerland or neighbouring countries, and 22% of it was delivered by rail (2012: 26%). The year-on-year declines in the volumes of raw materials used for paper manufacture are due mainly to the loss of production on the PM 4 machine for almost two months following a fire in its winder.

Perlen Packaging's film manufacturing process begins with unplasticized PVC, which, in addition to mineral oil, is 57% composed of chlorine extracted from naturally-occurring sodium chloride. In comparison to other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. Perlen Packaging manufactures both PVC monofilms and coated PVdC films. The raw material utilization rate for its monofilm production stood at 95.8% (2012: 95.5%), thanks not least to a policy of feeding as much waste and scrap material from the various manufacturing steps as possible back into the production process. For coated film production, which uses PVdC, the raw material utilization rate was further increased to 96.0%, which compares to 91.6% for the prior-year period.

The most important raw materials in the Group's silicate chemistry operations are sodium silicate, aluminium hydrate, sodium hydroxide, sulphuric acid and lithium chloride, of which a total of 39 995 tonnes were used in 2013 (2012: 39 921 tonnes). The division's fertilizer production activities consumed 15 950 tonnes of nitrogen, potassium and phosphorus compounds (2012: 17 100 tonnes). Some 84% of the raw materials used for fertilizer production in Uetikon were delivered by rail. All the materials required for silicate production are supplied by truck.

Energy

All the CPH Group's industrial processes require energy, be it in the form of electricity, oil, gas, waste heat or steam. The Group's paper manufacturing consumes the most energy of all, largely in the form of electricity. The Paper Division's annual energy consumption rose in 2013 from 3 566 terajoules in the previous year to 3 628 terajoules.

Emissions, waste water and solid waste

Being a major emitter of carbon dioxide (CO₂), CPH sets goals on its own initiative to reduce such emissions. These goals are more rigorous than those required by law; and, as a result, CPH's Perlen and Uetikon facilities are exempt from any CO₂ levy. CO₂ emissions from non-renewable resources amounted to 93 970 tonnes in 2013

(2012: 89 101 tonnes). The Group's manufacturing facilities also have exhaust-air purification systems installed.

Emergency concepts have been devised to cope with any production malfunction. These centre largely on the scenario of fire. Apart from this, it is the handling of acids and sodium hydroxide at the Uetikon plant that poses the greatest potential environmental threat. The CPH Group again completed the year free of any incident subject to reporting requirements.

The waste water produced by the Group's Uetikon, Perlen and Louisville plants is processed in the operations' own treatment facilities. The paper manufacturing process also produces solid waste, largely in the form of sludge and residual waste. Some 21% of this was disposed of in Perlen Papier's own waste incinerator in 2013; the rest was incinerated in brickworks and cement factories.

Quality

Maintaining consistently high process and product quality in all areas of its activities is a key element in the CPH Group's business success. To ensure that it does so, the Group subjects its production facilities to regular audits by both customers and independent certification authorities.

The Packaging Division aligns its film manufacturing practices to the pharmaceuticals industry's Good Manufacturing Practice (GMP) standards. Perlen Packaging is one of the few companies in its field to be certificated to the pharmaceuticals sector's highest quality criteria throughout the manufacturing process and for the full range of its products from monofilms to barrier films.

The Packaging Division's Perlen and Müllheim operations were successfully recertificated to ISO 9001, 14001 and 15378 standards by the Swiss Association for Quality and Management Systems (SQS) in September 2013. The division's Whippany operation was also ISO 9001-recertificated in October 2013.

PRODUCTION SITE QUALITY CERTIFICATIONS	Chemistry		Paper	Packaging		
	Uetikon	Louisville	Perlen	Perlen	Müllheim	Whippany
ISO 9001	•	•	•	•	•	•
ISO 14001 (environmental)			•	•	•	
ISO 14644-1 (cleanrooms)				•	•	
ISO 15378 (GMP pharmaceuticals packaging standards)				•	•	
OHSAS 18001 (occupational safety)			•			
DMF 10686 (FDA, USA)				•		
DMF 9072 (FDA, USA)					•	
Eurofins (hygiene and food monitoring)				•	•	
FSC COC			•			
PEFC COC			•			
Blue Angel			•			
ECOSwiss CO ₂			•			
ENAW CO ₂	•					



"Most of the people in our 60-strong company fire service work at our Perlen paper factory," says Fire Service Commander Anton Meier. "And it's far from self-evident nowadays that we will find enough volunteers to take on these responsibilities." The nine full-scale exercises each year, the additional deployments for machine operators, managers and officers and the special exercises with breathing apparatus are all usually conducted between 6pm and 8pm, when everyone else has gone home to their families. "But it was our quick response that enabled us to deal so effectively with the fire in the winder of our PM 4 paper machine," Anton explains. "And we owe this capability to the efforts of each and every one of our volunteers."

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Consolidated income statement

in CHF thousand	Note	2013	2012
Net sales	1	481 303	488 691
Changes to semi-finished and finished inventories		695	4 141
Other operating income		7 014	4 143
Goods and services on own account		547	199
Total income		489 559	497 174
Cost of materials		256 649	253 597
Energy costs		75 095	80 355
Personnel cost	2	85 623	84 889
Outsourced maintenance/repairs		18 920	19 289
Other operating expense	3	22 339	20 942
Earnings before interest, taxes, depreciation and amortization (EBITDA)		30 933	38 102
Depreciation on tangible fixed assets		56 851	58 594
Depreciation on intangible assets		718	1 742
Earnings before interest and taxes (EBIT) before impairment		-26 636	-22 234
Impairment	4	250 921	0
Earnings before interest and taxes (EBIT)		-277 557	-22 234
Financial income	5	1 384	981
Financial expense	6	5 267	7 089
Financial result		-3 883	-6 108
Release of fine chemistry restructuring provision	20	0	4 077
Earnings before taxes and extraordinary items		-281 440	-24 265
Non-operating income	7	2 606	42 869
Non-operating expenditure	8	782	8 947
Earnings before taxes		-279 616	9 657
Income taxes	9/25	1 452	2 386
Deferred taxes	25	-9 588	-790
Net result for the year		-271 480	8 061

in CHF	Note	2013	2012
Net result per share	30	-904.93	26.87

Consolidated balance sheet

in CHF thousand	Note	31.12.2013		31.12.2012	
Assets					
Liquid funds	10	63 936	9%	64 658	7%
Securities	10	10 275	2%	8 640	1%
Trade accounts receivable	11	70 802	10%	73 994	8%
Other receivables	12	7 280	1%	10 743	1%
Prepaid expenses and accrued income		5 344	1%	3 024	0%
Inventories	4/13	56 877	8%	58 761	6%
Short-term financial receivables		10	0%	164	0%
Total current assets		214 524	31%	219 984	23%
Intangible assets	14	1 248	0%	1 473	0%
Tangible fixed assets	4/15	433 653	64%	719 655	74%
Long-term financial assets	16	10 000	1%	10 000	1%
Long-term financial receivables	16	0	0%	20	0%
Assets from employer contribution reserves	17	10 646	2%	10 386	1%
Pension scheme assets	2/17	11 026	2%	10 091	1%
Prepaid taxes		691	0%	772	0%
Total fixed assets		467 264	69%	752 397	77%
Total assets		681 788	100%	972 381	100%
Equity and liabilities					
Trade accounts payable	18	59 366	9%	52 939	5%
Other payables	19	4 444	1%	2 550	0%
Accrued liabilities and deferred income	20	10 995	2%	15 789	2%
Short-term financial liabilities	21/23	23 003	3%	9 754	1%
Short-term provisions	22	7 237	1%	5 727	1%
Total current liabilities		105 045	16%	86 759	9%
Long-term financial liabilities	23	117 875	17%	143 994	15%
Pension scheme liabilities	17	735	0%	505	0%
Other long-term liabilities	24	2 528	0%	42	0%
Long-term provisions	25	21 342	3%	31 317	3%
Total long-term liabilities		142 480	20%	175 858	18%
Total liabilities		247 525	36%	262 617	27%
Share capital		30 000	4%	30 000	3%
Capital reserves		16 200	2%	20 100	2%
Profit reserves		659 542	97%	651 603	67%
Net result for the year		-271 480	-39%	8 061	1%
Total equity		434 263	64%	709 764	73%
Total equity and liabilities		681 788	100%	972 381	100%

Consolidated cash flow statement

in CHF thousand	2013	2012
Net result for the year	-271 480	8 061
Depreciation on tangible and intangible assets	57 569	60 336
Asset value impairments	246 679	0
Impairments to inventories and replacement parts	4 242	0
Loss/(profit) on fixed-asset sales	18	-33 923
Change in employer contribution reserves and pension scheme assets/liabilities	-951	3 390
(Book gains)/book losses on securities	-355	-426
Increase in/(release of) short-term provisions	3 513	-3 214
Release of long-term provisions	-10 040	-681
Use of provisions	-2 001	-4 875
Release of prepaid taxes	81	144
Cash flow	27 276	28 812
(Increase)/decrease in securities	-1 280	2 921
Decrease in trade accounts receivable	3 419	1 295
Decrease in other receivables and prepaid expenses	1 155	6 759
Increase in inventories	-2 613	-1 691
Increase in trade accounts payable	6 354	13 001
Decrease in other and accrued liabilities	-2 901	-8 835
Decrease in net current assets	4 134	13 450
Cash flow from operating activities	31 410	42 262
Investments in tangible fixed assets	-18 201	-10 942
Disposals of tangible fixed assets	924	30 147
Investments in intangible assets	-500	-272
Repayment of long-term financial receivables	20	2 454
Cash flow from investment activities	-17 757	21 387
Free cash flow	13 653	63 649
Decrease in short-term financial liabilities and receivables	-2 008	-1 505
Decrease in long-term financial liabilities	-10 764	-25 147
Increase in other long-term liabilities	2 489	1
Dividends to shareholders	-3 900	-3 900
Cash flow from financing activities	-14 183	-30 551
Currency translation effects	-192	74
Net change in cash and cash equivalents	-722	33 172
Cash and cash equivalents at 1 January	64 658	31 486
Change	-722	33 172
Cash and cash equivalents at 31 December	63 936	64 658

Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Retained earnings	Equity
As at 31.12.2011	30 000	24 000	652 308	706 308
Dividends to shareholders		-3 900		-3 900
Subtotal	30 000	20 100	652 308	702 408
Net result for current year			8 061	8 061
Year-end balance excluding currency factors	30 000	20 100	660 369	710 469
Impact of currency translation			-705	-705
As at 31.12.2012	30 000	20 100	659 664	709 764
Dividends to shareholders		-3 900		-3 900
Subtotal	30 000	16 200	659 664	705 864
Net result for current year			-271 480	-271 480
Year-end balance excluding currency factors	30 000	16 200	388 184	434 384
Impact of currency translation			-121	-121
As at 31.12.2013	30 000	16 200	388 063	434 263

The statutory reserves of the holding company and its subsidiaries amounted to CHF 31.3 million on 31.12.2013 (prior year: CHF 33.5 million). Of this amount, CHF 26.8 million (2012: CHF 27.0 million) cannot be distributed.

The CHF 25.7 million in goodwill deriving from the acquisition of ac-folien GmbH, Müllheim, Germany was set against equity in the 2007 accounts. Should the company be resold, this amount would have to be shown as profit and recognized via the income statement.

Consolidated accounting principles

General

The consolidated financial statements of the CPH Group are compiled in full accordance with the currently valid Swiss GAAP Accounting and Reporting Recommendations (ARRs). These consolidated financial statements give a true and fair view of the financial positions, earnings and cash flows, and are based on historical values. The new Swiss GAAP ARR 31 (a supplementary recommendation for listed public companies) was adopted for the first time for the 2013 consolidated financial statements.

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 50% or more of voting rights. In accordance with the purchase method used for fully consolidated companies, assets and liabilities and income and expenditures are incorporated in full. Minority interests in net assets, the business result and cash flows are disclosed separately on the balance sheet, the income statement, the cash flow statement and the statement of changes in equity. Intercompany balances and transactions have been eliminated. All intercompany business is conducted on an arm's-length basis. Intermediate profits on stocks from deliveries within the Group have also been eliminated.

When a company is acquired, its net assets are determined at their current value and integrated using the purchase method. Since 1 January 2007, the resulting goodwill has been set against equity. Until 31 December 2006 such goodwill was capitalized and depreciated over its estimated useful life.

Investments of less than 50% are consolidated using the equity method. This method calculates the value of the investment by taking its purchase price and adding or subtracting CPH's share of the company's net profit or loss following the acquisition, with any further deductions required to depreciate goodwill. Dividend payments will also reduce the value of the investment concerned. Investments of less than 20% are included at their purchase price less any value adjustments required, and are shown as long-term financial assets on the balance sheet.

For the scope of consolidation, please see the separate "List of major shareholdings" on Page 68.

Zeochem Dienstleistungs GmbH, Müllheim, Germany, was merged with CPH Holding GmbH, Müllheim, Germany, on 15 August 2013 with retroactive effect to 1 January 2013. Perlen Immobilien AG was merged with Perlen Papier AG on 30 June 2012 with retroactive effect to 1 January 2012.

"Related parties" (see Note 25.3) 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.

Definitions

"Long-term liabilities" are all liabilities not due for repayment within the next 12 months. "Short-term liabilities" are all liabilities due for repayment within the next 12 months, including that part of long-term liabilities whose repayment falls within this period. All interest-bearing receivables and liabilities are shown under financial receivables or financial liabilities. "Non-operating income" and "non-operating expense" arise from transactions not occurring in the normal course of business or relating to other accounting periods.

In accordance with the Swiss GAAP ARRs, the cash flow statement shows as funds only the liquid elements thereof (i.e. excluding securities). Cash flow is calculated using the indirect method.

The balance sheet date for all Group member companies is 31 December.

Capitalization and valuation principles

Registering sales

Net sales comprise the sale of products and services. Sales are recorded as effected when it may be reasonably assumed that the economic benefit therefrom will accrue to the Group and the sales amount can be reliably determined. Sales are regarded as effected when the benefit and risks associated therewith are transferred to the customer.

Foreign currency translation

All assets and liabilities on balance sheets compiled in non-CHF currencies 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. Any translation differences arising from long-term intragroup financing of an equity nature are also taken directly 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 applying different exchange rates in the balance sheet (effective date) and the income statement (average rate) are taken to equity.

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

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

	2013	2012
Balance sheets: year-end rates		
EUR	1.2255	1.2068
USD	0.8900	0.9150
Income statements/cash flow statements: average rates		
EUR	1.2308	1.2053
USD	0.9270	0.9380

Liquid funds

Liquid funds consist of cash on hand, postal and bank account balances and time deposits maturing in less than 90 days.

Securities

Securities are readily marketable commercial papers 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. The values of trade accounts receivable are generally adjusted individually. Such individual adjustments include any amounts overdue for more than 120 days. Blanket adjustments are also made, based on past experience.

Other receivables

Other receivables consist of short-term claims that are not based on deliveries made and/or services rendered. Other receivables are stated at their nominal value, less any value adjustments.

Prepaid expenses and accrued income

This item consists of expenses paid in the current accounting period that will be incurred in a later accounting period, and of income not accounted until after the balance sheet date.

Inventories

Inventories are stated at their average purchase or production costs, but at no higher than their realizable liquidation value. Any discounts received on purchases are treated as purchase price reductions. The "lower of cost or market value" principle is applied. The values of semi-finished and finished inventories include an appropriate proportion of their production overheads. Value adjustments are effected for obsolete stock.

Short-term financial receivables

These include interest-bearing receivables with a maturity of less than a year, and are reported at nominal value less any value adjustments.

Intangible assets

Intangible assets include licences, patents, brands, paid goodwill (until 31 December 2006) and software acquired from third parties. These are valued at their purchase price or manufacturing cost less any amortization required. Amortization is effected on a straight-line basis over the item's useful life, up to a maximum five-year period.

Tangible fixed assets

Tangible fixed assets (land, buildings, structures, plant, machinery, installations, vehicles, moveable property, other equipment and production and business facilities) are capitalized at a maximum of their purchase price or manufacturing cost less any depreciation required under normal business practice. The useful lives assumed for depreciation purposes are as follows:

Land	not depreciated
Residential property	50–100 years
Industrial buildings and installations	25–50 years
Plant and equipment	10–30 years
Moveable property and vehicles	3–5 years

All depreciation is effected using the straight-line method.

Long-term financial assets

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

Long-term financial receivables

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

Assets from employer contribution reserves

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

Pension scheme assets

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

Asset impairments

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

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 less than 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 the next 12 months) 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.

Pension scheme liabilities

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

Other long-term liabilities

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

Deferred taxes

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 local tax rates. 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.

Derivative financial instruments

Derivative financial instruments are treated differently according to their underlying motives. Hedges intended to offset currency movements are shown at their market value on the balance sheet date, with the resulting differences in value taken straight to the income statement. Hedges of future cash flows are not capitalized, but are shown in the notes to the consolidated financial statements (under Note 28.3).

Notes to the consolidated financial statements

1. Segment information

1.1. Net sales by region

in CHF thousand	2013	%	2012	%
Switzerland	71 296	15	74 188	15
Eurozone	294 608	61	295 356	61
Rest of Europe	37 289	8	38 103	8
USA	23 009	5	24 518	5
Rest of the Americas	21 013	4	21 748	4
Rest of the world	34 088	7	34 778	7
Total	481 303	100	488 691	100

1.2. Income statement by division

2013 income statement by division in CHF thousand	Chemistry	Paper	Packaging	Other / consolidation	Total from continued operations	Fine Chemistry	2013 Group
Net sales	59 230	305 695	116 378	0	481 303	0	481 303
EBITDA	-22	15 625	12 868	2 462	30 933	0	30 933
as % of net sales	0.0	5.1	11.1		6.4		6.4
EBIT before impairment	-5 277	-29 651	7 134	1 158	-26 636	0	-26 636
as % of net sales	-9.0	-9.7	6.1		-5.5		-5.5
Impairment	15 921	235 000			250 921		250 921
EBIT	-21 198	-264 651	7 134	1 158	-277 557	0	-277 557
as % of net sales	-35.8	-86.6	6.1		-57.7		-57.7
Financial result							-3 883
Earnings before taxes and extraordinary items							-281 440
Non-operating result							1 824
Earnings before taxes							-279 616
Taxes							8 136
Net result for the year							-271 480
as % of net sales							-56.4

2012 income statement by division	Chemistry	Paper	Packaging	Other / consolidation	Total from continued operations	Fine Chemistry	2013 Group
in CHF thousand							
Net sales	67 073	314 342	106 497	0	487 912	779	488 691
EBITDA	5 655	22 605	11 153	-885	38 528	-426	38 102
as % of net sales	8.4	7.2	10.5		7.9	-54.7	7.8
EBIT before impairment	104	-24 757	5 031	-2 186	-21 808	-426	-22 234
as % of net sales	0.2	-7.9	4.7		-4.5	-54.7	-4.5
EBIT	104	-24 757	5 031	-2 186	-21 808	-426	-22 234
as % of net sales	0.2	-7.9	4.7		-4.5	-54.7	-4.5
Financial result							-6 108
Income from release of restructuring provision						4 077	4 077
Earnings before taxes and extraordinary items						3 651	-24 265
Non-operating result							33 922
Earnings before taxes							9 657
Taxes							-1 596
Net result for the year							8 061
as % of net sales							1.6

2. Personnel cost

in CHF thousand	2013	2012
Salaries and wages	71 226	70 308
Pension scheme contributions and other social security costs	12 250	12 892
Other personnel costs	2 147	1 689
Total	85 623	84 889

"Pension scheme contributions and other social security costs" includes an increase of CHF 1.1 million (prior year: a decrease of CHF 2.5 million) in net assets deriving from pension schemes and employer contribution reserves.

3. Other operating expense

The CHF 22.3 million in other operating expense (prior year: CHF 20.9 million) includes sales and administration costs and general overhead costs.

4. Impairment

The impairments effected to tangible fixed assets in the Paper and Chemistry Divisions were calculated using the following overall assumptions:

- WACC 7.25%
- EUR/CHF exchange rate: 1.20

The impairment in the Paper Division amounted to CHF 235.0 million (prior year: CHF 0). Contrary to expectations, the market situation has not eased in the newsprint and coated magazine paper segments. In the assessments of asset values in previous years, the corresponding calculations had been made on the assumption of product price increases and a weakening of the Swiss franc against the euro. These two major influences have now been reappraised. The calculations of asset values as of 31 December 2013 assume that the present highly tense market situation will continue to prevail. In view of this, market prices have been assumed to remain at their levels of the fourth quarter of 2013; and the CHF/EUR exchange rate has been assumed to be the minimum threshold of CHF 1.20 set by the Swiss National Bank.

The impairment within the Paper Division extended over the following balance-sheet items:

in CHF million	Land and buildings	Installation and production facilities	Other facilities
Impairment	53.2	131.1	50.7

Sensitivities:	Change	Impact on asset value
WACC	+/- 0.5%	+/- CHF 18 million
EUR exchange rate	+/- 1 centime	+/- CHF 21 million
Changes in newsprint prices	+/- EUR 10 per tonne	+/- CHF 51 million
Changes in LWC prices	+/- EUR 10 per tonne	+/- CHF 29 million

The impairment in the Chemistry Division amounted to CHF 15.9 million (prior year: CHF 0). The pressure on product prices here has further increased as a result of overcapacities and the entry of Asia-based competitors into the markets concerned, and this in turn is reducing the margins on volume products in the molecular sieve segment in the markets served by the Uetikon operation. From the present perspective, the growth rates assumed in earlier planning models can no longer be achieved in the current environment of generally weaker market demand. And for the Chemistry Division, too, the EUR exchange rate has been changed from that used in earlier planning models to the minimum threshold of CHF 1.20 set by the Swiss National Bank.

The impairment within the Chemistry Division extended over the following balance-sheet items:

CHF million	Installations and production facilities	Facilities under construction	Inventories and replacement parts
Impairment	9.9	1.8	4.2

Sensitivities:	Change	Impact on asset value
WACC	+/- 0.5%	+/- CHF 1.3 million
EUR exchange rate	+/- 1 centime	+/- CHF 1.4 million

The impairment shown in the 2013 consolidated income statement amounted to CHF 250.9 million for the Chemistry and Paper Divisions combined.

5. Financial income

in CHF thousand	2013	2012
Interest income	46	206
Other financial income	528	1
– <i>currency exchange rate gains</i>	54	1
– <i>further financial income</i>	474	0
Income from securities	810	774
Total	1 384	981

6. Financial expense

in CHF thousand	2013	2012
Interest expense	4 378	6 545
– <i>interest paid</i>	4 364	6 840
– <i>changes in deferred interest due</i>	14	-295
Other financial expense	510	354
– <i>currency exchange rate losses</i>	42	147
– <i>further financial expense</i>	468	207
<i>Expenditure on securities</i>	379	190
Total	5 267	7 089

7. Non-operating income

The non-operating income of CHF 2.6 million (prior year: CHF 42.9 million) includes income from the sale of real estate in Perlen/Buchrain no longer required for business operations. The prior-year figure also included income deriving from the upward revaluation of real estate associated with a CHF 10.0 million non-cash contribution to Renergia Zentralschweiz AG, Root.

8. Non-operating expense

The CHF 0.8 million non-operating expense for 2013 relates to an adjustment to the value of a property not used in the Group's business operations. The CHF 8.9 million non-operating expense for 2012 included direct costs incurred in connection with real-estate sales and the costs associated with a CHF 2.1 million non-cash contribution to Renergia Zentralschweiz AG, Root.

9. Income taxes

Tax rates vary between 7% and 41%, depending on the country and the location.

Income taxes for 2013	Tax rate in %	Tax amount in CHF
Earnings before taxes		-279 616
Weighted average tax rate applicable / estimated tax expense	12.9%	-36 215
Impact of losses carried forward not previously recognized in tax terms		28 166
Taxes paid in prior years		-42
Other effects		-45
Tax rate / tax expense as per income statement	2.9%	-8 136

Income taxes for 2012	Tax rate in %	Tax amount in CHF
Earnings before taxes		9 657
Weighted average tax rate applicable / estimated tax expense	22.4%	2 164
Impact of losses carried forward not previously recognized in tax terms		-777
Taxes paid in prior years		-119
Other effects		-328
Tax rate / tax expense as per income statement	16.5%	1 596

10. Liquid funds and securities

Liquid funds consist of cash on hand, postal cheque and bank account balances and time deposits. Securities are largely administered by professional asset managers. About two-thirds of the securities held bear interest; the remainder are broadly diversified. The Group holds no treasury stock.

11. Trade accounts receivable

in CHF thousand	2013	2012
Receivables from third parties	72 397	75 733
Receivables from associates	4	
Provisions for doubtful debts	-1 599	-1 739
– <i>individual adjustments</i>	-313	-313
– <i>blanket adjustments</i>	-1 286	-1 426
Total	70 802	73 994

The blanket adjustments derive largely from the Paper Division, and were made based on age structures.

12. Other receivables

As in 2012, all “other receivables” are from third parties. They relate largely to value-added tax claims.

13. Inventories

13.1. Inventories by division

in CHF thousand	2013	2012
Chemistry	19 557	22 968
Paper	24 850	25 989
Packaging	12 470	9 804
Total	56 877	58 761

13.2. Inventories by type

in CHF thousand	2013	2012
Raw materials	13 159	11 357
Auxiliary and operating materials	11 140	12 733
Finished and semi-finished products	31 986	33 537
Goods for resale	592	1 134
Total	56 877	58 761

Inventories were subject to an overall CHF 5.6 million value adjustment (prior year: CHF 1.8 million).

14. Intangible assets

Intangible assets in 2013	Goodwill	Software, licences and patents	Other intangible assets	Total intangible assets
in CHF thousand				
At purchase values				
Opening balance on 1.1.2013	9 237	12 672	360	22 269
Currency impact on opening balance	31	26	-4	53
Additions		485		485
Disposals/reclassifications		-204		-204
Closing balance on 31.12.2013	9 268	12 979	356	22 603
Depreciation				
Opening balance on 1.1.2013	7 146	11 256	303	18 705
Currency impact on opening balance		17	-2	15
Depreciation for the period		712	6	718
Disposals/reclassifications		-204		-204
Currency impact on movements		-1		-1
Closing balance on 31.12.2013	7 146	11 780	307	19 233
Impairments				
Opening balance on 1.1.2013	2 091			2 091
Currency impact on opening balance	31			31
Closing balance on 31.12.2013	2 122	0	0	2 122
Book value on 1.1.2013		1 416	57	1 473
Book value on 31.12.2013	0	1 199	49	1 248

Intangible assets in 2012	Goodwill	Software, licences and patents	Other intangible assets	Total intangible assets
in CHF thousand				
At purchase values				
Opening balance on 1.1.2012	9 249	12 409	363	22 021
Currency impact on opening balance	-12	-9	-3	-24
Additions		272		272
Closing balance on 31.12.2012	9 237	12 672	360	22 269
Depreciation				
Opening balance on 1.1.2012	7 146	9 526	298	16 970
Currency impact on opening balance		-5	-1	-6
Depreciation for the period		1 735	7	1 742
Currency impact on movements			-1	-1
Closing balance on 31.12.2012	7 146	11 256	303	18 705
Impairments				
Opening balance on 1.1.2012	2 103			2 103
Currency impact on opening balance	-12			-12
Closing balance on 31.12.2012	2 091	0	0	2 091
Book value on 1.1.2012		2 883	65	2 948
Book value on 31.12.2012	0	1 416	57	1 473

15. Tangible fixed assets

Tangible fixed assets for 2013	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2013	5 442	377 307	749 588	330 123	1 768	11 839	7 001	1 483 068
Currency impact on opening balance		55	-354	-9	-37	-7	-16	-368
Investments		1 272	3 496	2 433		159	10 841	18 201
Disposals	-13	-192	-595	-1 123		-1 298		-3 221
Reclassifications		297	4 371	292		13	-4 958	15
Currency impact on movements		-11	-92	-13			39	-77
Closing balance on 31.12.2013	5 429	378 728	756 414	331 703	1 731	10 706	12 907	1 497 618
Depreciation								
Opening balance on 1.1.2013		164 548	388 037	198 383	1 712	8 940		761 620
Currency impact on opening balance		-130	-400	-22	-37	-6		-595
Depreciation for the period		9 321	33 233	13 605	10	683		56 852
Disposals		528	-386	-1 123		-1 298		-2 279
Currency impact on movements		-19	-83	-4	-1			-107
Closing balance on 31.12.2013	0	174 248	420 401	210 839	1 684	8 319	0	815 491
Impairments								
Opening balance on 1.1.2013			1 793					1 793
Currency impact on opening balance			2					2
Impairments for the period		53 225	140 837	50 858			1 759	246 679
Closing balance on 31.12.2013	0	53 225	142 632	50 858	0	0	1 759	248 474
Opening balance on 1.1.2013	5 442	212 759	359 758	131 740	56	2 899	7 001	719 655
Closing balance on 31.12.2013	5 429	151 255	193 381	70 006	47	2 387	11 148	433 653

The paper machines of Perlen Papier AG and the production facilities of Zeochem AG were assessed in detail in 2013 in terms of their current value. These assessments resulted in impairments. For further details see Note 4, "Impairment".

Tangible fixed assets for 2012	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2012	10 699	372 884	746 009	328 395	1 801	11 733	4 217	1 475 738
Currency impact on opening balance	-25	-313	-987	-73	-33	-8	-11	-1 450
Investments	21	764	3 410	1 870		248	4 629	10 942
Disposals	-1 317	-21	-410	-242		-134		-2 124
Reclassifications	-3 930	3 990	1 586	171			-1 817	0
Currency impact on movements	-6	3	-20	2			-17	-38
Closing balance on 31.12.2012	5 442	377 307	749 588	330 123	1 768	11 839	7 001	1 483 068
Depreciation								
Opening balance on 1.1.2012		155 217	355 174	184 495	1 481	8 407		704 774
Currency impact on opening balance		-163	-665	-59	-28	-5		-920
Depreciation for the period		9 504	33 978	14 186	265	660		58 593
Disposals			-410	-238		-121		-769
Currency impact on movements		-10	-40	-1	-6	-1		-58
Closing balance on 31.12.2012	0	164 548	388 037	198 383	1 712	8 940	0	761 620
Impairments								
Opening balance on 1.1.2012			1 794					1 794
Currency impact on opening balance			-1					-1
Closing balance on 31.12.2012	0	0	1 793	0	0	0	0	1 793
Opening balance on 1.1.2012	10 699	217 667	389 041	143 900	320	3 326	4 217	769 170
Closing balance on 31.12.2012	5 442	212 759	359 758	131 740	56	2 899	7 001	719 655

The paper machines of Perlen Papier AG and the production facilities of Zeochem AG were assessed in detail in 2012 in terms of their current value and were not found to be in need of any downward value adjustments. The impairment made in 2012 relates to the writing-off of the prior-year residual value of the tangible fixed assets of BioUETIKON Ltd., which could not be further used following the decision to close this operation.

16. Long-term financial receivables and long-term financial assets

in CHF thousand	Long-term financial receivables	Long-term financial assets
At purchase values		
Opening balance on 1.1.2012	2 491	
Investments	0	10 000
Disposals	-2 454	
Currency impact on movements	-17	
Closing balance on 31.12.2012	20	10 000
At purchase values		
Opening balance on 1.1.2013	20	10 000
Investments	0	
Disposals	-20	
Currency impact on movements	0	
Closing balance on 31.12.2013	0	10 000

As in 2012, long-term financial assets consist of the 10% equity holding in Renergia Zentralschweiz AG, Root, the new Central Switzerland waste incineration facility company, with which a supply agreement has been concluded for the provision of low-pressure steam to the Perlen paper factory from the date of the new facility's entry into operation in 2015.

17. Assets from employer contribution reserves and pension schemes

17.1. Pension schemes in Switzerland (628 working insureds)

Employer contribution reserve (ECR)	Nominal value	Appropriation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
in CHF thousand	31.12.13	31.12.13	31.12.13	31.12.13	31.12.13	31.12.12	2013	2012
Pension schemes	10 646				10 646	10 386	-260	-153
Total	10 646	0	0	0	10 646	10 386	-260	-153

Economic benefit/economic obligation and pension scheme expense	Funding surplus/shortfall as per Swiss GAAP ARR 26	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
in CHF thousand	31.12.2013	31.12.2013	31.12.2012	31.12.2013	31.12.2013	2013	2012
Pension schemes with funding surplus							
PVP Perlen	814						
Pension schemes with funding surplus	814	0	0	0	0	0	0
CU Chemie Uetikon AG Pension Scheme					338	338	357
APP Perlen					2058	2058	
APV Uetikon					603	603	575
Pension schemes without funding surplus/shortfall	0	0	0	0	2 999	2 999	932
UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund	5 641						
Perlen Group Assistance Fund	11 026	11 026	10 091	-935		-935	2 689
Employer's funds	16 667	11 026	10 091	-935	0	-935	2 689
Total	17 481	11 026	10 091	-935	2 999	2 064	3 621

A pension scheme will be considered as having a funding surplus if it has a fluctuation reserve amounting to at least 15% of its total assets held.

Perlen and Uetikon each have two defined-contributions pension schemes offering old-age, death and disability benefits. Employer's contributions are strictly defined in the schemes' regulations and deeds of trust. The companies concerned do not bear any primary risk, i.e. their insurance and investment risks are borne primarily by the pension schemes themselves. Recalculations are performed regularly. The latest statistical recalculation of actuarial capital was performed on 31 December 2012 and was based on an actuarial interest rate of 3.0% and the actuarial foundations of BVG 2010. Actuarial capital has since been further developed in line with insuree numbers and using the BVG interest rate. With the exception of the employer contribution reserve of CHF 10.6 million (prior year: CHF 10.4 million), all the schemes' surpluses are payable solely to their beneficiaries. According to their provisional balance sheets, the schemes had an average funding ratio of 110% as of 31 December 2013 (prior-year actual average funding ratio: 111%).

The Perlen Group Assistance Fund, Perlen

The Perlen Group Assistance Fund is an employer's fund for all employees working at the CPH Group's Perlen site. As well as financing employer's contributions (2013: CHF 0.0 million, prior year: CHF 2.9 million) to the pension schemes of the Group's Perlen-based companies, 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 13.5 million on 31 December 2013 (prior year: CHF 12.6 million).

As for 2012, economic interest was calculated based on the Fund's freely disposable trust capital excluding fluctuation reserves.

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund is an employer's fund for all employees working at the CPH Group's companies in Uetikon. 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 6.7 million on 31 December 2013 (prior year: CHF 6.4 million).

As for 2012, economic interest was calculated based on the Fund's freely disposable trust capital excluding fluctuation reserves.

17.2. Pension schemes outside Switzerland

Economic benefit/economic obligation	Funding surplus/shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
Pensions scheme expense in CHF thousand	31.12.13	31.12.13	31.12.12	31.12.13	31.12.13	2013	2012
USA					148	148	153
Pension schemes without surplus/shortfall	0	0	0	0	148	148	153
USA	-735	-735	-505	230	389	619	263
Pension schemes with shortfall	-735	-735	-505	230	389	619	263
Total	-735	-735	-505	230	537	767	416

USA (118 insurees): In the United States, the Group has one defined-contributions scheme and one defined-benefits scheme. Defined Contribution Plan 401 K is a purely contributions-based savings scheme that does not expose the company to any liability and has neither a surplus nor a shortfall.

The defined-benefits scheme is the traditional form of pension scheme for all employees. The contributions here are paid by the employer. The defined-benefits scheme currently has a funding shortfall of USD 826 000 (prior year: USD 552 000). The corresponding 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 pension schemes in other countries are of insignificant size, and provide all the social benefits prescribed by law.

17.3. Breakdown of pension scheme costs

in CHF thousand	In Switzerland	Outside Switzerland	2013	2012
Pension scheme contributions from employer	3 893	537	4 430	1 267
Total contributions	3 893	537	4 430	1 267
+/- changes in ECR through asset trends, value adjustments etc.	-260		-260	-153
Contributions and changes in employer contribution reserves	3 633	537	4 170	1 114
Increase/decrease in company's economic benefit from surplus	-935		-935	2 689
Increase/decrease in company's economic obligation to shortfall		230	230	81
Change in economic impact on company of surplus/shortfall	-935	230	-705	2 770
Pension scheme expenses as part of personnel cost for the period	2 698	767	3 465	3 884

18. Trade accounts payable

in CHF thousand	2013	2012
To third parties	59 303	52 893
To related parties and companies	63	46
Total	59 366	52 939

19. Other payables

in CHF thousand	2013	2012
To third parties	4 367	2 468
To related parties and companies	77	82
Total	4 444	2 550

20. Accrued liabilities and deferred income

in CHF thousand	2013	2012
Accrued interest expense	25	26
Other accrued liabilities and deferred income	10 970	15 763
Total	10 995	15 789

Taxes owed and not yet paid are shown under short-term provisions.

21. Short-term financial liabilities

in CHF thousand	2013	2012
Towards third parties	22 927	8 774
– <i>towards banks</i>	22 927	8 774
Towards related parties and companies	76	980
Total	23 003	9 754

22. Short-term provisions

in CHF thousand	Restructuring provisions	Guarantee obligations	Other provisions	Income tax owed	Total short-term provisions
Opening balance on 1.1.2012	5 000	966	3 683	3 273	12 922
Currency impact on opening balance		-2	-16	-5	-23
Additions		120	1 199	1 423	2 742
Use	-923	-111	-1 086	-2 755	-4 875
Releases	-4 077	-170	-580	-206	-5 033
Currency impact on movements			-1	-5	-6
Closing balance on 31.12.2012	0	803	3 199	1 725	5 727
Opening balance on 1.1.2013		803	3 199	1 725	5 727
Currency impact on opening balance		-2	-17	6	-13
Additions		87	2 824	1 439	4 443
Use		-41	-1 148	-812	-2 001
Releases		-220	-130	-487	-797
Currency impact on movements		1	1	9	11
Closing balance on 31.12.2013	0	628	4 729	1 880	7 237

The restructuring provision for the closure of BioUETIKON Ltd., Dublin was released in 2012 following the favourable outcome of the corresponding negotiations. "Other provisions" relate mainly to outstanding vacation and overtime amounts.

23. Long-term financial liabilities

in CHF thousand	Current + 1 year *	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total
Long-term bank loans	110 221	1 121	2 347	647	67	3 472	117 875
Total	110 221	1 121	2 347	647	67	3 472	117 875

* refinancing planned

Financial liabilities for 2013

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Fixed advance	CHF		15 360	2.05%	31.12.14	¹⁾
Bank loan/current account credit	EUR	3 909	4 790	1.59%	unlimited	
Current account credit	CHF		1 887	4.77%	unlimited	
Current account credit	USD	1 000	890	2.27%	unlimited	
Current account related party	CHF		76	1.50%	unlimited	
Total			23 003			
Long-term financial liabilities						
Fixed advance	CHF		109 100	2.05%	31.12.15	¹⁾
Bank loan	EUR	2 722	3 336	2.80%	30.06.18	
Bank loan	EUR	481	590	2.80%	30.09.18	
Industrial bond	USD	3 900	3 471	2.27%	01.08.21	
Bank loan	EUR	125	152	3.44%	31.12.21	
Bank loan	EUR	1 000	1 226	1.22%	unlimited	
Total			117 875			
Total			140 878			

¹⁾ interest cover ratio not < 1 / equity not < 50%

Financial liabilities for 2012

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan/current account credit	EUR	4 033	4 868	1.66%	unlimited	
Current account credit	CHF		2 992	4.77%	unlimited	
Current account credit	USD	1 000	915	4.01%	unlimited	
Current account related party	CHF		979	1.50%	unlimited	
Total			9 754			
Long-term financial liabilities						
Fixed advance	CHF		134 100	3.02%	31.12.15	¹⁾
Bank loan	EUR	3 500	4 223	2.80%	30.06.18	
Bank loan	EUR	602	726	5.32%	30.09.18	
Industrial bond	USD	3 900	3 569	4.01%	01.08.21	
Bank loan	EUR	141	170	3.44%	31.12.21	
Bank loan	EUR	1 000	1 206	1.22%	unlimited	
Total			143 994			
Total			153 748			

¹⁾ interest cover ratio not < 1 / equity not < 50%

24. Other long-term liabilities

Other long-term liabilities relate solely to third parties.

25. 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 1.1.2012	3 960	6 449	2 974	18 643	32 026
Currency impact on opening balance			-2	-28	-30
Additions		650	6	147	803
Releases			-403	-1 081	-1 484
Currency impact on movements				2	2
Closing balance on 31.12.2012	3 960	7 099	2 575	17 683	31 317
Opening balance on 1.1.2013	3 960	7 099	2 575	17 683	31 317
Currency impact on opening balance			3	60	63
Additions			118	306	424
Releases			-489	-9 975	-10 464
Currency impact on movements			1	1	2
Closing balance on 31.12.2013	3 960	7 099	2 208	8 075	21 342

Deferred tax benefits deriving from losses carried forward are not capitalized, in line with accounting principles. Potential tax benefits from such losses carried forward of CHF 278.4 million (prior year: CHF 66.4 million) were not capitalized as a result. The decrease in deferred tax liabilities is due to the reduction in differences in the valuation of tangible fixed assets and inventories between Group values and those under commercial law. Tax rates vary from country to country and from location to location between 7% and 41%.

“Other provisions” consist mainly of provisions for agency agreements in the Paper and Packaging Divisions. The provisions for major repairs and renovations relate to the work required on the Perlen weir. Environmental risks arise as a result of the Group’s business activities. The provision here relates largely to one landfill site for which the specific clean-up plans still need to be coordinated in detail with the authorities.

26. Additional corporate governance information

26.1. Capital structure

	2013	2012
Share capital in CHF thousand	30 000	30 000
Registered shares issued	300 000	300 000
Nominal value per share in CHF	100	100
Market capitalization in CHF thousand	369 000	390 000

The registered shares of CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange in the Domestic Standard segment. The company's share capital amounts to CHF 30 million and is fully paid in. The share capital consists of 300 000 registered shares with a nominal value of CHF 100 each.

26.2. Shareholders' rights

	2013	2012
Share transfer restrictions	none	none
Voting right restrictions	none	none
Opting-out clause	yes	yes

Each share entitles its holder to one vote. All shares are entitled to dividend payments. A written invitation to the Ordinary General Meeting is issued 20 days in advance to all shareholders entered in the Share Register, together with the meeting agenda. Prior to the General Meeting, the Board of Directors specifies a cut-off date for registering shares in the Share Register. This date is published in the Schweizerisches Handelsamtsblatt (the Swiss Official Gazette of Commerce) together with the meeting invitation. In accordance with the Articles of Incorporation, any request by a shareholder for an item of business to be included on the meeting agenda must be submitted to the Board of Directors at least 60 days in advance of the meeting.

26.3. Compensation paid to members of the Board of Directors and Group Executive Management

The compensation paid includes salaries, bonuses, further credited amounts, social security payments and contributions to pension schemes. The following transactions were effected for services rendered with companies associated with Board members: CHF 0 (prior year: CHF 10 000) with Balmer Etienne, Lucerne; CHF 47 000 (prior year: CHF 37 000) with Weber Schaub und Partner, Zurich; and CHF 87 000 (prior year: CHF 107 000) with UBV Services AG, Zurich. There were no transactions with members of Group Executive Management or related parties in 2013 or 2012.

26.3.1. Compensation paid to members of the Board of Directors and Group Executive Management in 2013

in CHF thousand

Name	Function	Fixed compensation	Board committee meeting fees	Social security contributions	Further compensation	Total
Schaub Peter	Chairman	305		20	13	338
Walter Max	Deputy Chairman	76	8	7	2	93
Albrecht Franz-Josef	Member	76		6	2	84
Balmer Hanspeter	Member	94	5	6	2	107
Gabella Mauro	Member	94	8	6	2	110
Talaat Tim	Member	78	5	5	2	90
Wipf Christian	Member	78	8	5	2	93
Total		801	34	55	25	915

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Schildknecht Peter	CEO	390	170	110	25	695
Further GEM members combined		1 276	303	326	68	1 973
Total		1 666	473	436	93	2 668

26.3.2. Compensation paid to members of the Board of Directors and Group Executive Management in 2012

in CHF thousand

Name	Function	Fixed compensation	Board committee meeting fees	Social security contributions	Further compensation	Total
Schaub Peter	Chairman	305		20	13	338
Walter Max	Deputy Chairman	76	8	7	2	93
Albrecht Franz-Josef	Member	77		6	2	85
Balmer Hanspeter	Member	94	8	6	2	110
Gabella Mauro	Member	94	10	7	2	113
Talaat Tim	Member	78	10	6	2	96
Wipf Christian	Member	78	8	5	2	93
Kind Richard (until 26.04.2012)	Member	24		3	1	28
Total		826	44	60	26	956

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Schildknecht Peter	CEO	390	203	94	21	708
Further GEM members combined		1 271	354	323	67	2 015
Total		1 661	557	417	88	2 723

Both fixed and variable compensation are paid solely in monetary form. There are currently no share or stock option plans within the CPH Group. "Further compensation" includes lump-sum expenses, the private use of company cars, long-service awards and similar. The variable compensations for 2013 correspond to the provisions effected for the same (on an accrual basis), while the variable compensations for 2012 are the amounts actually paid.

26.3.3. 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		2013		
Name	Own	Related parties	2013	2012
Schaub Peter	1 500	20	1 520	2 432
Walter Max	35	2 244	2 279	2 279
Albrecht Franz-Josef	532	1 800	2 332	2 471
Balmer Hanspeter	120		120	120
Talaat Tim	457	1 513	1 970	1 970
Wipf Christian	20		20	20
Total	2 664	5 577	8 241	9 292

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

Name	2013	2012
Schildknecht Peter	10	10
Grimm Wolfgang	3	3
Segesser Michel	5	5
Waldburg-Zeil Alois	20	
Total	38	18

26.3.4. Significant shareholders and numbers of shares held

Name	2013	2012
Sarasin Investmentfonds AG	18 353	19 840
Schnorf-Schmid Ella	21 466	21 466
UBV Uetikon Betriebs- & Verwaltungs AG	149 990	149 990
Total	189 809	191 296

26.4 Auditors' remuneration

in CHF thousand	2013	2012
PricewaterhouseCoopers AG auditing fees	245	246
Other auditing fees	104	139
Other PricewaterhouseCoopers AG fees	199	58
Other auditing-related fees	8	
Total	556	443

27. Net financial liabilities

in CHF thousand	2013	2012
Liquid funds and securities	74 211	73 298
Short-term financial receivables	10	164
Total	74 221	73 462
Towards banks	22 927	8 774
Towards others	76	980
Total	23 003	9 754
Towards banks	117 875	143 994
Total	117 875	143 994
Total net financial liabilities	66 657	80 286

28. Contingent liabilities and off-balance-sheet business

28.1. Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2013.

28.2. Pledged assets

A plot of land in Perlen was sold for CHF 12.0 million on 6 September 2013. A downpayment of CHF 2.4 million was made on signature of the sale agreement; the balance of CHF 9.6 million will be due for payment with the entry into effect of the corresponding building permission, but on 31 August 2017 at the latest. A CHF 6.0 million mortgage assignment was entered into the land register as security on the downpayment.

All the shares of Perlen Papier AG have been deposited as collateral with a bank consortium led by UBS since 26 January 2009. Bank credit balances amounting to CHF 0.5 million were also pledged as of 31 December 2013.

28.3. Derivative financial instruments

The variable interest on CHF 90 million of the credit facility utilized to finance the acquisition of the PM 7 paper machine has been hedged until 31 December 2014. Forward foreign-exchange contracts are concluded to offset the effects of currency movements on non-Swiss-franc sales.

Open derivative financial instruments as of 31 December 2013

in CHF thousand	2013				2012			
Instrument	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Interest rate swaps	90 000	0	997	Hedge	90 000		2097	Hedge
Forward foreign-exchange contracts	0	0	0	Trading				Trading

29. Information on risk assessment activities including the Internal Control System (ICS)

29.1. Risk management organization

Financial and operational risk management are performed within the CPH Group in accordance with the principles and guidelines specified by the Board of Directors and Group Executive Management.

29.2. Risk management principles

These principles govern the regular assessment of operating and strategic business risks, the hedging of foreign-exchange, interest rate, market, credit and liquidity risks and the Internal Control System (ICS). Guidelines have also been devised for liquid asset management and loan procurement activities. The management of non-essential liquidity and the procurement of short- and long-term loans are both centralized.

29.3. Risk overview

The regularly-recorded and -analyzed risks are summarized in an annual Risk Report, which is presented to the Board of Directors, and are compared with current insurance coverage. The major business risks are defined in a detailed Risk Catalogue and a Risk Matrix, and are assessed in terms of their likelihood of occurrence and the possible scope of the damage such occurrence may cause.

The investigations into the situation with uranium at the Rotholz landfill site have not yet provided any conclusive results, and further studies are required. The Rotholz site has been designated as a pilot project for all "Supergips" landfills.

29.4. Reporting

The reporting on the Group's risk management is effected on an annual basis, and extends to both strategic and operational risks. Exceptional events are reported immediately to the Board of Directors. With the risk management established, the Board of Directors is convinced that it has taken the necessary steps to ensure the future development of the CPH Group, even though unforeseen risks resulting from special circumstances and uncertainties can never be excluded.

30. 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. As in the previous year, the company held no treasury shares in 2013.

	2013	2012
Net result as per consolidated income statement (in CHF thousand)	-271 480	8 061
Weighted average number of shares entitled to dividend	300 000	300 000
Net result per share (in CHF)	-904.93	26.87

31. Subsequent events

The Board of Directors approved the consolidated financial statements at its meeting on 14 February 2014.

No significant events have occurred since the balance sheet date.

List of major shareholdings

	Registered office	Currency	Capital in thousand	Consolidation in %	Consolidation method
CPH Chemie + Papier Holding GmbH	Müllheim/D	EUR	5 500	100	F
BioUETIKON Ltd.	Dublin/IR	EUR	518	100	F

Consolidated chemistry companies:

Chemie Uetikon AG	Uetikon/CH	CHF	2 220	100	F
CU Immobilien Lahr AG	Uetikon/CH	CHF	2 200	100	F
CU Agro AG (fertilizer manufacture)	Uetikon/CH	CHF	550	100	F
Zeowest AG (holding company)	Uetikon/CH	CHF	1 000	100	F
Zeochem AG	Uetikon/CH	CHF	14 000	100	F
Zeochem L.L.C.	Louisville/USA	USD	36 547	100	F

Consolidated paper companies:

Perlen Papier AG	Perlen/CH	CHF	81 000	100	F
Perlen Deutschland GmbH	München/D	EUR	100	100	F
Perlen France Sarl	Champigny/F	EUR	76	100	F

Consolidated packaging companies:

Perlen Converting AG	Perlen/CH	CHF	4 000	100	F
Perlen Converting L.L.C.	Whippany/USA	USD	1 000	100	F
ac-Folien GmbH	Müllheim/D	EUR	1 300	100	F

Consolidation method:

F = fully consolidated

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of CPH Chemie + Papier Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 36 to 68), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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



René Rausenberger
Audit expert
Auditor in charge



Marcel Aeberhard
Audit expert

Zürich, 14 February 2014



It's not easy to persuade young people to do shiftwork nowadays. And Apprentice Supervisor Igor Sinadinovic has spent hours aligning Perlen Packaging's three-year apprenticeship in plant and equipment management to the company's operating needs. In the process, he's created a highly attractive training package. The first of six such apprentices are now completing their course. "Two of them came to us straight from school," he says. "And now, at over 20, they're completing their plant management training. That's a great achievement in itself!"

Income statement of CPH Chemie + Papier Holding AG

in CHF thousand	Note	2013	2012
Net revenue from sale of goods and services	2.6.	4 419	4 330
Other income		359	359
Personnel expense		-3 268	-2 936
Other operating expense		-1 627	-1 483
Amortization/depreciation and impairment losses on non-current assets	2.7.	-224 767	-3 077
Earnings before interest and taxes (EBIT)		-224 884	-2 807
Financial income		8 854	17 205
– <i>Income from participations</i>	2.8.	2 392	1 981
– <i>Interest income</i>	2.9.	5 633	9 860
– <i>Book gains on securities held</i>		734	726
– <i>Other financial income</i>	2.10.	95	4 639
Financial expense		-629	-833
– <i>Interest expense</i>		-22	-321
– <i>Book losses on securities held</i>		-379	-190
– <i>Other financial expense</i>		-228	-323
Earnings before taxes and extraordinary items		-216 659	13 564
Extraordinary, non-recurring or prior-period income	2.11.	640	0
Extraordinary, non-recurring or prior-period expense		0	0
Earnings before taxes (EBT)		-216 019	13 564
Direct taxes		-356	-801
(Loss)/profit for the year		-216 375	12 763

Balance sheet of CPH Chemie + Papier Holding AG

in CHF thousand	Note	At 31.12.2013	At 31.12.2012
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.1.	14 320	16 516
Other short-term receivables		4 582	5 590
– From third parties		4 582	5 262
– From group member companies		0	329
Prepaid expenses and accrued income		15	0
Total current assets		18 917	22 106
Financial assets		302 235	483 056
– Long-term receivables from group member companies	2.7.	302 235	483 056
Participations	2.2.	116 147	153 863
Property, plant and equipment		432	470
Total non-current assets		418 814	637 389
Total assets		437 731	659 495
Equity and liabilities			
Trade payables		123	28
– To third parties		123	28
Short-term interest-bearing liabilities		35	753
– Towards third parties	2.3.	35	753
Other short-term liabilities		52	88
– Towards third parties		52	88
Accrued expenses and deferred income		450	450
Short-term provisions		742	535
Total short-term liabilities		1 402	1 854
Long-term liabilities		963	2 000
– Towards group member companies		963	2 000
Total long-term liabilities		963	2 000
Total liabilities		2 365	3 854
Equity	2.4.	30 000	30 000
Legal capital reserves	2.5.	16 200	20 100
– Capital contribution reserve		16 200	20 100
Legal retained earnings		10 016	10 016
Voluntary retained earnings		501 000	501 000
Earnings available for distribution		-121 850	94 525
– Balance brought forward from prior year		94 525	81 762
– (Loss)/profit for the year		-216 375	12 763
Total equity		435 366	655 641
Total equity and liabilities		437 731	659 495

Important 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 company applied the provisions of the new Swiss Federal Financial Reporting Act, which entered into effect on 1 January 2013, for the first time in its 2013 accounts and financial statements. The prior-year financial statements have been restated accordingly, for comparability purposes. The major balance-sheet items have been capitalized as follows:

Financial assets and participations

Financial assets are stated at their nominal value less any value adjustments required. Participations are stated at their purchase price less any value adjustments required.

Property, plant, equipment and leased assets

Property, plant and equipment are shown at purchase price or manufacturing cost less any value adjustments required in accordance with business principles. Non-current assets financed via long-term leasing agreements are capitalized at the lower of their current market value or the cash value of their minimum leasing rates. The corresponding financial leasing liabilities are shown under "Liabilities".

Depreciation is based on the following depreciation methods and useful lives:

Property, plant and equipment	Useful life	Depreciation method
Machinery and vehicles	3 years	Straight-line

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

Foreign currency	2013 income statement	2013 balance sheet
EUR	1.2308	1.2255
USD	0.9270	0.8900

The balance-sheet conversion rates are the rates that ruled on the balance-sheet date of 31 December 2013, while the conversion rates used for the income statement and for transactions during the year are the average rates for 2013.

2. Notes on the financial statements

CPH Chemie + Papier Holding AG is domiciled in Root, Switzerland. The company employed an average of no more than 10 persons (in full-time equivalents) in 2013.

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

in CHF thousand	At 31.12.2013	At 31.12.2012
Cash and cash equivalents	4 045	7 876
Assets held for short-term disposal with a quoted market price	10 275	8 640
Total	14 320	16 516

2.2. Participations

Name and legal form	Domicile	Object	Capital in thousand	Holding in 2013		Holding in 2012	
				Capital in thousand	Voting rights	Capital in thousand	Voting rights
CPH Chemie + Papier Holding GmbH	Müllheim/D	National holding company	EUR 5 500	5500	100%	5 500	100%
Chemie Uetikon AG	Uetikon/CH		CHF 2 220	2 220	100%	2 220	100%
Zeochem AG	Uetikon/CH		CHF 14 000	14 000	100%	14 000	100%
CU Agro AG	Uetikon/CH		CHF 550	550	100%	550	100%
CU Immobilien Lahr AG	Uetikon/CH		CHF 2 200	2 200	100%	2 200	100%
Zeowest AG	Uetikon/CH		CHF 1 000	1 000	100%	1 000	100%
Zeochem L.L.C.	Louisville/USA		USD 36 547	36 547	100%	36 547	100%
Perlen Papier AG	Root/CH		CHF 81 000	81 000	100%	81 000	100%
Perlen Deutschland GmbH	Munich/D	Sales office	EUR 100	100	100%	100	100%
Perlen France Sarl	Champigny/F	Sales office	EUR 76	76	100%	76	100%
Perlen Converting AG	Root/CH		CHF 4 000	4 000	100%	4 000	100%
Perlen Converting L.L.C.	Whippany/USA		USD 1 000	1 000	100%	1 000	100%

The change from a group valuation to individual valuations resulted in a CHF 37.6 million impairment to participations.

2.3. Liabilities towards pension schemes

As of 31 December 2013, liabilities towards pension schemes amounted to CHF 0.04 million (prior year: CHF 0.1 million).

2.4. Share capital

Share capital remained unchanged at 300 000 registered shares each of CHF 100 nominal value. UBV Uetikon Betriebs- und Verwaltungs AG, Uetikon holds 49.99% thereof (prior year: 49.99%). For the shares held by members of the Board of Directors and other significant shareholders, please see Section 26.3.3 of the notes to the consolidated financial statements.

2.5. Legal capital reserves

The capital contribution reserve here derives from a quasi-merger in 1998, and has been shown separately since 2011. The Board of Directors' proposal to reclassify the amount concerned from "Other reserves" into a capital contribution reserve was approved by the Ordinary General Meeting of 26 April 2012.

2.6. Net revenue from sale of goods and services

The CHF 4.4 million in this item represents the net revenue from goods and services provided for subsidiaries by the holding company and invoiced accordingly (prior year: CHF 4.3 million).

2.7. Amortization/depreciation and impairment losses on non-current assets

The negative-equity situation at certain subsidiaries prompted a CHF 187.2 million impairment to intercompany loans (prior year: CHF 3.1 million). Together with the CHF 37.6 million impairment to participations, this resulted in a total impairment to non-current assets of CHF 224.8 million.

2.8. Income from participations

This item includes profit distributions by certain subsidiaries.

2.9. Interest income

Interest income stems predominantly from intercompany loans. The interest rate was reduced from 2% in 2012 to 1% for 2013.

2.10. Other financial income

This item consists of income from securities and the positive net impact of currency movements on foreign currency amounts held. The prior-year amount includes CHF 4.6 million from the release of provisions not used in the closure of BioUETIKON Ltd., Dublin.

2.11. Extraordinary, non-recurring or prior-period income

The "Spendgut" account, on which interest had been earned for several decades, was closed in 2013, there being no further beneficiaries.

Guarantees towards third parties

Contingent liabilities amount to CHF 131.7 million (prior year: CHF 141.4 million). These consist largely of guarantees by CPH AG towards Swiss banking institutions in respect of subsidiaries' credit limits and overdraft facilities.

Pledged assets

All the shares of Perlen Papier AG have been deposited as collateral with a bank consortium led by UBS since 26 January 2009. These shares had a book value of CHF 81 million at the end of 2013 (prior year: CHF 89 million). In addition, bank credit balances amounting to CHF 0.5 million were pledged as of 31 December 2013 (prior year: CHF 0).

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 0.06 million (prior year: CHF 0.1 million).

Leasing liabilities

The liabilities on leased vehicles amount to CHF 0.05 million (prior year: CHF 0.09 million).

Management

The compensation paid to members of the Board of Directors and Group Executive Management is detailed in Section 26.3.2 of the notes to the consolidated financial statements.

Subordination agreements

Subordination agreements have been concluded between CPH Chemie + Papier Holding AG, Perlen and Perlen Papier AG, Perlen (CHF 160 million) and between CPH Chemie + Papier Holding AG, Perlen and Zeochem AG, Uetikon (CHF 24.5 million). In 2012 subordination agreements existed between CPH Chemie + Papier Holding AG, Perlen and Zeowest AG, Uetikon (CHF 9.0 million) and between CPH Chemie + Papier Holding AG, Perlen and CU Immobilien Lahr AG, Uetikon (CHF 0.3 million).

Subsequent events

No significant events have occurred since the balance sheet date.

Recommendation on appropriation of earnings available for distribution

Movements in earnings available for distribution

in CHF thousand	2013	2012
Balance brought forward from prior year	94 525	81 762
Appropriation of earnings available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
Dividend to shareholders	-3 900	-3 900
(Loss)/profit for the year	-216 375	12 763
Release from capital contribution reserve	3 900	3 900
Earnings available for distribution by the General Meeting	-121 850	94 525

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

in CHF thousand	2013 Board's recommendation	2012 General Meeting's resolution
Earnings available for distribution by the General Meeting	-121 850	94 525
Release from capital contribution reserve	3 900	3 900
Dividend to shareholders	-3 900	-3 900
Release from voluntary retained earnings	121 850	0
Balance to be carried forward	0	94 525

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of CPH Chemie + Papier Holding AG, which comprise the balance sheet, income statement and notes (pages 71 to 76), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of retained earnings and reserves comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



René Rausenberger
Audit expert
Auditor in charge



Marcel Aeberhard
Audit expert

Zürich, 14 February 2014

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Disclaimer concerning future-oriented statements:

This Annual Report contains future-oriented statements about CPH that are subject to risk and uncertainties.

These statements reflect the management's opinions at the time of the Report's compilation, but they may deviate from actual future events. Dieser Geschäftsbericht ist auch in deutscher Sprache erhältlich. The original language is German.



The Uetikon site, Uetikon am See, Switzerland