ANNUAL REPORT 2016

CPH CHEMIE + PAPIER HOLDING AG

cph

Key figures

The CPH Group

in CHF thousand	2016	2015	2014	2013	2012
Net sales	434 835	420 046	492 463	481 303	488 691
Earnings before interest, taxes, depreciation and amortization (EBITDA)	36 935	12 222	50 835	30 933	38 102
in % of net sales	8.5	2.9	10.3	6.4	7.8
Earnings before interest and taxes (EBIT) before impairment	5 891	–21 818	16 037	–26 636	–22 234
in % of net sales	1.4	–5.2	3.3	–5.5	–4.5
Earnings before interest and taxes (EBIT)	5 891	–21 818	16 037	–277 557	–22 234
in % of net sales	1.4	–5.2	3.3	–57.7	–4.5
Financial result	–5 066	–12 101	–5 621	–3 883	–6 108
Earnings before taxes and extraordinary items	825	–33 919	10 416	–281 440	–24 265
Net result for the year [1)]	–7 714	–33 123	10 502	–271 480	8 061
in % of net sales	–1.8	–7.9	2.1	–56.4	1.6
in % of equity	–2.0	–8.2	2.4	–62.5	1.1
in % of total capital	–1.1	–5.3	1.5	–39.8	0.8
Cash flow	28 271	7 183	40 795	27 275	28 812
Investments in tangible assets (gross)	20 720	21 922	19 170	18 201	10 942
Free cash flow	1 938	1 355	430	13 652	63 649
Balance sheet total [1)]	672 427	623 955	688 388	681 788	972 381
Fixed assets	450 304	436 922	455 987	467 264	752 397
in % of balance sheet total	67.0	70.0	66.2	69.0	77.0
Equity	380 782	402 706	442 003	434 263	709 764
in % of balance sheet total	56.6	64.5	64.2	64.0	73.0
Net cash	–82 099	–80 175	–75 380	–66 657	–80 286
Personnel at year-end	985	858	860	859	849

[1)] Including minorities

CPH Chemie + Papier Holding AG

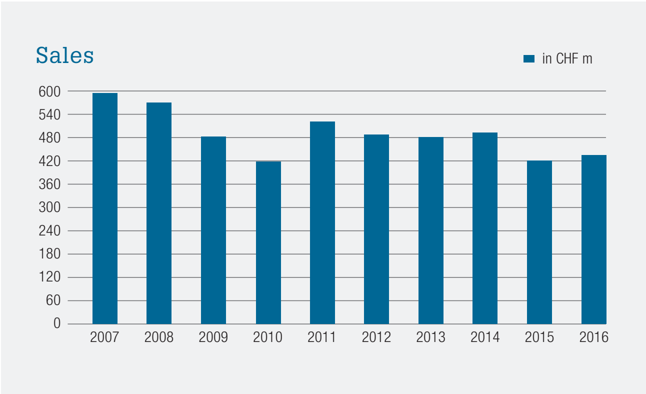
in CHF thousand	2016	2015	2014	2013	2012
Net result for the year	–8 371	–30 973	–295	–216 375	12 763
Equity	384 169	396 141	431 055	435 366	655 641

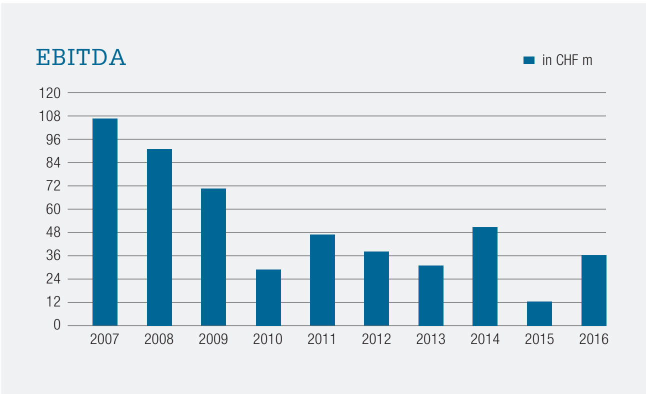
Per-share statistics [1)]

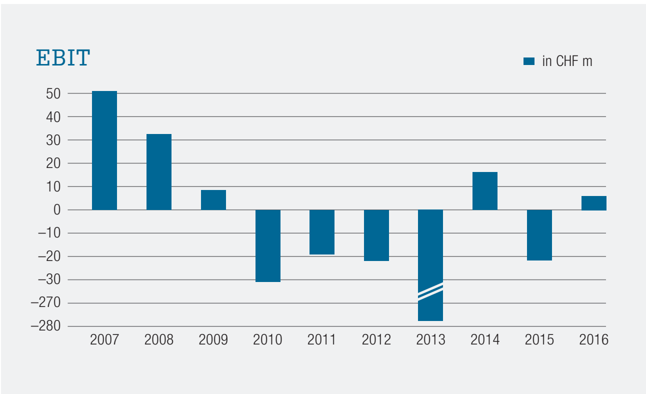
in CHF		2016	2015	2014	2013	2012
Share price	high	42.20	59.90	63.80	67.45	73.50
	low	29.80	30.00	55.95	59.20	49.25
	on 31 December	40.00	31.40	56.45	61.50	65.00
Equity per share [2)]		63.49	67.12	73.67	72.38	118.29
Net result per share [2)]		–1.32	–5.52	1.75	–45.25	1.34
Cash flow per share [2)]		4.71	1.20	6.80	4.55	4.80
Dividend per share [3)]		0.65	0.60	0.65	0.65	0.65

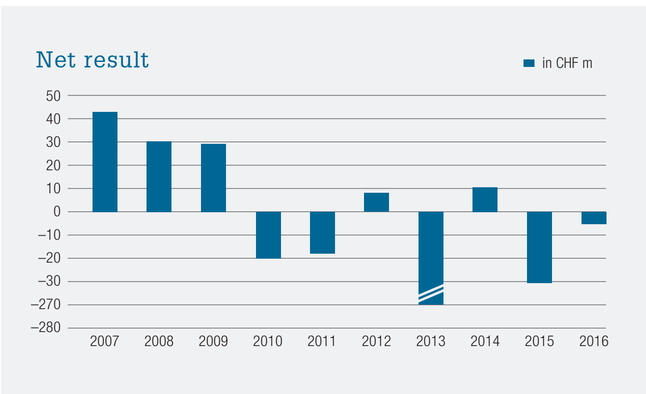
[1)] All information restated in view of the 1:20 share split of 10 April 2015
[2)] Based on consolidated financial statements; excluding minorities
[3)] For 2016: Board's recommendation to the 2017 Ordinary General Meeting

At a glance









The CPH Group

Business in 2016

- Single-digit percentage sales growth
- Positive EBIT result
- Uetikon site sold and Chemistry Division realigned
- Multinational foundation strengthened through new operating locations
- Asia expansion strategy successfully further pursued

in CHF million	2016	2015
Net sales	434.8	420.0
EBITDA	36.9	12.2
EBIT	5.9	−21.8

Portrait

CPH is an internationally active and diversified industrial group with its headquarters in Switzerland and production facilities in various countries. Its three business divisions manufacture chemicals, newsprint and magazine paper and pharmaceutical packaging films and market these worldwide. The CPH Group draws on an industrial tradition dating back to 1818, when its chemicals business was founded in Uetikon, near Zurich. The paper operation was established in 1873.

Chemistry

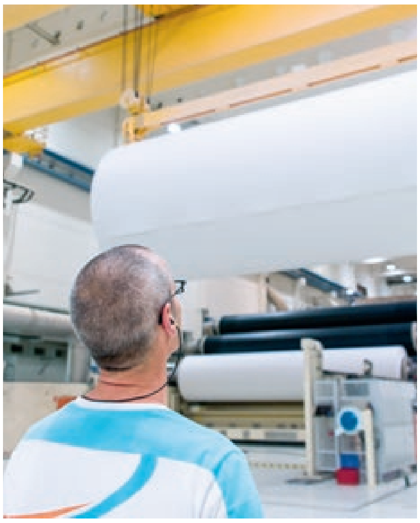
Business in 2016

- Double-digit percentage sales growth
- Return to operating profit
- Uetikon site sold and division strategically realigned
- ALSIO integrated and some production relocated outside Switzerland
- Decisions taken on new Swiss site in Rüti and construction of a new production facility in Zvornik (Bosnia and Herzegovina)

in CHF million	2016	2015
Net sales	69.3	62.5
EBITDA	5.6	1.5
EBIT	1.6	–1.8

Portrait

The Chemistry Division, which maintains production facilities in Switzerland, the USA, China and (from 2017) Bosnia, is active primarily in the silicate chemistry sector, where, under the Zeochem brand, it is a leading global provider of molecular sieves (zeolites) for industrial applications and of high-value chromatography gels for the pharmaceuticals industry. The division also manufactures mineral fertilizers for the Swiss market and deuterated solvent products.



Paper

- Sales broadly kept at prior-year levels
- Substantially-improved operating result
- Industry burdened by structural decline in demand
- Further efficiency enhancements effected
- Productivity raised through investments in water and material cycles
- New PerlenJoy paper product launched

in CHF million	2016	2015
Net sales	246.2	247.8
EBITDA	15.5	–3.8
EBIT	–5.8	–28.0

The 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 the vast majority of it, largely to the Eurozone. The paper manufactured is a recycled product that consists more than 90% of recovered paper and waste woodchip from sawmill operations.

Packaging

- Further increases in both sales and volumes sold
- Further gains in market share
- Strongest growth witnessed in Asian markets
- Strong EBIT thanks to higher-value products
- Chinese film coating facility brought into operation

in CHF million	2016	2015
Net sales	119.3	109.7
EBITDA	14.4	10.7
EBIT	9.0	5.9

With production facilities located in Switzerland, Germany, the USA and China, the Group's Packaging Division manufactures a comprehensive range of high-barrier PVdC-coated films and PVC monofilms for the pharmaceuticals sector, 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.

Contents

Asian expansion

The CPH Group's expansion into Asia is the subject of a special focus in this year's Annual Report. The feature from Page 10 onwards offers an overview of the Group's new production facilities in China, along with brief profiles of some of the Chemistry and Packaging divisions' new Asia-based customers. The cover picture shows production at Jiangsu ALSIO Technology in China.

CPH Group expands in Asia and achieves an operating profit for 2016

Peter Schaub (left) and Peter Schildknecht

Dear shareholder, dear reader

CPH continues to consistently pursue its business strategy

The current corporate strategy of the CPH Group is based on three key thrusts:

– With several production facilities in Switzerland, the Group incurs much of its costs in Swiss francs. But its main markets are in the rest of Europe, and its sales are largely in euros. This imbalance, and the resulting exposure to currency exchange rate trends, should be reduced by expanding capacities outside Switzerland.
– The Paper Division accounts for more than half of total group sales. This makes CPH heavily dependent on paper market trends. To reduce this dependence and achieve a better balance among the Group's three divisions in sales terms, business should be expanded in the Chemistry and Packaging divisions.
– The Group is currently strongly focused on European markets. By investing in expansion in the growing Asian markets, CPH should further tap the potential offered by this emerging market region. The present Annual Report puts a particular focus (from Page 10 onwards) on CPH's Asian expansion activities.

The CPH Group continued to pursue its adopted business strategy throughout 2016. The Chemistry Division repositioned itself in the course of the year. After almost 200 years of production on its original premises in Uetikon beside Lake Zurich, CPH sold the 65 000-square-metre site to Canton Zurich, which plans to use it to build a new cantonal high school. The sale price amounted to CHF 52 million. Under the terms of the sale, CPH will also pay 80% of the costs of the work required to clean up the adjacent lake bed, a legacy of local production practices in much earlier times. Canton Zurich is retaining CHF 32 million of the sale price to this end. CPH has also leased the Uetikon site back from the canton for a further two years, to ensure a smooth transfer of its present production to new locations.

The transfer of the production of standard molecular sieves to the Group's China-based Jiangsu ALSIO Technology subsidiary has largely been completed. Three further product lines will be manufactured in Bosnia and Herzegovina from the end of 2017. To this end, CPH has founded the new Zeochem d.o.o. and acquired a suitable site in Zvornik, very close to its raw materials supplier, on which a new production facility will be constructed in the course of 2017. The production of deuterated solvents and high-value GMP gels will resume at a new Swiss location in Rüti from mid-2017. The new Rüti site will also be home to the Chemistry Division's management and service functions. The manufacture of fertilizers will cease in mid-2017.

Following its strategic realignment, the Chemistry Division now has production facilities in Switzerland, Bosnia, the USA and China, enabling it to substantially enhance its competitive credentials. The purchase of ALSIO has also prompted a reorganization of the division's Asian sales organization, including the opening of new sales offices in Shanghai and Singapore.

CPH has largely disposed of any real estate not required for its business operations over the past few years. The sale of the Uetikon site has significantly reduced the strategic importance of the Group's real-estate assets; and in view of this, its real estate management and development were outsourced to UBV Immobilien Treuhand Perlen AG in mid-2016.

The Packaging Division also continued with its Asian growth strategy. The new coating plant in China commenced operations as planned in the course of the year and delivered its first film products to pharmaceuticals customers in the Asia region. The operation has already earned the certifications required for international markets. Approval to serve the Chinese market has not yet been secured, however, and may still take some time.

Market environment remains challenging

According to World Bank estimates, the global economy saw even more modest growth in 2016 than it had the previous year, with GDP rising by just 2.3%. The worldwide efforts of the central banks to boost economic growth via very low interest rates have shown few results to date; and with hardly any inflation in sight, there is little prospect of interest rates returning to more normal levels any time soon. On the positive side – from the Swiss perspective, at least – the currency markets have stabilized somewhat. The euro, the most important foreign currency for the CPH Group, rose from an average exchange rate of CHF 1.068 for 2015 to CHF 1.090 for 2016, while the US dollar also strengthened minimally from CHF 0.963 to CHF 0.985.

Economic growth in the Eurozone, CPH's most important prime sales market, slowed in 2016, with GDP growth for the year at a mere 1.6%. The Chinese economy, long a prime mover for global economic growth, also struggled to maintain its momentum, posting 6.7% growth for the year (compared with 6.9% in 2015). Those emerging economies which are dependent on revenues from the sale of oil and natural gas suffered as a result of the current low energy prices.

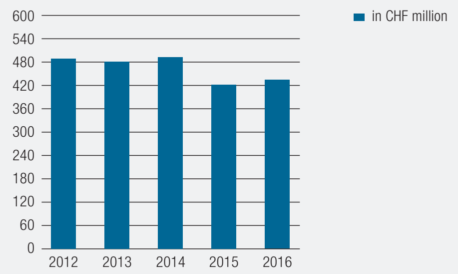
Energy prices were at their lowest – below USD 30 per barrel, in the case of crude oil – at the beginning of 2016. They recovered somewhat in the course of the year; but at USD 55 per barrel, oil prices were still far below their previous highs (of over USD 110 in 2014) at year-end. The energy sector remained correspondingly reluctant to invest; and this dampened demand accordingly for the Chemistry Division, whose molecular sieves are used (among other things) in the production of ethanol and natural gas. The chemicals and pharmaceuticals sectors, by contrast, displayed stronger demand, particularly for the division's higher-value products.

The Paper Division operates largely in an environment that is experiencing a structural decline in demand. Newspaper circulations have been falling in Europe for years, as media consumption habits change and advertising volumes show parallel declines. This structural shift has led to overcapacity in the newsprint and magazine paper markets. Demand for both fell further in 2016. But overcapacities were only withdrawn from the newsprint market: magazine paper production capacities remained unchanged. As a result, the price of newsprint held up better than magazine paper prices over the course of the year.

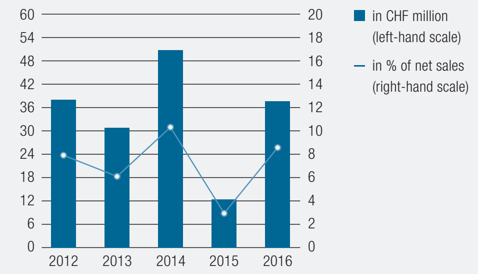
CPH Group net sales by division

CPH Group net sales by region

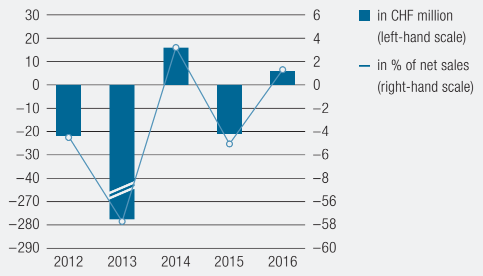
CPH Group net sales trends



CPH Group EBITDA trends



CPH Group EBIT trends



The pharmaceuticals sector showed global growth of 5-7% in 2016, with a corresponding further increase in the demand for blister pack films. The Packaging Division is a leader in the high-barrier-film packaging segment; and as such it benefited from the trend within the pharmaceuticals industry to develop ever-more-complex substances that make sizeable demands of their packaging's barrier credentials.

Chemistry and Packaging report increased sales

Net sales for the CPH Group amounted to CHF 434.8 million in 2016, a 3.5% improvement on the previous year. While the Chemistry and Packaging divisions saw substantial increases in their net sales, those for the Paper Division remained broadly at prior-year levels. The organic growth was accompanied in the Chemistry Division by the net sales of ALSIO, which were consolidated from March 2016 onwards.

Chemistry posts black-ink operating result

The Chemistry Division posted net sales for the year of CHF 69.3 million, up 10.9% from their 2015 level. Demand for molecular sieves and gels was particularly strong among higher-value products, and manufacturing facilities remained well utilized. The division also increased its market share in Asia, following the acquisition of ALSIO of China. The impact of the new Chinese subsidiary was felt on the earnings side, too, as the division saw its annual EBIT return to a black-ink result.

Paper substantially enhances profitability

The Paper Division sold more newsprint (356 000 tonnes) but substantially less magazine paper (157 000 tonnes) in 2016 than it had the year before. Magazine paper prices came under pressure in the second half of the year. Industry overcapacities were high, and facility utilization fell accordingly to less-than-satisfactory rates. As a result, the Paper Division only just kept sales at their prior-year level, at CHF 246.2 million. On the procurement side, lower energy prices were offset by higher recovered paper costs. But with sizeable efficiency endeavours (including investments in material cycles) productivity was improved, and the division posted a further clearly positive EBITDA result.

Packaging achieves strong earnings result

The Packaging Division further expanded its share of a slow-growth European pharmaceuticals market. Sales volumes were up on 2015, and net sales were also raised 8.7% to CHF 119.3 million. The new barrier film coating plant in China supplied its first products to the Asian markets. Despite the high expenditure on building the new Chinese plant, EBIT saw an even stronger increase to a new high – thanks largely to the division's greater focus on higher-value products and to further efficiency enhancements.

Chemistry and Packaging both raise shares of group sales

The targeted expansions of the Group's Chemistry and Packaging divisions were reflected in their relative contributions to overall group sales. Chemistry raised its share of group net sales from 15% to 16%, while Packaging's contribution rose from 26% to 27%. The Paper Division remains the biggest source of group sales, however, accounting for 57%. The first fruits of the new strategic thrust were seen in geographical terms, too: Asia's share of total group sales rose from 7% to 10%, and is set to increase further in the years ahead.

Continued group focus on efficiency enhancements

Since it is essentially unable to influence such key business parameters as currency movements and pricing trends in both the sales and the procurement markets, CPH has long put a prime emphasis on enhancing its efficiency. The actions taken here have reduced expenditure by tens of millions of francs. The cost of materials as a percentage of sales remained constant in 2016 at 53%, in spite of rises in the price of recovered paper, CPH's biggest raw material. The greatest relative savings were seen in energy costs, which declined from 15% to 12% of sales. In addition to lower electricity prices, new rates were also agreed for the steam supplies used. The actions taken had a positive overall impact on operating results, and group EBITDA for the year was tripled to CHF 36.9 million, giving an EBITDA margin of 8.5%.

Net result affected by exceptional items

After ordinary depreciation of CHF 31.0 million, the CPH Group reported earnings before interest and taxes (EBIT) of CHF 5.9 million, a CHF 27.7 million improvement on the previous year. The corresponding EBIT margin amounted to 1.4%. The acquisition of ALSIO was financed through a CHF 20 million bank loan, with a resulting rise in interest expense. The sale of the Uetikon site earned the Group CHF 20 million; but this was offset by CHF 24.4 million in expenses for the writeoff of residual values, personnel-related restructuring costs and provisions for the decommissioning of the site's facilities. The net result amounted to CHF –7.7 million, a CHF 25.4 million improvement on the previous year.

Dividend of CHF 0.65 per share proposed

The Board of Directors will recommend to the Ordinary General Meeting of 21 March 2017 that, in line with the company's consistent dividend policy, a dividend of CHF 0.65 per share be distributed for the 2016 business year.

CPH retains a sound balance sheet

The CPH Group is in sound financial health. At the end of 2016 the Group held liquid funds of CHF 70.3 million, while the equity ratio stood at 56.6%. The decline from the 64.5% of the prior year is due largely to a CHF 32 million provision for the clean-up of the lake bed adjacent to the now-sold Uetikon site and to the offsetting with equity of CHF 12.2 million of goodwill deriving from the ALSIO acquisition.

The Group invested CHF 20.7 million in tangible fixed assets in the course of 2016. The majority of this was for the two new Chinese production plants. Further investments were made in improving the efficiency of existing facilities. The Group generated a cash flow for the year of CHF 28.3 million and a free cash flow of CHF 1.9 million.

Change in Group Executive Management

Richard Unterhuber took up his new duties as Chief Financial Officer of the CPH Group on 1 October 2016. He brings more than 20 years of experience in finance and controlling to his new position. Before joining CPH, he had spent the previous ten years serving as CFO of the internationally active Multi-Contact industrial group based in Allschwil, near Basel.

The CPH workforce grew from 858 to 985 employees in the course of 2016. The increase is due to the expansion into Asia of the Chemistry and Packaging divisions. Personnel numbers for the Paper Division showed a slight year-on-year decline.

Outlook for 2017

The economic trends in CPH's prime target markets suggest further positive – albeit fragile – growth. The CPH Group will continue to press to expand its businesses in the faster-growing Asian markets in 2017. The realignment of the Chemistry Division should be completed by the end of the year. The Chemistry and Packaging divisions plan to further extend their present operations. The prospects for the Paper Division are heavily dependent on future market developments, and on the hard-to-predict factors of paper price and Swiss franc/euro exchange rate trends. The division will be seeking to further increase its sales volumes and to post a broadly breakeven earnings result. The current efficiency enhancement endeavours will continue undiminished group-wide, with some CHF 36 million earmarked for corresponding investments in the course of the year. Provided paper prices and currency exchange rates remain largely stable, the CPH Group expects to report higher sales and a slightly-improved operating result for 2017.

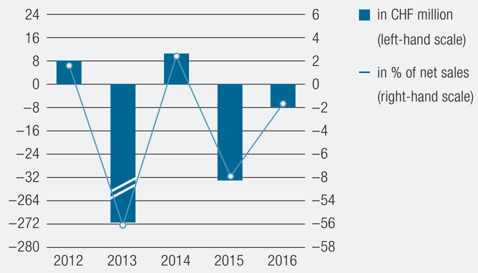
Sincere thanks

With all their efforts and commitment, CPH's personnel played a crucial role in 2016 in helping the Group to overcome the sudden and unexpected abolition of the Swiss franc/euro minimum exchange rate and return its operations to profit. And we offer them all our deepest thanks for all their energies and endeavours on the Group's behalf. We also thank our customers, our suppliers and particularly our shareholders for all their loyalty, their trust and their confidence in the CPH Group.

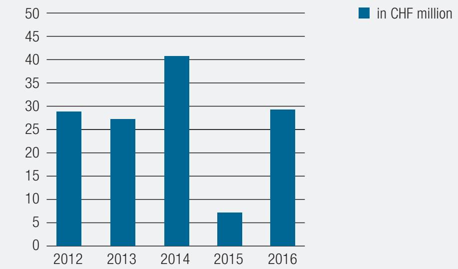
Peter Schaub
Chairman of the Board

Peter Schildknecht
Group CEO

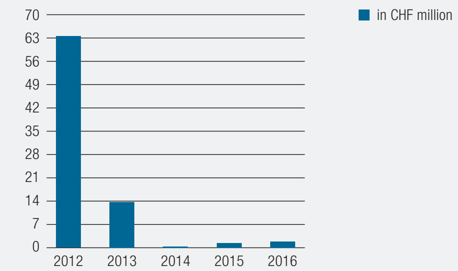
CPH Group net result trends



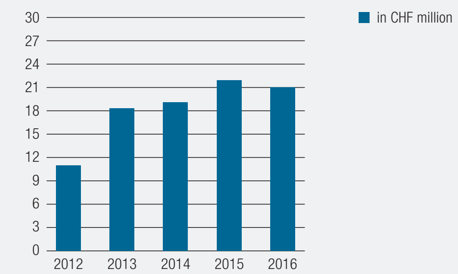
CPH Group cash flow trends



CPH Group free cash flow trends



Group investments in tangible assets



The CPH Group expands in Asia

CPH continued to implement its expansion strategy in 2016, with a view to exploiting the growth opportunities offered by the emerging markets. In contrast to the largely stagnant European markets, where CPH is already extensively established, Asia offers further growth potential.

The Packaging Division supplies barrier films for the blister packs used by the pharmaceuticals industry. The growth of the latter in the “pharmerging” markets such as China and India is expected to average some 13% a year between now and 2020. A study conducted by the IMS Institute projects that the total doses of medication administered worldwide each year will rise from the 3.6 trillion of 2015 to 4.5 trillion by 2020. And China, India, Brazil and Indonesia will account for almost half of this global growth.

The growth in the per-capita volumes of medications administered is being accompanied by an increase in the demand for the kind of high-barrier film packagings that are needed to protect the substances they contain. The international pharmaceuticals corporations have now established their own production and packaging plants in the emerging markets. And Perlen Packaging has also taken a major expansion step by building its own film coating facility in China, to better serve and more sustainably develop its Asian markets.

The chemicals sector shows a similar market picture. In the past, the activities of CPH’s Chemistry Division had largely been focused on the now only slowly-growing markets of Europe and North America. The molecular sieves that the division produces are used in such sectors as the energy industry, to purify gaseous substances. The growth in the emerging markets is prompting a high demand for energy: urbanization, industrialization, infrastructural development and the provision of transport facilities are all energy-intensive. According to the U.S. Energy Information Administration’s “International Energy Outlook” for 2016, the demand for energy will continue to increase by some 0.6% a year between 2012 and 2040. And the strongest demand here will come from the emerging markets in Asia, the Middle East and Africa, with annual growth rates of between 2.2% and 2.6%.

By acquiring Jiangsu ALSIO Technology of China, the Chemistry Division has positioned itself excellently to participate in this growth. And by taking over the production previously performed at the division’s Uetikon site, ALSIO will further enhance the competitive credentials of the Zeochem Group.

Jiangsu ALSIO Technology: a leading Asia-based producer of molecular sieves

Zeochem has been operating a production facility in China since spring 2016. The plant of its Jiangsu ALSIO Technology subsidiary in Lianyungang, around 500 kilometres north of Shanghai, manufactures some 40 different product lines. The molecular sieves it produces are destined primarily for the energy and chemicals sectors, where they are used to purify gases. ALSIO sends around half of its output to customers in Asia and half to the rest of the world.

The facility consists of six production lines which are worked by two daily shifts. 2016 saw the foundations laid for the plant to take over part of the production of the Chemistry Division's Uetikon operation in Switzerland. CPH sold the Uetikon site to Canton Zurich in the course of the year, and will be transferring its standard molecular sieve production to China in 2017. Product specifications and quality standards have been unified to this end. "We have prepared the capacities required in Lianyungang to take on these additional production volumes," confirms Tai Chao, ALSIO's General Manager.

Jiangsu ALSIO Technology can draw on many years of experience, and is one of the biggest producers of molecular sieves in the Asian region today. Its Lianyungang operation and its Shanghai sales office employ more than 120 personnel. "We can count on an experienced team of highly-qualified employees," Tai Chao continues. "One in six of our people holds a university degree." The site is certificated to ISO 9001 and the OHSAS 18001 safety standard, and also meets all the requirements of the ISO 14001 environmental standard.

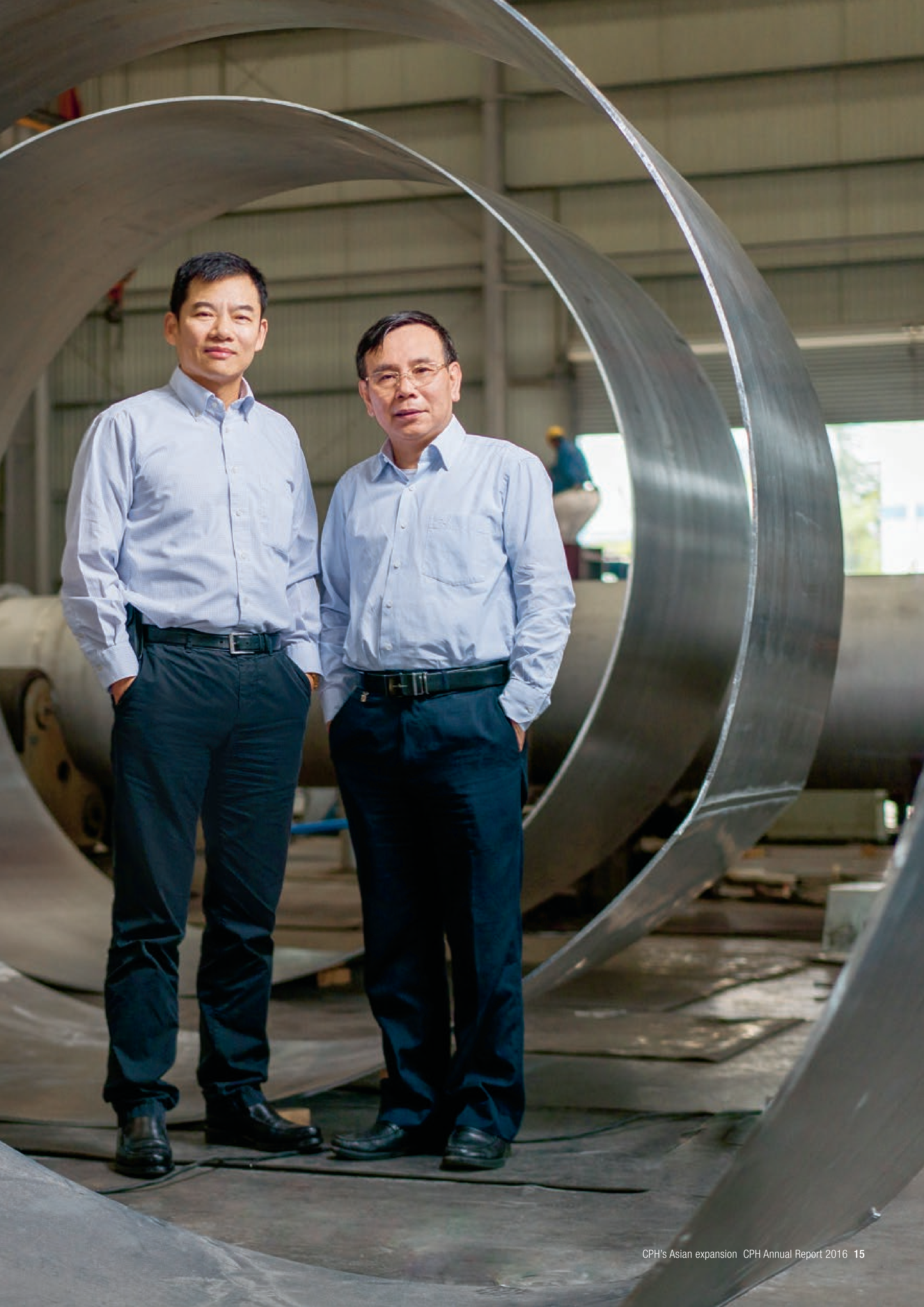
Chengdu Shenleng: a proven long-term partnership

Chengdu Shenleng and Jiangsu ALSIO Technology can look back on more than ten years of successful collaboration. Chengdu Shenleng builds some half a dozen industrial plants every year for clients in China, Indonesia and India. The facilities are used largely to separate, purify and liquefy methane-containing gases. And the molecular sieves required in these processes are sourced almost solely from ALSIO.

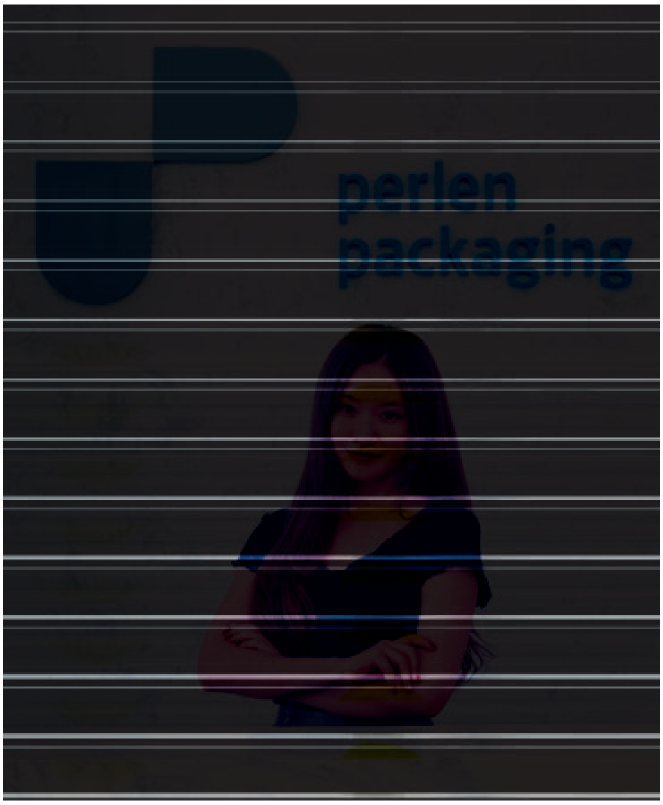
"The consistently high quality of ALSIO's products is one of the prime reasons behind our long-standing collaboration," says Xie Lemin, Chairman & General Manager of Chengdu Shenleng. "We don't view ALSIO as a supplier: we regard them as a partner, with whom we're constantly developing and trialling new processes and procedures." Xie Lemin views knowledge transfer as a key element in the collaboration's success. And it's one that should now be further intensified. "By assimilating our business operations into the globally-active Zeochem group, we can expand our product portfolio and tap into Zeochem's experience in Switzerland and the USA of developing high-quality molecular sieves, all to our customers' benefit," adds David Chen, Business General Manager for ALSIO in Suzhou.

Chengdu Shenleng is a dynamic company. And its new listing on the Shenzhen Stock Exchange in 2016 has provided funds for further growth. "We intend to continue our expansion," confirms Xie Lemin, "especially in the construction of air separation facilities. And in doing so, we'll continue to count on our tried-and-trusted ALSIO collaboration."

David Chen, Business General Manager, ALSIO Technology Suzhou (left)
and Xie Lemin, Chairman & General Manager, Chengdu Shenleng.



Perlen Packaging Suzhou: a state-of-the-art coating plant for Asia



It had become clear in 2014 that CPH's Packaging Division's coating facility in Perlen, Switzerland would reach its capacity limits in a few years' time. Perlen Packaging is the world's third-biggest maker of blister pack films for the pharmaceuticals sector, supplying pharma corporations all over the globe. While the pharmaceuticals markets in the industrialized world continue to expand in the light of increased longevity and the rise of lifestyle illnesses, the emerging markets offer considerably greater growth potential. And the international pharmaceuticals corporations are investing correspondingly heavily in tapping these new markets in Asia, Latin America, Africa and the Middle East.

As a global supplier to the pharmaceuticals sector, the Packaging Division decided to follow the lead of its international clients, and simultaneously give itself greater proximity to its local Asia-based pharmaceuticals customers. The new film coating plant that has been built in Suzhou near Shanghai over the past two years commenced operations in 2016. "Our facility is the most advanced in Asia and complies with the pharmaceuticals industry's highest GMP criteria," says Colin Tham, General Manager of Perlen Packaging Suzhou. "And with our new range of barrier films, we can respond even faster to our regional clients' needs." The plant is already certified to supply international customers, and is currently awaiting similar certification for the Chinese market.

Production at the new plant is now being gradually ramped up. By the end of 2016 the operation already employed some 35 personnel.

Boehringer Ingelheim: Asia still has substantial further potential

Boehringer Ingelheim has long viewed Asia as a promising place to do business, having set up a Japanese office as early as 1961. Today this globally-active pharmaceuticals corporation generates around 25% of its total annual sales of more than EUR 3.7 billion in the Asia, Australia and Africa region (as of financial year 2015), and maintains its own regional production facilities in Japan, China and Indonesia. Boehringer Ingelheim has been in China since 1994, and has invested more than EUR 80 million in the past few years in expanding its Shanghai plant for manufacturing and packaging prescription medicines. Some 80 million packs of tablets, capsules and vials were produced at the company's Chinese facilities in 2016.

Perlen Packaging is a supplier to several of Boehringer Ingelheim's medicinal packaging plants around the world. These include the company's Shanghai operation, which uses Perlen Packaging films in its blister pack production. "It's essential for us to know that our business partners will deliver a product that consistently meets the very highest quality standards, to enable us to satisfy the growing demand for medicines in the Chinese market," stresses Arjan Van der Oort, CFO of Boehringer Ingelheim China, Hong Kong and Taiwan. Van der Oort is delighted that Perlen Packaging is now developing its own production facility in China. The faster availability of the packaging products concerned and the shorter transport distances will enhance flexibility, which is a key success factor in a world of ever-shorter business cycles.

Boehringer Ingelheim is one of the 20 biggest pharmaceuticals companies in the world, with a total workforce of some 47 500 employees. The research-driven family-owned company specializes in prescription medicines, consumer health care, animal health and biopharmaceutical contract manufacturing.

Cindy Zhang, Area Sales Manager China, Perlen Packaging (left)
and Arjan Van der Oort, CFO of Boehringer Ingelheim China, Hong Kong and Taiwan.

Chemistry Division realigns its strategy and continues to internationalize

The Chemistry Division raised its annual net sales 10.9% to CHF 69.3 million and posted a positive operating result. The partial relocation of production from Switzerland to China and to Bosnia and Herzegovina strengthens the division's competitive credentials.

Strategy

2016 was a year of strategic realignment for CPH's Chemistry Division. The sale of the Uetikon operating site to Canton Zurich heralded the end of the manufacture of chemical products beside Lake Zurich after almost 200 years. The strength of the Swiss franc and pricing pressures had increasingly compromised the competitiveness of the division's Swiss-manufactured products over the past few years.

With a view to tapping more effectively into the growing Asian markets, the Chemistry Division acquired a majority shareholding in China-based molecular sieve manufacturer Jiangsu ALSIO Technology, which has been integrated into the Zeochem Group and has had its results consolidated since March 2016. The foundations were also laid in the course of 2016 for the current production in Switzerland of standard molecular sieves to be transferred to the newly-acquired Chinese facilities.

In acquiring ALSIO the Chemistry Division not only enlarged its standard product range: it can now newly offer extrudates and binder-free products, too. The acquisition has also prompted modifications to the division's Asian sales organization, including the establishment of a new sales office in Shanghai and the appointment of a new General Manager South East Asia, based in Singapore.

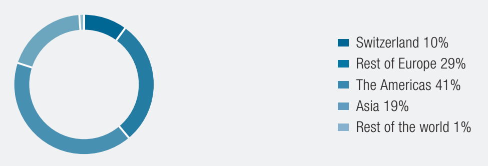
The production of molecular sieve powders, chromatography gels and special zeolites will be transferred at the end of 2017 from its present Swiss location to the newly-founded Zeochem d.o.o. based in Bosnia and Herzegovina. To this end, the Chemistry Division has procured a 5 500-square-metre site in the town of Zvornik, and will be investing almost CHF 10 million into building a new production facility thereon. The new plant will be extremely close to Alumina, one of its key suppliers, and will employ some 40 personnel.

The present manufacture of deuterated solvents and high-performance gels will remain in Switzerland along with the division's overall management and further service functions. These will all move to a new location in Rüti, southeast of Zurich. The present fertilizer production will cease in mid-2017. The strategic realignment will give the Chemistry Division production facilities in the USA, China, Bosnia and Herzegovina and Switzerland, from which it will be well placed to exploit global growth opportunities.

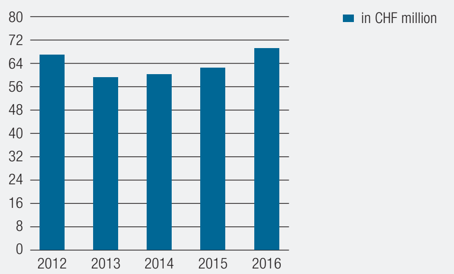
Market environment

The market demand for molecular sieves showed wide-ranging trends in 2016 depending on their field of application. In the key energy sector, where the sieves are used to purify natural gas and ethanol, energy prices increased slightly, but still remained extremely low compared

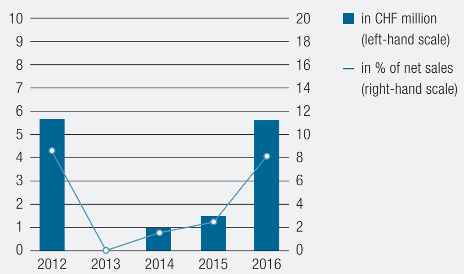
Chemistry net sales by region



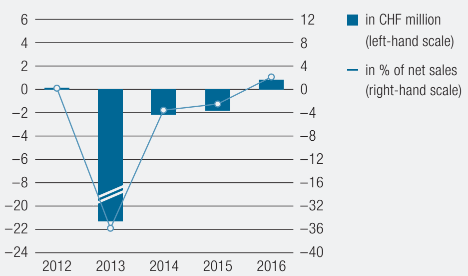
Chemistry net sales trends



Chemistry EBITDA trends



Chemistry EBIT trends



with their 2014 levels. As a result, few new facilities were built, and the energy providers deferred the replenishment of their existing facilities.

The demand for molecular sieves in the medicinal oxygen and air separation sectors, by contrast, increased substantially. The year also saw the prices rise for the lithium-based products used here: supplies of lithium have become scarcer, owing to the strong competing demand for the production of batteries for the automobile sector.

In geographical terms the Asian markets recorded the strongest growth rates in 2016. Demand in Europe and the USA proved more moderate, in line with the weaker general economic growth.

Business development

The division posted net sales for 2016 of CHF 69.3 million, a 10.9% improvement on the previous year. The increase is attributable to the first-time consolidation of the new ALSIO subsidiary. The Swiss and US production facilities for the high-value product segments were also well utilized throughout the year, and this, too, had a positive impact on earnings results. The division's US plant continued to invest in expanding its capacity and enhancing its efficiency. Total investments in tangible assets for the year (including the ALSIO purchase) amounted to CHF 22.9 million, compared with CHF 2.2 million for 2015.

The ALSIO acquisition has already reduced production costs. And this, together with the higher proportion of high-value products sold and increased overall sales volumes, delivered an EBITDA for the year of CHF 5.6 million, a 271.4% improvement on 2015. Annual EBIT amounted to CHF 1.6 million, a CHF 3.4 million improvement that brought the division back into the black in earnings terms and produced an EBIT margin of 2.3%.

Employee numbers rose from 182 in 2015 to 280. The increase is due to the ALSIO acquisition.

Outlook

The Chemistry Division will continue to pursue its strategic repositioning in international terms. This will mean shifting production from Uetikon to the USA, to the recently-acquired Chinese manufacturing facility and to the two new production plants still to be built in Bosnia and Herzegovina and Switzerland. At the same time, capacities for producing higher-value products will be further expanded at the US facility. The division plans total investments here of some CHF 17 million. The realignment will also be accompanied by an intensification of sales activities in the growth markets. All in all, the division expects to post further year-on-year improvements in both its net sales and its operating result for 2017.

Paper Division maintains sales and posts CHF 22 million improvement in operating result

The Paper Division generated net sales of CHF 246.2 million for 2016, just below prior-year levels, and achieved a CHF 22.2 million improvement in its operating result. It also produced its first Environmental Impact Statement, which confirms the outstanding energy efficiency of its Perlen operation.

Strategy

As a regional producer of newsprint and magazine paper, CPH's Paper Division is active in a market with highly standardized products that offer little scope for differentiation. In view of this, Perlen Papier pursues a strategy of establishing itself as a cost leader in its prime sales markets. Since transport costs naturally increase with distance to the customer, the division also limits its supplies to a broad 800-kilometre radius from its Perlen production site. Only one competitor is active in its home Swiss market in the newsprint segment; and in the magazine paper sector Perlen Papier is the sole Swiss manufacturer.

To counter pricing pressures, the division consistently implements actions to strengthen its cost leadership and enhance its competitive credentials. In 2016 these included investments of some CHF 3.4 million in improving material cycles. The division also commissioned its first-ever Environmental Impact Statement (see Page 42), which reported that its Perlen plant boasts above-average energy efficiency in European terms, and that its greenhouse gas emissions per tonne of paper produced had been halved within five years.

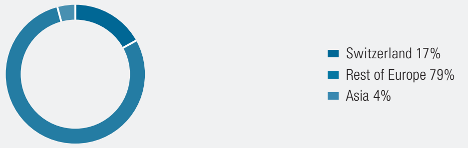
Market environment

Western Europe saw a 3.4% decline in demand for newsprint in 2016 – less than the 6.3% fall of the previous year, but still confirmation that the structural changes within the media sector are far from complete. Print newspapers are losing further ground as a news medium, while the importance of online portals continues to rise, mirroring a parallel trend in consumers' media use. At the same time, print remains the prime carrier of advertising, ahead of all other formats such as direct advertising, TV and online channels. With supply and demand remaining roughly balanced throughout the year, newsprint prices remained stable in 2016.

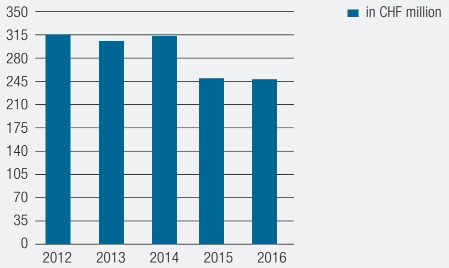
The Western European demand for magazine paper fell 8.5% in 2016, compared with a 4.4% decline the year before. Demand was stable in the first quarter, but then suffered a steep decline as customers switched to lower-quality paper in an effort to cut costs. As a result, magazine paper prices came under pressure in the second half of the year.

The newsprint providers had responded to the demand declines back in 2015, removing some 750 000 tonnes of capacity from the European market. This eased the pricing pressures in 2016, and the market overcapacities had diminished to 300 000 tonnes by year-end. Some 750 000 tonnes of further capacity reductions have been announced by the end of 2017, which should bring a broad supply/demand balance to the newsprint market. On the magazine paper front most of

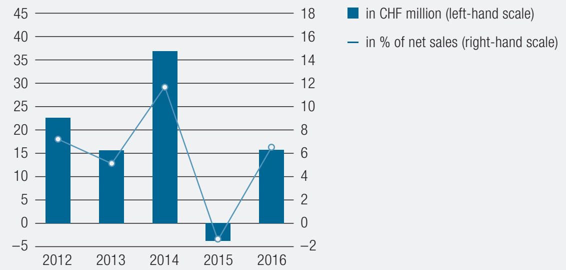
Paper net sales by region



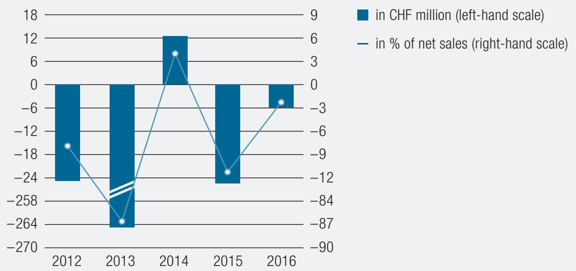
Paper net sales trends



Paper EBITDA trends



Paper EBIT trends



the declines in consumption were offset by capacity reductions, and market overcapacity remained broadly unchanged at the end of 2016 at 800 000 tonnes.

On the procurement markets Perlen Papier benefited from still-low energy prices. At the same time, however, the division saw rises in the price of its prime raw material of recovered paper, which is being increasingly used by cardboard and tissue manufacturers, too. The former are benefiting from the growth in online shopping, while the latter are putting a greater emphasis on recycled products. Any paper that enters these material cycles is lost to paper production.

Business development

The Paper Division generated total newsprint and magazine paper sales of 513 000 tonnes in 2016, a 4.9% decline. The year also saw a tangible shift in the mix of product sold, in the light of the corresponding demand. The 356 000 tonnes of newsprint sold were 1.7% up on 2015, while the 157 000 tonnes of magazine paper sales represented a substantial 8.5% decline.

Net sales for the year amounted to CHF 246.2 million, a 0.6% decline. Perlen Papier accounted for 34.7% of the Swiss newsprint market in 2016 (compared with 31.3% the previous year) and 29.9% of the market for magazine paper (against 34.7% in 2015). On a European level, Perlen Papier maintained its 5.3% share of the newsprint market, while its share of the magazine paper market slipped from 6.7% to 6.1%.

On the expenditure front, the lower price of energy was offset by the higher cost of recovered paper. The division generated 84% of its 2016 sales in euros (compared with 83% the year before). With currency exchange rates largely stable throughout the year, the consistently-implemented efficiency enhancements were clearly reflected in the division’s earnings results, and EBITDA was up CHF 19.3 million at CHF 15.5 million. The EBIT result failed to reach breakeven, however, despite an impressive improvement. Personnel numbers declined slightly to 346.

Outlook

The demand in Europe for newsprint and magazine paper is likely to decrease further in 2017. On the newsprint front we expect supply and demand to be roughly balanced. But the magazine paper segment is still under pricing pressures, despite the further capacity reductions announced. The Paper Division will be investing some CHF 12 million in 2017 into improving its production facilities, to raise its profitability and further enhance its environmental credentials. Provided currency exchange rates and paper prices both remain stable, the division expects to report higher net sales for 2017 and a broadly breakeven operating result.

Packaging Division posts strong earnings and puts Chinese barrier film plant into operation

The Packaging Division achieved net sales for 2016 of CHF 119.3 million, an 8.7% improvement on the previous year. Above-average growth in the high-barrier film business helped raise EBIT 53.7% to a substantial CHF 9.0 million.

Strategy

The Packaging Division gears its business and products to the pharmaceuticals industry and its high demands. The PVC monofilms and coated PVdC films it manufactures are used largely in blister packs for medicines. The division is the market leader in supplying films with high barrier credentials that are most effective at protecting the substances involved from outside elements.

In building its new film coating plant in Suzhou near Shanghai, China, the division has ideally equipped itself to share even more extensively in the growth currently being seen in the Asia region. The pharmaceuticals markets in emerging economies such as China, India and Indonesia are expected to post double-digit annual percentage growth between now and 2020, while the European pharmaceuticals markets are likely to be restricted to low single-digit growth.

Production at the new Suzhou facility commenced in mid-2016, and the workforce had grown to 35 personnel by year-end. The aim of the new operation is to substantially increase the share of the division's net sales deriving from the Asian market, which amounted to 17% in 2016. The new Chinese plant has already earned its ISO 9001/15378 certification. Further certification to China's own CFDA standards is planned, to allow the facility to serve the local pharmaceuticals sector.

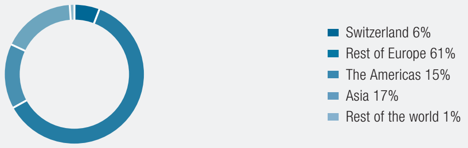
The year also saw a number of commissions for Asian customers transferred from the division's Swiss plant to its new Chinese facility. This process will continue in 2017.

The new international thrust of the Packaging Division, with production facilities in Switzerland, Germany, the USA and China, has also entailed organizational changes. Two new positions – Head of Technical Services and Head of Strategic Procurement & Logistics – have been added to the division's Executive Management (and filled), to ensure that all the synergies within the expanded organization are exploited to the full.

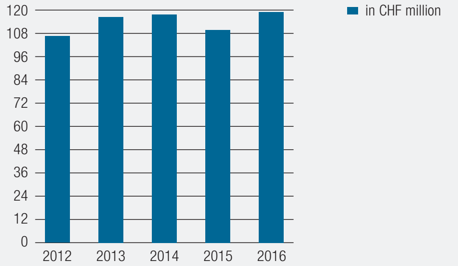
At the production level the focus is currently on developing new film products with high barrier credentials. Innovation is crucial to Perlen Packaging's long-term success, as is confirmed by the rising share of overall sales generated by newly-developed products. Products launched within the past five years accounted for 17% of the division's net sales in 2016, compared with 15% the previous year.

Perlen Packaging's innovative achievements were honoured again in the course of the year: one of its customer pharmaceuticals packaging manufacturers received the "Smart Packaging 2016" Austrian state prize for its use of a PERLATOP™ application.

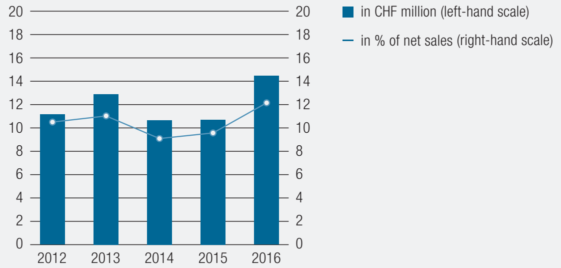
Packaging net sales by region



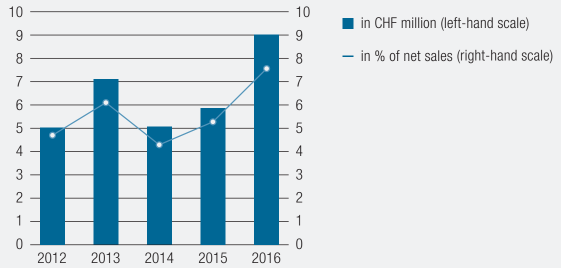
Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends



Market environment

Global demand for blister packs grew 4-6% in 2016. European growth was well below this worldwide level, however, while growth in Asia was clearly above. The trend continues towards higher-barrier films, because the medicinal substances the packs contain are becoming ever more complex and thus ever more sensitive to outside influences. At the other end of the applications spectrum, demand is also increasing substantially for low-cost packagings for the less expensive generic drugs that tend to dominate the medicinal sector in the emerging markets.

Business development

The Packaging Division increased its sales volumes by 6.9% in 2016. With the additional volumes consisting primarily of higher-barrier films, net sales for the year rose by an even higher 8.7% to CHF 119.3 million. Net sales were also increased for Europe, despite virtually zero growth in the continent's pharmaceuticals markets. Perlen Packaging's share of the European market expanded accordingly to over 25%. The strongest growth was seen in Asia, and the share of total net sales generated in the Asia region rose to 17%.

The division's focus on higher-value products on the one hand and further efficiency gains on the other had a positive impact on earnings for the year. EBITDA was raised 34.6% to CHF 14.4 million, while EBIT was increased 53.7% to CHF 9.0 million. Certain non-recurring items also played their part in the improved earnings results.

The division invested CHF 7.4 million in 2016 in developing its new Chinese production facilities and enhancing processes at its Swiss and German sites. Divisional personnel numbers rose from 309 to 350, owing largely to the recruitment of the workforce for the new Chinese plant.

Outlook

With the extensive health systems of the industrialized world, their current demographic development and their ageing populations with sizeable purchasing power, the demand for medicines will increase worldwide in the next few years. Given their lower starting points, however, it is the pharmaceuticals markets in the emerging economies that will see the greater growth, as large parts of the population here only gain access to medicines from a certain income level upwards and the medicines concerned only become affordable when produced in generic form. Current studies suggest that the global market for pharmaceutical packagings will see annual growth of over 6% in the years ahead, with double-digit percentage growth in the "pharmerging" markets.

The Packaging Division will further ramp up production at its Chinese plant in 2017, and will also intensify its marketing in the Asia region. More investments of some CHF 6 million are planned for the year. And the division expects to report further (albeit smaller) year-on-year increases in both its net sales and its earnings results.

Corporate Governance Report

The CPH Board of Directors and Group Executive Management are committed to practising responsible corporate management that is in the interests of shareholders, customers, employees and further stakeholders alike.

This section is structured in accordance with the corporate governance guidelines of the SIX Swiss Exchange. For certain items, reference is made to the consolidated financial statements from Page 44, and in particular to the additional corporate governance information provided in the annex to the consolidated financial statements from Page 72.

Group structure and shareholders

Management structure as of 31 December 2016

CEO
Peter Schildknecht

Business divisions

Chemistry
Alois Waldburg-Zeil

Paper
Klemens Gottstein

Packaging
Wolfgang Grimm

Service function

CFO
Richard Unterhuber

The CPH Group comprises three autonomous divisions. The Group is led by the Group CEO; the divisions are headed by the Divisional CEOs. Group Executive Management consists of the Group CEO, the Group CFO and the Divisional CEOs. The Group CEO reports directly to the Chairman of the CPH Board of Directors. CPH Chemie + Papier Holding AG (the holding company) is domiciled in Perlen/Root, Switzerland. For an overview of the subsidiaries included in the consolidated financial statements, see Page 77.

Capital structure

For further details of the capital structure, please see the additional corporate governance information on Page 72.

Shareholder structure (in %)	31.12.2016	31.12.2015
Uetikon Industrieholding AG	49.9	49.9
Ella Schnorf-Schmid	7.2	7.2
Sarasin Investmentfonds AG	5.0	5.0
Members of the Board of Directors and Group Executive Management (and related parties)	1.7	1.7
Publicly-held shares	30.9	30.9
Shares currently not listed in the Share Register	5.3	5.3
Total shareholders	798	823

Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG is entrusted with the overall management of the company. The Board is responsible in particular for determining the company's strategic alignment and thrust, defining its accounting and financing principles, assessing business opportunities and risks and appointing and supervising Group Executive Management. In full compliance with the relevant legal provisions and the company's Articles of Incorporation, the Board of Directors has delegated the management of the company to Group Executive Management, headed by the Group CEO (see above). The delimitation of authorities here and the collaboration among the Board, its committees, Group Executive Management and the Group's three divisions are laid down in detail in the Company Bylaws of CPH Chemie + Papier Holding AG.

The members of the Board of Directors are elected individually by the Ordinary General Meeting to serve for a one-year period. They may be re-elected. In accordance with the Company Bylaws, a Board member's mandate will end at the latest at the Ordinary General Meeting of the year in which their 70th birthday falls.

The Chairman of the Board and the members of its Personnel & Compensation Committee are elected from the Board's ranks by the Ordinary General Meeting. Apart from these appointments, the Board is self-constituting, and elects from its ranks a Deputy Chairman, the members of its Finance & Auditing Committee and the chairs of its two committees. The Board consisted of six members as of 31 December 2016. No Board member currently serves the company in an executive capacity, and no Board member has done so in the past three years.

Members of the Board of Directors and its committees as of 31 December 2016

	Board member since	Board function	Finance & Auditing Committee	Personnel & Compensation Committee
Peter Schaub	1994	Chairman	Member	Personnel only
Tim Talaat	1994	Deputy Chairman		Member
Mauro Gabella	2005	Member		Chair
Kaspar W. Kelterborn	2015	Member	Chair	
Manuel Werder	2015	Member	Member	
Christian Wipf	2008	Member		Member

The Board of Directors has formed two permanent committees: Finance & Auditing and Personnel & Compensation. The committees take no decisions themselves: they primarily perform a preparatory and advisory function, helping the full Board to conduct its meetings more efficiently and take swift and well-founded decisions. Their duties are laid down in separate Descriptions of Duties.

The two board committees are currently composed as follows:

Finance & Auditing

The Finance & Auditing Committee consists of Kaspar Kelterborn (chair), Peter Schaub and Manuel Werder. The Group CEO and CFO also attend all committee meetings as permanent guests.
The committee's tasks comprise in particular:
- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining 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 its 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 auditor, and making recommendations on the election of the same to the Board of Directors and the General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditor's recommendations
- monitoring the Group's real-estate strategy.

The committee met for three half-day deliberations in 2016.

Personnel & Compensation

The Personnel & Compensation Committee comprises Mauro Gabella (chair), Tim Talaat, Christian Wipf and Peter Schaub (personnel affairs only). The Group CEO also attends all committee meetings as a permanent guest, unless his own compensation or other topics relating to him are being discussed.
The committee's tasks comprise in particular:
- devising guidelines for the CPH Group's compensation and benefit policy (in particular the compensation principles for the Board and Group Executive Management) on behalf of the Board of Directors
- submitting proposals to the full Board of Directors for the 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 2016.

The Board of Directors met seven times in 2016: for two half-day meetings, four full-day meetings and a two-day strategy meeting. The Group CEO and the CFO are permanent guests at all Board meetings unless topics relating directly to them (such as their compensation) are being discussed. Its own internal issues and further topics, such as the compensation of the Group CEO, are discussed by the Board in separate preliminary in-camera meetings.

The current and future development of each division are discussed in depth at dedicated annual half-day meetings. These are also attended by the full Divisional Management of the division concerned.

The Board's two-day strategy meeting is devoted to strategic issues and the medium-term development of the CPH Group and its constituent divisions. Parts of the meeting are 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 in the implementation of business strategy.

The Board of Directors supervises Group Executive Management through structured reporting and controlling processes. The Board receives a comprehensive monthly written report on current business trends, financial results, market developments, emerging risks and other key events. The Group CEO also reports on the latest business trends and performance and all further issues of relevance to the Group at every Board meeting.

Risk management
Risk management is practised in accordance with principles laid down by the Board of Directors and Group Executive Management under which the strategic and operational business risks, the hedging of currency exchange rate, interest rate, market, credit and liquidity risks and the Internal Control System (ICS) are regularly analyzed and reappraised. These risks are summarized in an annual Risk Report which is submitted to the Board of Directors. Further details of the ICS will be found in the annex to the consolidated financial statements on Page 75. The external auditor supports the Board of Directors and its Finance & Auditing Committee in their control and monitoring functions.

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

Remuneration
For the remuneration paid to the Board of Directors and Group Executive Management, please see the Remuneration Report on Page 34.

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 73.

External auditor
Statutory and group auditor
PricewaterhouseCoopers AG, Zurich
First elected: 1971
Current term: the 2016 financial year

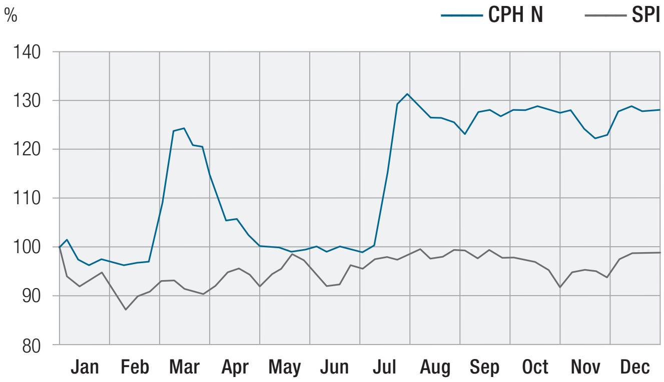
Auditor-in-charge
Thomas Illi (since 2016)
The remuneration paid to the external auditor is shown on Page 74. The Board of Directors' Finance & Auditing Committee examines the reports of the external auditor and assesses its work. The Committee then reports on this to the full Board. All the meetings of the Finance & Auditing Committee in 2016 were also attended by representatives of the external auditor.

Information for shareholders and bondholders
Share price trends
The CPH share, which is listed on the SIX Swiss Exchange, closed at CHF 40.00 on 30 December 2016, a 27.4% increase on its closing price at the end of 2015. This was well above the performance of the market as a whole: the Swiss Performance Index (SPI) declined 1.4% over the same period.

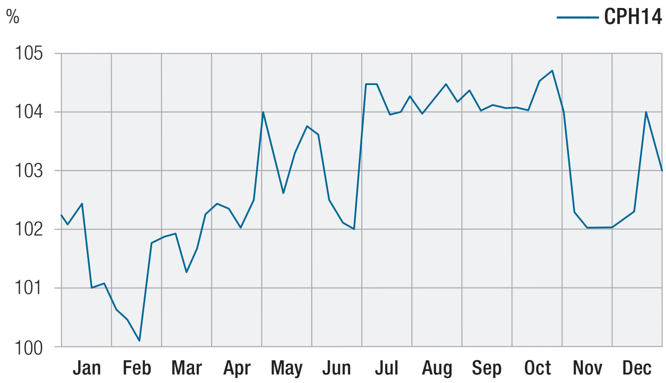
Bond price trends
CPH issued a five-year CHF 120 million bond with a coupon of 2.75% in July 2014. The bond is listed on the SIX Swiss Exchange. The CPH bond closed the 2016 business year on 30 December at 103.00, compared to 102.10 at the end of 2015.

Securities information	Share	Bond
Securities number	162 471	24 761 122
ISIN	CH0001624714	CH0247611228
Reuters	CPH.S	
SIX Swiss Exchange	CPHN	CPH14
Coupon		2.75 % p.a.
Coupon payment		10 July
Repayment at par		10 July 2019
Amount		CHF 120 million

CPH share price developments in 2016



CPH 2014-2019 2.75% bond price developments in 2016



Per-share statistics [1]	2016	2015	2014	2013	2012
Share price on 31 December in CHF	40.00	31.40	56.45	61.50	65.00
High in CHF	42.20	59.90	63.80	67.45	73.50
Low in CHF	29.80	30.00	55.95	59.20	49.25
Nominal value per share in CHF	5.00	5.00	5.00	5.00	5.00
Key figures per share [2]					
Equity per share in CHF	63.49	67.12	73.67	72.38	118.29
Price-to-book ratio on 31 December	0.63	0.47	0.77	0.85	0.55
Net result per share in CHF	–1.32	–5.52	1.75	–45.25	1.34
Price/earnings ratio on 31 December	n.a.	n.a.	32.25	n.a.	48.38
Cash flow per share in CHF	4.71	1.20	6.80	4.55	4.80
Free cash flow per share in CHF	0.32	0.23	0.07	2.28	10.61
Dividend per share (2016: recommendation) in CHF	0.65	0.60	0.65	0.65	0.65
Market capitalization					
Number of shares [1]	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
Share capital in CHF million	30	30	30	30	30
Market capitalization in CHF million	240	188	339	369	390

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

Investor relations agenda

24 February 2017	Publication of 2016 Annual Report; media conference and investors' meeting
21 March 2017	Ordinary General Meeting
July 2017	2017 Half-Year Report (to 30 June)

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

Investor relations contact

Richard Unterhuber, CFO
CPH Chemie + Papier Holding AG
6035 Perlen
Phone: +41 41 455 8000
Email: investor.relations@cph.ch

The Board of Directors
as of 31 December 2016

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

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; Deputy Chairman of the Board of Directors of Mobimo AG, Lucerne; Deputy Chairman of the Board of Directors of Zindel Immo Holding AG, Chur; Deputy Chairman of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Deputy Chairman of the Board of Directors of UBV Holding AG, Uetikon; Member of the Board of Directors of Rüegg Cheminée Holding AG, Zumikon; member of the boards of directors of various further unlisted companies; trustee of various foundations.

Previous positions

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

Tim Talaat

Deputy Chairman, born 1960, Swiss national, MSEE and MBA, first elected in 1994.

Current positions

Majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon; Member of the Board of Directors of Bachofen AG, Uster.

Previous positions

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

Mauro Gabella

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

Current positions

Chairman of the Board of Directors of The PME & Co, Luxembourg; CEO of HCS Healthcare Management Solutions, Chesières.

Previous positions

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

Kaspar W. Kelterborn

Born 1964, Swiss national, lic. oec. HSG, first elected in 2015.

Current positions

CFO and Member of the Executive Committee of the Conzzeta Group, Zurich; member of the boards of directors of various Conzzeta AG subsidiaries.

Previous positions

CFO and Member of the Executive Management of the Unaxis Group, Pfäffikon; leading executive functions in finance and controlling both in and outside Switzerland for the Clariant Group, Muttenz.

Manuel Werder

Born 1974, Swiss national, lic. iur. and LL.M. attorney-at-law, first elected in 2015.

Current positions

Partner at Niederer Kraft & Frey AG, Zurich; Member of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Member of the Board of Directors of UBV Holding AG, Uetikon; member of the boards of directors of various further unlisted companies; trustee of various foundations.

Previous positions

Senior Associate and Associate at Niederer Kraft & Frey AG; secondment to Allende & Brea Abogados, Buenos Aires; Foreign Associate at Fox Horan & Camerini LLP, New York.

Christian Wipf

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

Current positions

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

Previous positions

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

Group Executive Management
as of 31 December 2016

From left: Klemens Gottstein, Richard Unterhuber, Peter Schildknecht, Alois Waldburg-Zeil and Wolfgang Grimm

Peter Schildknecht

Group CEO

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

Dr. Schildknecht is a Member of the Board of Directors of Renergia Zentralschweiz AG, Root; a Member of the Board and Vice-Chairman of Euro-Graph (the European Association of Graphic Paper Producers), Brussels; Deputy Chairman of the Board of the Central Switzerland Chamber of Industry & Commerce (IHZ), Lucerne; and Chairman of the IHZ's Industry Commission.

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 to head its Paper Division 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 Executive Vice President Operations and a Member of the Executive Management of Myllykoski Europe, with responsibility for its six European plants and Human Resources Europe.

Wolfgang Grimm

Head of the Packaging Division

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

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

Richard Unterhuber

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

Richard Unterhuber, who is a Swiss and Italian national, was born in 1967. A Certified Management Accountant and the holder of a Swiss FH Diploma in Business Administration and an MBA, he joined CPH as Group CFO in 2016.

From 2006 to 2016 Richard Unterhuber served as CFO and a Member of Group Executive Management at the internationally active Multi-Contact industrial group based in Allschwil, near Basel. Prior to this he had held various executive finance and controlling positions at a number of further industrial companies including Head of Controlling at Swiss Post Aarau from 1995 to 1997, Business Controller at DCL Data Center Luzern AG from 1997 to 1998, Chief Commercial Officer and a Member of Executive Management at Sarnatech (Schweiz) AG, Triengen from 1998 to 2001 and Head of Shared Services and CFO of SCA Packaging Switzerland AG, Oftringen from 2001 to 2006.

Alois Waldburg-Zeil

Head of the Chemistry Division

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

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

Remuneration Report

The Remuneration Report contains information on the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and Group Executive Management and their amounts in 2016.

This report is divided into two sections. Section 1 is not subject to the auditing required under Article 13 of Switzerland's "VegüV" ordinance, while Section 2 is.

1. Remuneration and general information

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

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to every Board member. The Committee also informs the other Board members of the topics it has discussed and the background to any proposals or recommendations submitted at the next Board meeting. Any committee member will voluntarily withdraw from any meeting at which any issues or remuneration are to be discussed regarding themselves or related persons.

The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Three such meetings were held in 2016.

The members of the Personnel & Compensation Committee are elected individually by the Ordinary General Meeting to serve for a one-year term. For further details of the Committee's current composition and prime duties and responsibilities, please see the Corporate Governance section.

Individual performance has a direct influence on the remuneration paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via the variable salary compensation component. For each function, a target bonus is defined that will be paid if the targets concerned are achieved in full. The actual bonus to be paid will then be determined on the basis of the degrees to which such targets are achieved, with a maximum annual bonus payable amounting to 150% of the target bonus set. The bonus gradations between the lower and upper limits of 0% and 150% may either be linear or consist of a series of steps: the details here are determined as part of the annual target-setting process. For 2016 linear gradations were adopted for all the personnel concerned. CPH does not award any discretionary bonus payments.

While the Articles of Incorporation of CPH Chemie + Papier Holding AG permit long-term incentives (particularly in the form of employee share ownership), the CPH Group currently has no such remuneration components. There are no management share ownership or share option plans for Board or management members. There are also no contractual agreements regarding severance payments.

The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a notice period of six months. CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system remained unchanged in 2016 from the previous year.

The structure and the amounts of the remuneration paid for certain functions are regularly reappraised using external benchmarks. In 2016 the remuneration paid to the members of Group Executive Management and the three Divisional Managements was analyzed by an external company. Its findings and conclusions were then discussed by the Personnel & Compensation Committee, and any adjustments deemed necessary were adopted from 1 January 2017.

The proposals on the maximum aggregate remuneration for the Board of Directors and Group Executive Management are prepared by the Personnel & Compensation Committee, appraised by the full Board and submitted to the General Meeting for approval. Should the proposal be rejected, and should the Board not submit a new proposal (or have this rejected too), an Extraordinary General Meeting should be convened within three months, or the Board may submit a further such proposal for retrospective approval at the next Ordinary General Meeting.

Board of Directors

The remuneration paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat per-day allowance for any work beyond their normal meeting activities. One such per-day allowance was paid in 2016.

The remuneration paid to Board members is determined on the basis of comparisons with corresponding publicly available data for comparable Swiss industrial companies whose shares are also listed on the SIX Swiss Exchange. The remuneration rates concerned are proposed to the full Board by its Personnel & Compensation Committee.

In accordance with Switzerland's "VegüV" Ordinance against Excessive Compensation in Stock Exchange Listed Companies and the correspondingly-amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate amount payable to the Board of Directors in the period between two Ordinary General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the Ordinary General Meeting for the 2015 business year.

For specific remuneration payments, please see Section 2 below.

Group Executive Management

The remuneration paid to the members of CPH's Group Executive Management consists of a fixed and a variable component, both fully paid in monetary form. The target bonus for Group Executive Management members accounts for between around 20% and 67% of their basic salary. The actual variable remuneration paid depends on the degrees to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic salary for the Group CEO and 45% thereof for the further Group Executive Management members.

The assessment of the performance of Group Executive Management for variable-remuneration purposes is based on a specific target-setting process. These targets are set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Management members, while individual divisional and/or functional targets are set in the four further areas.

The achievement of the financial results targets accounts for 60% of the variable remuneration, with the remaining 40% based on the achievement of the targets set in the other four areas. EBIT, operating cash flow and net working capital targets were set as the financial results targets for 2016. The Heads of Divisions' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performances of the Group CEO and the CFO are based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with the financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management may also make target proposals. The latter have their achievement of their targets assessed by the Group CEO, who submits appropriate recommendations to the Personnel & Compensation Committee. The Group CEO's target achievements are assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set and recommendations on the individual bonuses to be paid. The final decision on such bonuses is then taken by the Board in toto (and, since the 2016 business year, with due regard to the maxima specified by the Ordinary General Meeting).

With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

The Group CEO is entitled to make proposals on the remuneration to be paid to Group Executive Management members. Up until the 2015 business year, the final amount of fixed and variable (target bonus) remuneration to be awarded to Group Executive Management in its entirety was set annually by the Board of Directors.

With effect from the Ordinary General Meeting for the 2014 business year, and in accordance with Switzerland's new "VegüV" ordinance and the correspondingly-amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate fixed and variable remuneration payable to Group Executive Management is now approved by each Ordinary General Meeting for the following business year. This was first done at the Ordinary General Meeting in 2015, for the 2016 business year.

Any new members of Group Executive Management who are appointed and assume their duties after the Ordinary General Meeting has approved the maximum aggregate Group Executive Management remuneration for the year concerned may – under Article 22 of the CPH Chemie + Papier Holding AG Articles of Incorporation – be paid an additional amount totalling (for all such new members) no more than 40% of this maximum aggregate amount.

The remuneration paid in 2016 to the members of the Board of Directors, the Group CEO (who received the highest remuneration of any Group Executive Management member) and the further members of Group Executive Management is shown in the tables in Section 2.

2. Remuneration paid to members of the Board of Directors and Group Executive Management

This remuneration includes salaries, bonuses, credits, social security payments and occupational pension scheme contributions.

Remuneration paid to members of the Board of Directors

2016 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Personnel issues only	297	0	19	316
Tim Talaat	1994	Deputy Chairman	Member	Member	76	8	5	89
Mauro Gabella	2005	Member		Chair	77	23	6	106
Kaspar W. Kelterborn	2015	Member	Chair		77	25	6	108
Manuel Werder	2015	Member	Member		76	8	5	89
Christian Wipf	2008	Member		Member	76	8	5	89
Total					**679**	**72**	**46**	**797**

A maximum aggregate remuneration of CHF 850 000 was set for the period between the 2016 and 2017 Ordinary General Meetings by the 2016 Meeting.

2015 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Personnel issues only	282	0	17	299
Tim Talaat	1994	Deputy Chairman from 29.4.2015	Member until 1.4.2015	Member	72	8	5	85
Mauro Gabella	2005	Member		Chair	72	20	7	99
Kaspar W. Kelterborn	2015	Member from 1.4.2015	Chair from 1.4.2015		53	20	4	77
Manuel Werder	2015	Member from 1.4.2015	Member from 1.4.2015		53	5	4	62
Christian Wipf	2008	Member		Member	72	5	5	82
Max Walter	1990	Deputy Chairman until 1.4.2015	Chair until 1.4.2015		21	3	1	25
Total					**625**	**61**	**43**	**729**

Notes on the remuneration paid to members of the Board of Directors

The amounts shown are the remuneration paid for the year concerned, regardless of when such payment was made. All such remuneration was in monetary form. Board members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' social security contributions. The social security contributions shown separately include those of the employer.

No remuneration was paid to any former Board members. No loans were made to any current or former Board members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Board members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Board members.

Remuneration paid to members of Group Executive Management

2016 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	290	161	3	954
Further GEM members combined		1 050	290	290	16	1 646
Total		**1 550**	**580**	**451**	**19**	**2 600**

A maximum aggregate remuneration of CHF 3 350 000 was set for the period between the 2016 and 2017 Ordinary General Meetings by the 2016 Meeting.

2015 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	257	137	12	906
Further GEM members combined		1 168	306	306	15	1 795
Total		**1 668**	**563**	**443**	**27**	**2 701**

Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2016 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2015 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2015 Annual Report. That remuneration could only be shown on the basis of the provisions made (on an accrual basis), however, whereas the above table shows the final amounts actually paid for 2015. All such remuneration, both fixed and variable, was in monetary form. Group Executive Management members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company pension scheme and social security contributions shown separately include those of the employer. "Further compensation" relates to the private use of the company car and any long-service awards.

No remuneration was paid to any former Group Executive Management members. No loans were made to any current or former Group Executive Management members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Group Executive Management members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Group Executive Management members.

Report of the statutory auditor on the Remuneration Report

We have audited the remuneration report of CPH Chemie + Papier Holding AG as per 10 February 2017 (see chapter 2, pages 35 to 37) for the year ended 31 December 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of CPH Chemie + Papier Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14-16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Illi
Audit expert
Auditor in charge

Marcel Aeberhard
Audit expert

Zurich, 10 February 2017

Sustainability Report

CPH's Perlen site has further enhanced its energy efficiency and again reduced its consumption of fossil fuels. 2016 saw a further 25 000-tonne decline in the CPH Group's total carbon dioxide emissions.

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 can look back on almost 200 years of industrial tradition, and one that has always put steady 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 ensured by rigorous adherence to the relevant ISO and GMP guidelines. The foundation of CPH's development and success, though, is the Group's employees, whose training, health and safety enjoy the highest of priorities.

Being active in highly eco-sensitive fields, 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 forestry resources through its recycling of recovered paper and its use of woodchip waste. The Group's chemistry operations produce molecular sieves, chromatography gels, deuterated solvents 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 into the planning at all three business divisions. CPH is further committed to energy efficiency under the climate protection project of Switzerland's Business Energy Agency. And 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. Perlen Papier AG is a member of ECOSwiss, the environmental protection organization of the Swiss business community; and Perlen Packaging is committed to recycling PVC through its "VINYLPlus" involvement.

Responsibility for environmental and quality issues at CPH's production sites rests with a designated and specially-trained employee at each facility who reports directly to top management. CPH also strives through its Continuous Improvement Process (CIP) to maintain a culture of constant further enhancement of its business flows and procedures. Additional ideas and impetus for improvements derive from regular surveys among customers and employees. In 2016 the Chemistry Division conducted a customer satisfaction survey among the recipients of its molecular sieves, while the Packaging Division performed similar customer polls. More generally, all customer feedback on the quality and the pricing of the CPH Group's various products and services is carefully assessed, with the findings and conclusions channelled into the products' further development and into customer service activities.

Brand policy

The CPH Group pursues a policy of maintaining individual brands within its three business divisions, which are each active in their own distinctive markets. Under their "Zeochem", "Perlen Papier" and "Perlen Packaging" names, each division is well established and well known in its market as a reliable and autonomous partner. CPH Chemie + Papier Holding AG, the Group's holding company, does not conduct any business operations of its own, but provides an umbrella identity for stakeholders, particularly investors and the general public.

Personnel

The feedback of its employees on their satisfaction with their job, work and working environment is vitally important to the CPH Group. A groupwide employee survey is conducted every three years covering issues such as the workplace, professional development, leadership, communications, innovation, customers, strategy and involvement. The most recent such survey in late autumn 2016 generated a response rate of 75%. The results were due to be evaluated in the first quarter of 2017, and actions will then be resolved on the basis thereof.

Annual group staff turnover rose from the 4.5% of 2015 to 9.7%. The increase is attributable to the new operating locations in China: the Chinese tend to change jobs fast and frequently. A total of 985 personnel (including 30 apprentices) were employed by the CPH Group at the end of 2016, compared with 858 at the end of the previous year. The increase is due to the Group's expansion in Asia, which saw ALSIO assimilated into the Chemistry Division and the new Chinese film coating plant opened for the Packaging Division.

Salary policy

CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance via a variable salary component that is linked to the achievement of individually-set performance goals and to divisional results. Once again, no across-the-board salary increases were awarded in 2016. The CPH Group spent CHF 89.0 million on salaries, company pension scheme contributions and staff training over the course of the year.

The newly-renegotiated collective labour agreement (CLA) of the Swiss paper industry, to which all employees at the Perlen site are subject, entered into effect at the beginning of 2016. Employees at the Müllheim site in Germany are subject to the CLA of the Industriegewerkschaft Bergbau Chemie Energie (IGBCE). The Uetikon silicate chemistry operation has its own staff association. Elsewhere, personnel work under individual employment contracts.

Initial and further training

The rapidly-changing economic and social environments place high demands today not only on employees but on their managers, too. In view of this, CPH has revised its management training concept. Under a new approach adopted in 2016, this is now conducted with an external partner, with executives receiving training in management, technical, leadership and self-competence skills. All in all, the CPH Group spent CHF 1.0 million on initial and further staff training for the year.

Training the Group's own personnel to assume future CPH duties remains as vital as ever. To this end, all the Group's operating sites in Switzerland and Germany serve as active basic professional training centres. The range of trades and professions here extends from plant operator and chemical technician to polymechanic and commercial officer. Thirteen apprentices completed their training in 2016.

Continuous improvement

CPH's Continuous Improvement Process (CIP) is a vital element in the Group's constant endeavours to further develop and enhance the quality of its products, services and activities through the commitment of the personnel throughout its three divisions. Employees submitted 678 improvement and development ideas to the programme in 2016. In concert with some 144 group moderations, the proposals submitted are expected to add some CHF 1.5 million to annual earnings results.

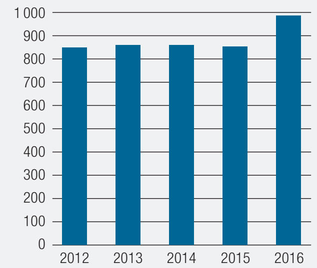
Occupational safety

CPH conducts regular training to help prevent accidents and sensitize staff to dangers at all its operating sites. Any incidents or accidents that do occur are also systematically analyzed to help prevent their recurrence. CPH incurred 1.5 occupational accidents per 100 employees in 2016 (2015: 1.3). Fortunately, no major occupational accidents were incurred. These low accident rates for an industrial manufacturing concern 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 2.5% (compared with 2.4% in 2015).

Environmental care

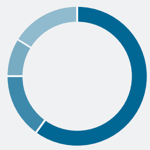
The CPH Group's environmental reporting was changed in 2013 from the calendar year to one that runs from 1 November to 31 October. Figures for 2012 were restated accordingly.

Total workforce numbers



As of 31 December

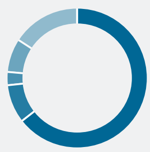
Workforce numbers by region



- Switzerland 588; 60%
- Rest of Europe 153; 15%
- The Americas 88; 9%
- Asia 156; 16%

As of 31 December 2016

Workforce numbers by function



- Production 629 64%
- Procurement/logistics/supply chain 91 9%
- Research & development 27 3%
- Marketing & sales 81 8%
- Administration (IT/finance/HR/management) 157 16%

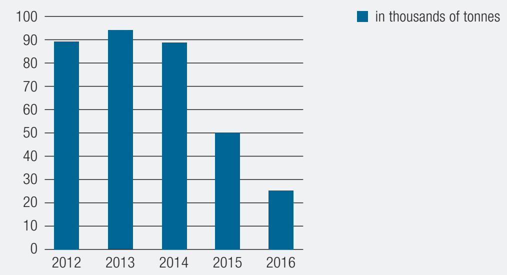
As of 31 December 2016

Use of resources

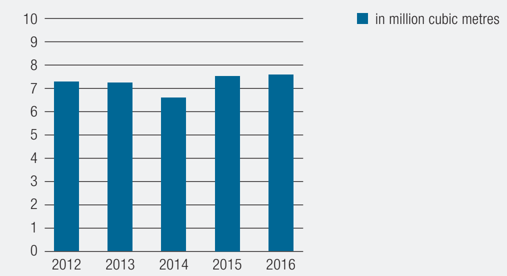
In tonnage terms, the largest proportion of resources within the CPH Group is devoted to paper production. The two prime raw materials here are recovered paper and wood. Perlen Papier recycled 464 492 bone-dry tonnes of recovered paper in its operations in 2016, an increase on the 448 040 bone-dry tonnes of the previous year. Over 50% of this recovered paper is collected in Switzerland, with the rest coming from adjacent border areas. Some 16% of the paper was delivered to Perlen by rail (compared with 17% in 2015). Perlen Papier also turned 109 000 bone-dry tonnes of round wood and woodchip into wood fibre in 2016 (2015: 117 851 bone-dry tonnes). CPH strives to minimize the transport distances involved: most of the wood used comes from within Switzerland.

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. Compared

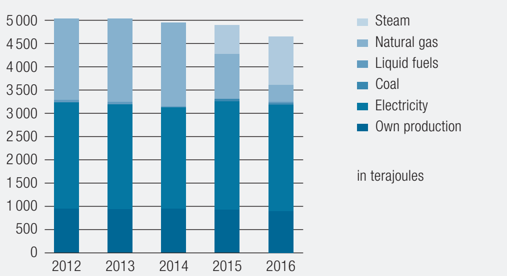
CO₂ emissions



Waste water produced



Energy consumption



with 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. Wherever possible, waste and scrap material from the various manufacturing steps are fed back into the production process as secondary raw materials. For coated film production, which uses PVdC, the raw material utilization rate remained stable at 94.7%, compared with 95.0% 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 17 677 tonnes were used in 2016 (2015: 33 187 tonnes). The decline was due to the greater use of filter cakes in place of own-synthesized products. The division's fertilizer production consumed 14 135 tonnes of nitrogen, potassium and phosphorus compounds (2015: 16 388 tonnes). Some 85% of the raw materials needed for fertilizer production in Uetikon were delivered by rail. All the silicate production materials are supplied by truck.

Energy
All CPH's industrial processes require energy, in the form of electricity, oil, gas, waste heat or steam. Its paper manufacturing accounted for 91% of the Group's total energy consumption in 2016, largely in the form of electricity. The Group's annual electricity consumption declined slightly in 2016 from 2 493 terajoules to 2 430 terajoules. Gas consumption also declined further, from 964 terajoules to 387 terajoules, as the steam required for paper production is now procured from the nearby Renergia waste incinerator, which, in its first full year of operation, generated 1 018 terajoules of power (2015: 581 terajoules). At ALSIO around one-third of the energy required derives from coal. This should be replaced by gas in 2017. All in all, the CPH Group's annual energy consumption declined 5.4% to 4 633 terajoules.

Emissions, waste water and solid waste
Being a major emitter of carbon dioxide (CO_2), CPH sets goals on its own initiative to reduce such emissions. These are more rigorous than those required by law; and, as a result, CPH's Perlen and Uetikon facilities are exempt from any CO_2 levy. Annual CO_2 emissions from non-renewable resources further declined in 2016 from 50 761 tonnes to 25 124 tonnes. The decline is because the steam required in CPH's paper production is now procured from the Renergia incinerator instead of being produced in-house. The Group also earned CHF 2.1 million in 2016 from the sale of carbon credits. CPH's manufacturing facilities all 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, the handling of acids and sodium hydroxide at the Uetikon plant poses the greatest 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 their own treatment facilities. Paper manufacturing also produces solid waste, largely in the form of sludge and residual waste. Some 42% of this was disposed of in Perlen Papier's own waste incinerator in 2016 (compared to 37.5% the previous year); the rest was incinerated in brickworks and cement factories.

Quality
Maintaining consistently high groupwide process and product quality is a key element in CPH's success. To this end the Group has its facilities regularly audited by both customers and independent authorities. The Packaging Division aligns its film manufacturing to the pharmaceuticals sector's Good Manufacturing Practice (GMP) standards. Perlen Packaging is one of the few companies in its field to be certificated to the sector's highest quality criteria for all its products from monofilms to barrier films and throughout the manufacturing process.

Paper business earns good grades in first Environmental Impact Statement

The Paper Division's Perlen manufacturing operation was subjected to its first-ever environmental impact assessment at the end of 2015. The study was conducted by environmental consultants treeze, in accordance with the Carbon Disclosure Project structure. The period covered by the assessment and its reference date do not coincide with those of the CPH Group's Sustainability Report, which is compiled as of the end of each October. In view of this, the main findings of this first Environmental Impact Statement are provided separately here.

The greenhouse gas emissions generated per tonne of paper produced at the Perlen facility declined from over 200 kilos of CO_2 equivalents in 2011 to 114 kilos in 2015. This almost 50% reduction was achieved thanks to specific actions such as replacing fossil fuels with waste heat from the new Renergia incinerator facility. As a result, the Perlen paper operation performed significantly better than the benchmark set by the EU Emissions Trading System in direct emissions terms – a benchmark that is based on the best 10% of EU27 facilities.

Perlen Papier used just under 1 200 kilowatt hours of electricity and 1 000 kilowatt hours of heat to produce a tonne of paper in 2015. These energy levels are below those of comparable European paper manufacturers, confirming the high energy efficiency that has been achieved at Perlen over the past few years.

The Environmental Impact Statement also permits the first-ever eco-footprint to be determined for the Perlen paper operation. This CO_2 footprint is based on all the greenhouse gas emissions generated by paper production. In addition to the direct emissions through production at the Perlen site, these also include indirect emissions generated when providing the energy used and through the associated upstream and downstream processes.

For 2015 the overall CO_2 footprint for one tonne of paper was almost five times the volume of CO_2 attributable to actual production. When extrapolated to apply to the entire Paper Division, this gives an environmental footprint for the CPH Group's paper production of 288 000 tonnes of CO_2 equivalents.

PRODUCTION SITE	Chemistry			Paper	Packaging			
QUALITY CERTIFICATIONS	Uetikon	Louisville	Lianyungang	Perlen	Perlen	Müllheim	Whippany	Suzhou
ISO 9001	•	•	•	•	•	•	•	•
ISO 14001 (environmental)			•	•				
ISO 14644-1 (cleanrooms)					•	•		
ISO 15378 (GMP pharmaceuticals packaging standards)					•	•		•
ISO 50001 (energy)						•		
OHSAS 18001 (occupational safety)			•	•				
DMF 10686 (FDA, USA)					•			
DMF 9072 (FDA, USA)						•		
Eurofins (hygiene and food monitoring)					•	•		
EU Ecolabel				•				
FSC COC				•				
PEFC COC				•				
Blue Angel				•				
ECOSwiss CO_2				•				
ENAW CO_2	•							

Contents

Consolidated income statement

in CHF thousand	Note	2016	2015
Net sales	1	**434 835**	**420 046**
Changes to semi-finished and finished inventories		13 329	–7 169
Other operating income		5 967	4 320
Goods and services on own account		144	232
Total income		**454 275**	**417 429**
Cost of materials		231 967	221 099
Energy costs		54 149	61 180
Personnel cost	2	88 969	86 331
Outsourced maintenance/repairs		17 510	15 614
Other operating expense	3	24 745	20 983
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**36 935**	**12 222**
Depreciation on tangible fixed assets	15	30 535	33 563
Depreciation on intangible assets	14	509	477
Earnings before interest and taxes (EBIT)		**5 891**	**–21 818**
Financial income	5	645	980
Financial expense	6	5 711	13 081
Financial result		**–5 066**	**–12 101**
Earnings before taxes, non-operating and extraordinary items		**825**	**–33 919**
Non-operating result	7	134	1 809
Extraordinary result	8/15/22/25	–4 398	0
Earnings before taxes		**–3 439**	**–32 110**
Income taxes	9/25	4 275	1 013
Net result for the year		**–7 714**	**–33 123**
– attributable to shareholders of CPH Chemie + Papier Holding AG		–7 905	–33 123
– attributable to minorities		191	0

in CHF	Note	2016	2015
Net result after minorities per share	31	**–1.32**	**–5.52**
Diluted net result per share	31	**–1.32**	**–5.52**

Consolidated balance sheet

	Note	31.12.2016 in CHF thousand	in %	31.12.2015 in CHF thousand	in %
Assets					
Liquid funds	10	70 345	10	53 147	9
Securities	10	42	0	44	0
Trade accounts receivable	11	69 065	10	66 419	11
Other receivables	12	8 852	1	8 035	1
Prepaid expenses and accrued income		4 789	1	4 867	1
Inventories	13	68 939	10	54 521	9
Short-term financial receivables		91	0	0	0
Total current assets		**222 123**	**33**	**187 033**	**30**
Intangible assets	14	3 091	0	2 413	0
Tangible fixed assets	4/15	384 569	57	404 300	65
Long-term financial assets	16	10 000	1	10 000	2
Assets from employer contribution reserves	17	10 884	2	10 750	2
Pension scheme assets	2/17	9 010	1	8 916	1
Other long-term receivables	33	32 263	5	0	0
Prepaid taxes		487	0	543	0
Total fixed assets		**450 304**	**67**	**436 922**	**70**
Total assets		**672 427**	**100**	**623 955**	**100**
Equity and liabilities					
Trade accounts payable	18	53 085	8	46 700	7
Other payables	19	8 275	1	2 646	0
Accrued liabilities and deferred income	20	16 450	2	13 630	2
Short-term financial liabilities	21/23	6 997	1	6 845	1
Short-term provisions	22	7 601	1	1 541	0
Total current liabilities		**92 408**	**14**	**71 362**	**11**
Long-term financial liabilities	23	25 580	4	6 521	1
Corporate bonds issued	23	120 000	18	120 000	19
Pension scheme liabilities	17	1 135	0	1 032	0
Other long-term liabilities	24	54	0	2 294	0
Long-term provisions	25	52 468	8	20 040	3
Total long-term liabilities		**199 237**	**30**	**149 887**	**24**
Total liabilities		**291 645**	**43**	**221 249**	**35**
Share capital		30 000	4	30 000	5
Capital reserves		4 804	1	8 402	1
Treasury shares	32	–162	–0	–160	–0
Profit reserves		351 364	52	397 587	64
Net result for the year		–7 905	–1	–33 123	–5
Total equity excluding minorities		**378 101**	**56**	**402 706**	**65**
Minorities		2 681	1	0	0
Total equity including minorities		**380 782**	**57**	**402 706**	**65**
Total equity and liabilities		**672 427**	**100**	**623 955**	**100**

Consolidated cash flow statement

in CHF thousand	Note	2016	2015
Net result for the year (including minorities)		**–7 714**	**–33 123**
Depreciation on tangible and intangible assets	14/15	31 044	34 040
Asset value impairments	15	2 732	0
Impairments to inventories and replacement parts	13	682	0
Loss/(Profit) on fixed-asset sales		–7 507	–1 575
Change in employer contribution reserves, pension scheme assets/liabilities		–141	2 609
Book gains on securities		3	–5
Increase in/(Release of) short-term provisions	22	10 153	1 101
Increase in/(Release of) long-term provisions	25	474	–144
Use of provisions	22/25	–4 091	–1 057
Increase in impairments to trade accounts receivable		2 093	5 018
Release of/(Increase in) prepaid taxes		543	319
Cash flow		**28 271**	**7 183**
Decrease/(Increase) in securities		–1	5 215
Decrease/(Increase) in trade accounts receivable		–478	8 133
Decrease/(Increase) in other receivables and prepaid expenses		–692	1 200
Decrease/(Increase) in inventories		–13 059	8 361
Increase/(Decrease) in trade accounts payable		1 573	–6 822
Increase/(Decrease) in other and accrued liabilities	19/20	6 261	43
Decrease/(Increase) in net current assets		**–6 396**	**16 130**
Cash flow from operating activities		**21 875**	**23 313**
Investments in tangible fixed assets	15	–20 720	–21 922
Disposals of tangible fixed assets	15	20 503	1 592
Investments in intangible assets	14	–1 242	–1 628
Investments in business activities	26	–18 478	0
Cash flow from investment activities		**–19 937**	**–21 958**
Free cash flow		**1 938**	**1 355**
Increase/(Decrease) in short-term financial liabilities and receivables		112	–15 254
Increase/(Decrease) in long-term financial liabilities		19 021	–1 075
Increase/(Decrease) in other long-term liabilities and receivables		–378	–99
Treasury share purchases	32	–2	–44
Dividends to shareholders		–3 598	–3 898
Cash flow from financing activities		**15 155**	**–20 370**
Currency translation effects		105	2 275
Net change in cash and cash equivalents		**17 198**	**–16 740**
Cash and cash equivalents at 1 January		53 147	69 887
Change		17 198	–16 740
Cash and cash equivalents at 31 December		**70 345**	**53 147**

Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Treasury shares	Goodwill	Retained earnings	Equity excluding minorities	Minorities	Equity including minorities
As at 31.12.2014	**30 000**	**12 300**	**–116**	**–25 722**	**425 541**	**442 003**	**0**	**442 003**
Dividends to shareholders		–3 898				–3 898		–3 898
Net result for current year					–33 123	–33 123		–33 123
Treasury share purchases			–568			–568		–568
Treasury share sales			524			524		524
Impact of currency translation					–2 232	–2 232		–2 232
As at 31.12.2015	**30 000**	**8 402**	**–160**	**–25 722**	**390 186**	**402 706**	**0**	**402 706**
Dividends to shareholders		–3 598				–3 598		–3 598
Goodwill offset with equity				–12 181		–12 181		–12 181
Minorities acquired						0	2 609	2 609
Net result for current year					–7 905	–7 905	191	–7 714
Treasury share purchases			–797			–797		–797
Treasury share sales			795			795		795
Impact of currency translation					–919	–919	–119	–1 038
As at 31.12.2016	**30 000**	**4 804**	**–162**	**–37 903**	**381 362**	**378 101**	**2 681**	**380 782**

The statutory reserves of the holding company and its subsidiaries amounted to CHF 16.7 million on 31 December 2016 (prior year: CHF 17.4 million). Of this amount, CHF 12.5 million (prior year: CHF 11.8 million) cannot be distributed.

The company held 1 934 treasury shares on 31 December 2016 (prior year: 2 712). For further details see Note 32.

The CHF 25.7 million in goodwill deriving from the acquisition of ac-folien GmbH, Müllheim, Germany, was offset with equity in the 2007 accounts. And the CHF 12.2 million in goodwill deriving from the acquisition of Jiangsu ALSIO Technology Co. Ltd., Lianyungang, China, was offset with equity in the 2016 accounts. Should either company be resold, the corresponding amount would have to be 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 capitalization and valuation principles are unchanged from the prior year. The principles for reporting sales in accordance with the revised Swiss GAAP ARR Framework Concept and Swiss GAAP ARR 3, which entered into effect on 1 January 2016, were adopted for the first time for the 2016 business year. This had no impact on the existing capitalization and valuation principles.

Scope and method of consolidation

The consolidated financial statements consist of the annual financial statements of CPH Chemie + Papier Holding AG, Perlen, and of those Group member companies in and outside Switzerland in which CPH Chemie + Papier Holding AG, Perlen, directly or indirectly holds more than 50% of voting rights. In accordance with the Purchase Method used for fully consolidated companies, assets and liabilities and income and expenditures are incorporated in full. Intercompany balances and transactions have been eliminated.

The shares of minority shareholders or minority partners in the equity and the results of consolidated companies are shown separately but also as part of the consolidated equity and result. Intermediate profits on stocks from deliveries within the Group have been eliminated.

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 offset with equity. Until 31 December 2006 such goodwill was capitalized and depreciated over its estimated useful life. In the case of successive acquisitions of minorities, the goodwill is determined separately for each acquisition step.

For the scope of consolidation, please see the separate "List of major shareholdings" on Page 77.

Jiangsu ALSIO Technology Co. Ltd. was added as an 80%-owned subsidiary to the scope of consolidation of the Chemistry Division with effect from 1 March 2016. The CPH Group holds a purchase option on the remaining 20% of shares. The associated goodwill was offset directly with equity. The impact of a theoretical capitalization here is shown in Note 14.

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 or events that are clearly separate from business operations. "Extraordinary income" and "extraordinary expense" are amounts which are earned or paid extremely rarely in the course of ordinary business activities and cannot be foreseen.

"Related parties" (see Note 27.3) 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.

"EBITDA" shows earnings before interest and taxes and before depreciation on tangible fixed assets and amortization of intangible assets.

"Cash flow" shows the flow of cash before changes to net current assets and before cash flows from investment and financing activities.

"Free cash flow" shows all cash flows before financing activities and dividends to shareholders.

In accordance with the Swiss GAAP ARRs, the cash flow statement shows as funds only the liquid elements thereof (i.e. excluding securities and time deposits maturing in more than 90 days). Cash flow is calculated using the Indirect Method.

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

Capitalization and valuation principles

Recognition of sales

Net sales comprise the sale of products and services through normal business activities. 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.

The main sources of sales revenues for the CPH Group are the sales of silicate chemistry products, newsprint and magazine paper and coated films. The revenues deriving from services are insignificant. Net sales comprise sales revenues after various deductions such as price reductions, discounts, special selling expenses and value-added tax.

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 the application of 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:

	2016	2015
Balance sheets: year-end rates		
EUR	1.0720	1.0874
USD	1.0160	1.0010
HKD (CHF per 100 HKD)	13.1100	12.9000
CNY (CHF per 100 CNY)	14.6200	15.4000
Income statements/ cash flow statements: average rates		
EUR	1.0900	1.0681
USD	0.9850	0.9625
HKD (CHF per 100 HKD)	12.6900	12.4200
CNY (CHF per 100 CNY)	14.8300	15.4600

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 one year, and are reported at nominal value less any value adjustments.

Intangible assets

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

Research and development costs are not capitalized, but are taken straight to the income statement.

Since 1 January 2007 the goodwill deriving from acquisitions has been offset with retained earnings at the time of acquisition. In the event of the disposal of a part of the business, any associated goodwill previously offset with equity is taken to the income statement. The impact of any theoretical capitalization and amortization is shown in the notes. For theoretical accounting purposes, goodwill is basically written down over its useful economic life, and generally over five years.

Tangible fixed assets

Land is capitalized at its purchase price less any devaluation. Other tangible fixed assets (buildings, structures, plant, machinery, installations, vehicles, moveable property, other equipment and production and business facilities) are capitalized at a maximum of their purchase price or manufacturing cost less any depreciation required under normal business practice.

The useful lives assumed for depreciation purposes are as follows:

Residential property	50 – 100 years
Industrial buildings and installations	25 – 50 years
Plant and equipment	10 – 30 years
Moveable property and vehicles	3 – 5 years

All depreciation is effected using the straight-line method.

Long-term financial assets

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

Long-term financial receivables

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

Assets from employer contribution reserves

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

Pension scheme assets

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

Asset impairments

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

Other long-term receivables

This item comprises all other non-interest-bearing long-term receivables due for payment more than 12 months after the balance sheet date.

Trade accounts payable

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

Other payables

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

Accrued liabilities and deferred income

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

Short-term financial liabilities

This item consists of interest-bearing liabilities maturing in 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.

Corporate bond

The bond is 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.

Deferred taxes on losses carried forward are not capitalized, in accordance with the consolidated accounting principles.

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 29.3).

Notes to the consolidated financial statements

1. Segment information

1.1 Net sales by region

in CHF thousand	2016	%	2015	%
Switzerland	54 366	12	52 901	13
Europe (excluding Switzerland)	287 605	66	285 637	68
The Americas	47 288	11	47 892	11
Asia	43 166	10	31 377	7
Rest of the world	2 410	1	2 239	1
Total	**434 835**	**100**	**420 046**	**100**

Net sales were 3.5% above their prior-year level, or 1.3% above based on prior-year currency exchange rates and excluding acquisitions. Of the difference, currency movements accounted for 0.4 percentage points and acquisitions 1.8 percentage points. The region categories have been revised.

1.2 Income statement by division

2016 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	**69 340**	**246 223**	**119 272**		**434 835**
EBITDA	**5 619**	**15 521**	**14 416**	**1 379**	**36 935**
in % of net sales	8.1	6.3	12.1		8.5
EBIT	**1 621**	**–5 817**	**9 015**	**1 072**	**5 891**
in % of net sales	2.3	–2.4	7.6		1.4
Financial result					–5 066
Earnings before taxes and extraordinary items					**825**
Non-operating result					134
Extraordinary result					–4 398
Earnings before taxes					**–3 439**
Taxes					4 275
Net result for the year					**–7 714**
in % of net sales					–1.8

2015 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	62 539	247 763	109 744		420 046
EBITDA	1 513	–3 814	10 714	3 809	12 222
in % of net sales	2.4	–1.5	9.8		2.9
EBIT	–1 826	–28 039	5 865	2 182	–21 818
in % of net sales	–2.9	–11.3	5.3		–5.2
Financial result					–12 101
Earnings before taxes and extraordinary items					–33 919
Non-operating result					1 809
Extraordinary result					0
Earnings before taxes					–32 110
Taxes					1 013
Net result for the year					–33 123
in % of net sales					–7.9

2. Personnel cost

in CHF thousand	2016	2015
Salaries and wages	73 275	70 853
Pension scheme contributions and other social security costs	13 819	13 339
Other personnel costs	1 875	2 139
Total	88 969	86 331

The 3.1% increase in personnel cost is attributable to the growth in the Packaging Division and the acquisition of Jiangsu ALSIO Technology Co. Ltd. In addition to the contributions to state social security institutions, “Pension scheme contributions and other social security costs” also includes the contributions to company pension schemes described in Note 17.

3. Other operating expense

The CHF 24.7 million of “Other operating expense” (prior year: CHF 21.0 million) includes sales and administration costs and further operating expenses. The CHF 3.7 million increase in this position was due to the rental of the now-sold Uetikon site (CHF 1.5 million), to acquisitions (CHF 0.7 million) and to the general growth in the Group’s international activities.

4. Impairment

4.1 Impairment for 2016

The valuations of the tangible fixed assets held by the Paper Division for the 2016 business year confirmed that no impairment was required on the assets concerned. These valuations were conducted using a WACC of 5.0% (prior year: 5.0%) and a EUR/CHF exchange rate for the three-year plan period that was slightly higher than the balance sheet rate at CHF 1.15. The values of the projected income statements were adjusted to take account of the facts and findings available on the balance sheet date.

The EUR/CHF exchange rate of 1.15 (prior year: 1.15) used for the years beyond the plan period was derived from the exchange rate as of 31 December 2016 and purchasing-power parity as calculated by various Swiss banking institutions. We regard the inclusion of purchasing-power parity as warranted here because most of the assets concerned are plant and machinery with a remaining service life of over 25 years.

The impairment effected in the Chemistry Division is explained in Note 8.

4.2 Impairment for 2015

The valuations of the tangible fixed assets held by the CPH Group for the 2015 business year confirmed that no impairment was required on the assets concerned.

5. Financial income

in CHF thousand	2016	2015
Interest income	56	21
Other financial income	587	464
– currency exchange rate gains	*324*	*28*
– further financial income	*263*	*436*
Income from securities	2	495
Total	**645**	**980**

The increase in “Other financial income” stemmed from exchange rate gains on liquid funds held in foreign currencies. Most of the securities held were sold in 2015.

6. Financial expense

in CHF thousand	2016	2015
Interest expense	4 277	3 954
– interest paid	*4 267*	*3 967*
– changes in deferred interest due	*10*	*–13*
Other financial expense	1 431	8 807
– currency exchange rate losses	*655*	*7 921*
– further financial expense	*776*	*886*
Expenditure on securities	3	320
Total	**5 711**	**13 081**

Financial expense was substantially reduced in 2016, despite the increased interest paid on higher bank loans. "Currency exchange rate losses" for 2015 include CHF 2.3 million in losses on financial positions following the Swiss National Bank's abolition of its minimum euro exchange rate and currency hedging losses of CHF 5.6 million.

7. Non-operating result

The non-operating income of CHF 0.8 million (prior year: CHF 2.0 million) includes income and sale proceeds from non-operating real estate in Uetikon, Perlen and Full-Reuental.

The non-operating expense of CHF 0.7 million (prior year: CHF 0.2 million) consists of expenditure relating to the sale and management of non-operating real estate in Uetikon, Perlen and Full-Reuental.

8. Extraordinary result

The extraordinary result relates to the closure/restructuring of the Chemistry Division's Uetikon operation. It consists of extraordinary income of CHF 52.0 million from the sale of the Uetikon site and extraordinary expense of CHF 56.4 million for the closure of the operation and CPH's share of the costs of cleaning up the adjacent lake bed. The latter consists of a CHF 32.0 million provision for the lake bed clean-up, CHF 15.2 million of depreciation on the residual asset value of the plant's facilities (including a CHF 2.7 million impairment), an impairment to inventories of CHF 0.7 million, personnel-related restructuring costs of CHF 3.3 million, a CHF 3.0 million provision for closing and decommissioning the facilities and a further CHF 2.2 million for other extraordinary expense. Please also see Notes 13, 15, 22 and 25.

9. Income taxes

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

Income taxes for 2016	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		**825**
Weighted average tax rate applicable/estimated tax expense	–0.1	–1
Non-operating and extraordinary result		**–4 264**
Weighted average tax rate applicable/estimated tax expense	19.6	–837
Earnings before taxes		**–3 439**
Weighted average tax rate applicable/estimated tax expense	24.4	–837
Impact of losses carried forward not previously recognized in tax terms		4 202
Taxes paid in prior years		11
Other effects		899
Tax rate/tax expense as per income statement	**–124.3**	**4 275**

Income taxes for 2015	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		**–33 919**
Weighted average tax rate applicable/estimated tax expense	10.5	–3 575
Non-operating and extraordinary result		**1 809**
Weighted average tax rate applicable/estimated tax expense	8.4	151
Earnings before taxes		**–32 110**
Weighted average tax rate applicable/estimated tax expense	10.7	–3 424
Impact of losses carried forward not previously recognized in tax terms		4 936
Taxes paid in prior years		–557
Other effects		58
Tax rate/tax expense as per income statement	**–3.2**	**1 013**

In accordance with the consolidated accounting principles, deferred taxes on losses carried forward are not capitalized. These amounted to CHF 315.1 million for 2016 (prior year: CHF 276.0 million).

10. Liquid funds and securities

Liquid funds consist of cash on hand, postal cheque and bank account balances and time deposits maturing within 90 days.

11. Trade accounts receivable

in CHF thousand	2016	2015
Receivables from third parties	78 053	73 311
Receivables from associates	5	8
Provisions for doubtful debts	–8 993	–6 900
– individual adjustments	*–8 801*	*–6 708*
– blanket adjustments	*–192*	*–192*
Total	**69 065**	**66 419**

Individual adjustments were effected to certain doubtful receivables. The provisions for doubtful debts for the Paper Division were switched from blanket to individual adjustments in 2015. The increase in individual adjustments for 2016 was due to the insolvency of a Paper Division customer.

12. Other receivables

As in 2015, 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	2016	2015
Chemistry	23 007	18 994
Paper	30 101	22 116
Packaging	15 831	13 411
Total	**68 939**	**54 521**

13.2 Inventories by type

in CHF thousand	2016	2015
Raw materials	12 660	13 252
Auxiliary and operating materials	12 915	11 796
Finished and semi-finished products	43 039	28 625
Goods for resale	325	848
Total	**68 939**	**54 521**

Inventories were subjected to an overall CHF 5.7 million impairment (prior year: CHF 5.0 million). CHF 0.7 million of this relates to the closure of the Chemistry Division's Uetikon site (see Note 8). The higher inventory volumes reflect growing sales, the seasonal fall in demand towards year-end in the Paper Division and the acquisition of Jiangsu ALSIO Technology Co. Ltd.

14. Intangible assets

Intangible assets in 2016 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
At purchase values			
Opening balance on 1.1.2016	13 233	1 265	14 498
Currency impact on opening balance	–34	–43	–77
Change in consolidated companies	9	0	9
Additions	1 242	0	1 242
Disposals/reclassifications	–3 795	0	–3 795
Currency impact on movements	–5	0	–5
Closing balance on 31.12.2016	**10 650**	**1 222**	**11 872**
Depreciation			
Opening balance on 1.1.2016	11 741	344	12 085
Currency impact on opening balance	–22	2	–20
Change in consolidated companies	4	0	4
Depreciation for the period	485	24	509
Disposals/reclassifications	–3 795	0	–3 795
Currency impact on movements	–2	0	–2
Closing balance on 31.12.2016	**8 411**	**370**	**8 781**
Impairments			
Opening balance on 1.1.2016	0	0	0
Currency impact on opening balance			
Change in consolidated companies			
Disposals/reclassifications			
Closing balance on 31.12.2016	**0**	**0**	**0**
Book value on 1.1.2016	1 492	921	2 413
Book value on 31.12.2016	**2 239**	**852**	**3 091**

The goodwill deriving from the acquisition of Jiangsu ALSIO Technology Co. Ltd. was offset directly with equity. The effects of the theoretical capitalization of this are shown hereafter.

Intangible assets in 2015 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
At purchase values			
Opening balance on 1.1.2015	12 717	371	13 088
Currency impact on opening balance	–188	1	–187
Additions	732	896	1 628
Disposals/reclassifications	–28	–3	–31
Closing balance on 31.12.2015	**13 233**	**1 265**	**14 498**
Depreciation			
Opening balance on 1.1.2015	11 445	323	11 768
Currency impact on opening balance	–154	1	–153
Depreciation for the period	457	20	477
Disposals/reclassifications	–9	0	–9
Currency impact on movements	2	0	2
Closing balance on 31.12.2015	**11 741**	**344**	**12 085**
Impairments			
Opening balance on 1.1.2015	0	0	0
Currency impact on opening balance			
Disposals/reclassifications			
Closing balance on 31.12.2015	**0**	**0**	**0**
Book value on 1.1.2015	1 272	48	1 320
Book value on 31.12.2015	**1 492**	**921**	**2 413**

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

Theoretical goodwill movement

in CHF thousand	2016	2015
At purchase values		
Opening balance on 1.1.	25 722	25 722
Additions	12 181	0
Closing balance on 31.12.	**37 903**	**25 722**
Depreciation		
Opening balance on 1.1.	25 722	25 722
Depreciation for the period	2 030	0
Closing balance on 31.12.	**27 752**	**25 722**
Net book value of goodwill on 1.1.	0	0
Net book value of goodwill on 31.12.	**10 151**	**0**

Impact of goodwill on the income statement

in CHF thousand	2016	2015
Earnings before interest and taxes (EBIT)	5 891	–21 818
EBIT margin in % of net sales	1.4	–5.2
Depreciation of goodwill	–2 030	0
Theoretical earnings before interest and taxes (EBIT), including depreciation of goodwill	**3 861**	**–21 818**
Theoretical EBIT margin in % of net sales	**0.9**	**–5.2**
Net result for the year	–7 714	–33 123
Depreciation of goodwill	–2 030	0
Theoretical net result, including depreciation of goodwill	**–9 744**	**–33 123**

Impact of goodwill on the balance sheet

in CHF thousand	2016	2015
Equity as per balance sheet	380 782	402 706
Equity in % of balance sheet total	56.6	64.5
Theoretical capitalization of net book value of goodwill	10 151	0
Theoretical equity, including net book value of goodwill	**390 933**	**402 706**
Theoretical equity in % of balance sheet total, including net book value of goodwill	**57.3**	**64.5**

15. Tangible fixed assets

Tangible fixed assets for 2016 in CHF thousand	Undevel-oped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
At purchase values								
Opening balance on 1.1.2016	5 429	383 792	759 536	335 473	1 885	11 342	17 642	1 515 099
Currency impact on opening balance		–68	–6	–26	20	4	–527	–603
Change in consolidated companies	520	2 938	4 755	198		157		8 568
Investments		4 585	2 572	3 261		560	9 742	20 720
Disposals		–62 537	–2 556	–10 033		–392	–147	–75 665
Reclassifications		3 956	7 271	271		45	–11 543	0
Currency impact on movements	–7	–141	–146	–22		–1	233	–84
Closing balance on 31.12.2016	**5 942**	**332 525**	**771 426**	**329 122**	**1 905**	**11 715**	**15 400**	**1 468 035**
Depreciation								
Opening balance on 1.1.2016	0	186 838	449 392	216 115	1 853	9 146	0	863 344
Currency impact on opening balance		72	72	–9	21	4		160
Change in consolidated companies	69	539	1 147	100		60		1 915
Depreciation for the period	9	5 330	17 656	6 858	10	672		30 535
Disposals		–49 709	–2 552	–10 033		–375		–62 669
Reclassifications								0
Currency impact on movements	–2	–2	8	–6		–2		–4
Closing balance on 31.12.2016	**76**	**143 068**	**465 723**	**213 025**	**1 884**	**9 505**	**0**	**833 281**
Impairments								
Opening balance on 1.1.2016		53 225	143 322	50 908	0	0	0	247 455
Currency impact on opening balance			–2					–2
Impairments for the period			2 521				211	2 732
Release of impairments for the period								0
Disposals								0
Reclassifications			186	–186				0
Closing balance on 31.12.2016	**0**	**53 225**	**146 027**	**50 722**	**0**	**0**	**211**	**250 185**
Opening balance on 1.1.2016	5 429	143 729	166 822	68 450	32	2 196	17 642	404 300
Closing balance on 31.12.2016	**5 866**	**136 232**	**159 676**	**65 375**	**21**	**2 210**	**15 189**	**384 569**

The paper machines of Perlen Papier AG were assessed in detail in 2016 in terms of their current value. No impairment was deemed necessary (for details see Note 4). The production facilities of Zeochem AG were assessed in detail in 2016 in terms of their current value in view of the planned closure of the Uetikon site. This resulted in a CHF 2.7 million impairment, which is shown under the extraordinary result (see Note 8). The asset disposals were due to the planned closure of the Uetikon site.

Tangible fixed assets for 2015 in CHF thousand	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
At purchase values								
Opening balance on 1.1.2015	5 429	385 221	764 517	333 090	1 901	11 154	12 992	1 514 304
Currency impact on opening balance		–1 787	–3 589	–477	–16	–14	–117	–6 000
Investments		299	4 571	10 159		632	6 261	21 922
Disposals		–319	–6 758	–7 641		–169		–14 887
Reclassifications		381	1 021	370		–261	–1 492	19
Currency impact on movements		–3	–226	–28			–2	–259
Closing balance on 31.12.2015	**5 429**	**383 792**	**759 536**	**335 473**	**1 885**	**11 342**	**17 642**	**1 515 099**
Depreciation								
Opening balance on 1.1.2015	0	180 665	440 004	216 285	1 857	8 884	0	847 695
Currency impact on opening balance		–340	–2 271	–261	–12	–10		–2 894
Depreciation for the period		6 550	18 563	7 747	8	695		33 563
Disposals		–315	–6 758	–7 633		–163		–14 869
Reclassifications		261				–261		0
Currency impact on movements		17	–146	–23		1		–151
Closing balance on 31.12.2015	**0**	**186 838**	**449 392**	**216 115**	**1 853**	**9 146**	**0**	**863 344**
Impairments								
Opening balance on 1.1.2015		53 225	143 332	50 908			0	247 465
Currency impact on opening balance			–10					–10
Disposals								0
Reclassifications								0
Impairments for the period								0
Closing balance on 31.12.2015	**0**	**53 225**	**143 322**	**50 908**	**0**	**0**	**0**	**247 455**
Opening balance on 1.1.2015	5 429	151 331	181 181	65 897	44	2 270	12 992	419 144
Closing balance on 31.12.2015	**5 429**	**143 729**	**166 822**	**68 450**	**32**	**2 196**	**17 642**	**404 300**

The paper machines of Perlen Papier AG and the production facilities of Zeochem AG were assessed in detail in 2015 in terms of their current value. No impairment was deemed necessary in the light of these assessments. For further details see Note 4.

16. Long-term financial assets

in CHF thousand	Long-term financial assets
At purchase values	
Opening balance on 1.1.2016	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2016	**10 000**
At purchase values	
Opening balance on 1.1.2015	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2015	**10 000**

As in 2015, the long-term financial assets consist of the 10% equity holding in waste incinerator company Renergia Zentralschweiz AG, Root, with which a supply agreement has been concluded for the provision of low-pressure steam from the incinerator to the Perlen paper factory.

17. Assets from employer contribution reserves and pension schemes

17.1 Pension schemes in Switzerland (582 working insurees)

Employer contribution reserve (ECR)	Nominal value	Appro-priation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
in CHF thousand	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2015	2016	2015
Pension schemes	10 884				10 884	10 750	–134	80
Total	**10 884**	**0**	**0**	**0**	**10 884**	**10 750**	**–134**	**80**

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 contribu- tions for the period	Pension scheme expense in personnel cost	
in CHF thousand	31.12.2016	31.12.2016	31.12.2015	31.12.2016	31.12.2016	2016	2015
CU Chemie Uetikon AG Pension Scheme	–	–			–	–	314
PVP Perlen	601				991	991	0
Pension schemes with funding surplus	**601**	**0**	**0**	**0**	**991**	**991**	**314**
CU Chemie Uetikon AG Pension Scheme					308	308	–
APP Perlen					2 041	2 041	0
APV Uetikon					554	554	587
Pension schemes without funding surplus/shortfall	**0**	**0**	**0**	**0**	**2 903**	**2 903**	**587**
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	5 767						
Perlen Group Assistance Fund	9 010	9 010	8 916	–94		–94	2 137
Employer's funds	**14 777**	**9 010**	**8 916**	**–94**	**0**	**–94**	**2 137**
Total	**15 378**	**9 010**	**8 916**	**–94**	**3 894**	**3 800**	**3 038**

A pension scheme is considered to have 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 2015 and was based on an actuarial interest rate of 3.0% and the actuarial foundations of BVG 2010. The conversion factor is currently 6.8%. 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 10.9 million (prior year: CHF 10.8 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 111% as of 31 December 2016 (prior-year actual average funding ratio: 110%).

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 6.9 million on 31 December 2016 (prior year: CHF 7.1 million).

The Perlen Group Assistance Fund, Perlen

The Perlen Group Assistance Fund is an employer's fund for all employees working at the CPH Group's Perlen site. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund can also be used to finance employer's contributions to the occupational pension schemes of the Group's Perlen-based companies. The Fund paid CHF 0 million to these schemes for such purposes in 2016 (prior year: CHF 3.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 11.2 million on 31 December 2016 (prior year: CHF 11.1 million).

As for 2015, economic interest was calculated based on freely disposable trust capital excluding fluctuation reserves.

17.2 Pension schemes outside Switzerland

Economic benefit/ economic obligation Pensions scheme expense	Funding surplus/ shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
in CHF thousand	31.12.2016	31.12.2016	31.12.2015	31.12.2016	31.12.2016	2016	2015
USA					450	450	176
Pension schemes without funding surplus/shortfall	**0**	**0**	**0**	**0**	**450**	**450**	**176**
USA	–1 135	–1 135	–1 032	103	406	509	826
Pension schemes with funding shortfall	**–1 135**	**–1 135**	**–1 032**	**103**	**406**	**509**	**826**
Total	**–1 135**	**–1 135**	**–1 032**	**103**	**856**	**959**	**1 002**

USA (108 insurees): In the USA the Group has one defined-contributions scheme and one defined-benefits scheme. Defined Contribution Plan 401 K is a purely contributions-based savings scheme that does not expose the company to any liability and has neither a surplus nor a shortfall. The defined-benefits scheme is the traditional form of pension scheme for all employees. The contributions are paid by the employer. The defined-benefits scheme currently has a funding shortfall of USD 1 117 000 (prior year: USD 1 032 000). The calculations were made using the Current Liability Method, under which no regard is paid to future salary increases or expected returns on investment. The defined-benefits plan was frozen on 1 January 2016. As a result, there will be no further increases in pension obligations to beneficiaries and no further admissions to the plan.

The Group's pension schemes in its other countries of operation 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	2016	2015
Pension scheme contributions from employer	3 894	856	4 750	1 506
Total contributions	**3 894**	**856**	**4 750**	**1 506**
+/– changes in ECR through asset trends, value adjustments etc.	–134		–134	80
Contributions and changes in employer contribution reserves	**3 760**	**856**	**4 616**	**1 586**
Decrease/Increase in company's economic benefit from funding surplus	–94		–94	2 137
Decrease/Increase in company's economic obligation towards funding shortfall		103	103	397
Change in economic impact on company of funding surplus/shortfall	**–94**	**103**	**9**	**2 534**
Pension scheme expenses as part of personnel cost for the period	**3 666**	**959**	**4 625**	**4 120**

18. Trade accounts payable

in CHF thousand	2016	2015
To third parties	53 004	46 673
To related parties and companies	81	27
Total	**53 085**	**46 700**

The increase in trade accounts payable is due to the acquisition of Jiangsu ALSIO Technology Co. Ltd. and to the Packaging Division's new Chinese manufacturing activities.

19. Other payables

in CHF thousand	2016	2015
To third parties	8 273	2 502
To related parties and companies	2	144
Total	**8 275**	**2 646**

The increase in 2016 stems from a downpayment on the sale of a plot of land in Perlen (see also Note 29.2).

20. Accrued liabilities and deferred income

in CHF thousand	2016	2015
Accrued interest expense	1 617	1 582
Income tax owed	3 035	1 154
Accrued personnel expenses	4 636	4 747
Other accrued liabilities and deferred income	7 162	6 147
Total	**16 450**	**13 630**

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.

21. Short-term financial liabilities

in CHF thousand	2016	2015
Towards third parties	6 922	6 760
– towards banks	*6 906*	*6 760*
– other	*16*	*0*
Towards related parties and companies	75	85
Total	**6 997**	**6 845**

This item showed no major changes from the previous year.

22. Short-term provisions

in CHF thousand	Restructuring provisions	Guarantee obligations	Other provisions	Income tax owed	Total short-term provisions
Opening balance on 1.1.2015	0	922	2 682	1 505	5 109
Currency impact on opening balance		–10	–12	–79	–101
Additions		394	326	381	1 101
Use		–362	–70	–600	–1 032
Releases/reclassifications		–16	–2 284	–1 197	–3 497
Currency impact on movements		1	–30	–10	–39
Closing balance on 31.12.2015		**929**	**612**	**0**	**1 541**
Opening balance on 1.1.2016	0	929	612	0	1 541
Currency impact on opening balance		–3			–3
Additions	10 951	192			11 143
Use	–3 672	–93	–326		–4 091
Releases/reclassifications	–560	–144	–286		–990
Currency impact on movements		1			1
Closing balance on 31.12.2016	**6 719**	**882**	**0**	**0**	**7 601**

The restructuring provisions relate to the closure of the Uetikon site (see Note 8 for details). They include provisions for the personnel affected, the closure and decommissioning of the production facilities, the rental back of the now-sold site and transfer costs.

23. Long-term financial liabilities

2016 in CHF thousand	Current +1 year	Current +2 years	Current +3 years	Current +4 years	Current +5 years	After +5 years	Total 2016
Long-term bank loans	2 046	3 000	3 000	4 072	3 000	10 462	25 580
Corporate bond [1]		120 000					120 000
Total	**2 046**	**123 000**	**3 000**	**4 072**	**3 000**	**10 462**	**145 580**

2015 in CHF thousand	Current +1 year	Current +2 years	Current +3 years	Current +4 years	Current +5 years	After +5 years	Total 2015
Long-term bank loans	976	553	1 087	0	3 905	0	6 521
Corporate bond [1]			120 000				120 000
Total	**976**	**553**	**121 087**	**0**	**3 905**	**0**	**126 521**

[1] unsecured bond, SIX Swiss Exchange “CPH14”, issued 10 July 2014

Financial liabilities for 2016

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan/current account credit	EUR	4 025	4 315	1.37	unlimited	
Current account credit	CHF		1 299	5.45	unlimited	
Current account credit	USD	1 000	1 016	5.81	unlimited	
Current account credit	CNY	2 000	292	5.44	unlimited	
Current account related party	CHF		75	1.25	unlimited	
Total			**6 997**			
Long-term financial liabilities						
Bank loan	EUR	389	417	2.80	30.6.2018	
Bank loan	EUR	120	129	2.85	30.9.2018	
Corporate bond	CHF		120 000	2.75	10.7.2019	
Industrial bond	USD	3 900	3 962	4.90	1.8.2021	
Bank loan	CHF		20 000	2.41	20.3.2023	1)
Bank loan	EUR	1 000	1 072	0.95	unlimited	
Total			**145 580**			
Total financial liabilities			**152 577**			

1) Repayment in steps; debt ratio max. 3.5 (until 30.6.2017), max. 3.25 (until 30.6.2018), max. 3.0 (until 30.6.2019), max. 2.5 (from 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. As of 31.12.2016 this condition was still being met.

Financial liabilities for 2015

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan/current account credit	EUR	4 010	4 361	1.57	unlimited	
Current account credit	CHF		1 399	3.89	unlimited	
Current account credit	USD	1 000	1 001	2.67	unlimited	
Current account related party	CHF		84	1.75	unlimited	
Total			**6 845**			
Long-term financial liabilities						
Bank loan	EUR	1 167	1 268	2.80	30.6.2018	
Bank loan	EUR	241	262	2.85	30.9.2018	
Corporate bond	CHF		120 000	2.75	10.7.2019	
Industrial bond	USD	3 900	3 904	2.25	1.08.2021	
Bank loan	EUR	1 000	1 087	1.21	unlimited	
Total			**126 521**			
Total financial liabilities			**133 366**			

24. Other long-term liabilities

The CHF 2.2 million decrease in this position in 2016 is due to the reclassification of a claim relating to the sale of a plot of land in Perlen to "Other liabilities" (see Note 19).

25. Long-term provisions

in CHF thousand	Major repairs and renovations	Environmental protection measures	Restructuring provisions	Other provisions	Deferred tax liabilities	Total long-term provisions
Opening balance on 1.1.2015	3 702	7 099	0	2 023	8 001	20 825
Currency impact on opening balance				–37	–567	–604
Additions				94	1	95
Use				–25		–25
Releases					–239	–239
Currency impact on movements				–8	–4	–12
Closing balance on 31.12.2015	**3 702**	**7 099**	**0**	**2 047**	**7 192**	**20 040**
Opening balance on 1.1.2016	3 702	7 099	0	2 047	7 192	20 040
Currency impact on opening balance				–6	–43	–49
Additions		32 160	500	356	37	33 053
Use						0
Releases				–225	–354	–579
Currency impact on movements					3	3
Closing balance on 31.12.2016	**3 702**	**39 259**	**500**	**2 172**	**6 835**	**52 468**

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

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

The restructuring provisions relate to the closure of the Uetikon site (for details see Note 8).

"Other provisions" consist mainly of provisions for agency agreements in the Paper and Packaging divisions.

26. Purchase of business activities

CPH Chemie + Papier Holding AG acquired 80% of the shares of Jiangsu ALSIO Technology Co. Ltd. on 1 March 2016. The balance-sheet assets and liabilities (at current market values) and net cash flow acquired on the purchase date are shown below.

in CHF thousand	2016	2015
Current assets	–11 172	0
Fixed assets	–7 404	0
Current liabilities	5 532	0
Long-term liabilities	0	0
Minority interests	2 609	0
Net assets acquired	**–10 434**	**0**
Cash and cash equivalents	4 137	0
Subtotal	**–6 297**	**0**
Goodwill including directly attributable cost	–12 181	0
Net cash flow	**–18 478**	**0**

27. Additional corporate governance information

27.1 Capital structure

	2016	2015
Share capital in CHF thousand	30 000	30 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	5	5
Market capitalization in CHF thousand	240 000	188 400

The registered shares of CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange in the Swiss Reporting Standard segment. The company's share capital amounts to CHF 30 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 5 each. The share capital was the subject of a 1:20 share split in 2015.

27.2 Shareholders' rights

	2016	2015
Share transfer restrictions	none	none
Voting right restrictions	none	none
Opting-out clause	yes	yes

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

27.3 Transactions with related parties and companies

As in the previous year, all transactions with related parties and companies in 2016 were conducted at market rates. The following transactions were effected for services rendered with companies associated with Board members: CHF 29 000 (prior year: CHF 48 000) with Weber Schaub & Partner, Zurich; CHF 85 000 (prior year: CHF 86 000) with Niederer Kraft & Frey AG, Zurich (Manuel Werder); CHF 76 000 (prior year: CHF 32 000) with UBV Immobilien Treuhand AG, Uetikon; and CHF 20 000 (prior year: CHF 0) with UBV Immobilien Treuhand Perlen AG, Root. There were no transactions with members of Group Executive Management or related parties in 2016 or 2015.

27.3.1 Shares held by members of the Board of Directors and Group Executive Management

Shares held by members of the Board of Directors (including related parties):

Number of shares	2016			
Name	Own	Related parties	2016	2015
Peter Schaub	3 600	400	4 000	5 400
Tim Talaat	9 140	30 260	39 400	39 400
Manuel Werder	14 400	42 820	57 220	57 220
Christian Wipf	400	0	400	400
Total	**27 540**	**73 480**	**101 020**	**102 420**

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

Name	2016	2015
Peter Schildknecht	200	200
Wolfgang Grimm	60	60
Richard Unterhuber (since 1.10.2016)	250	n.a.
Alois Waldburg-Zeil	400	400
Total	**910**	**660**

27.3.2 Significant shareholders and numbers of shares held

Name	2016	2015
J. Safra Sarasin Investmentfonds AG	300 250	301 000
Ella Schnorf-Schmid	429 320	429 320
Uetikon Industrieholding AG	2 999 800	2 999 800
Total	3 729 370	3 730 120

27.4 Auditor's remuneration and other fees

in CHF thousand	2016	2015
PricewaterhouseCoopers AG auditing fees	383	295
Other auditing fees	36	95
Other PricewaterhouseCoopers AG fees	166	163
Other auditing-related fees	0	0
Total	585	553

28. Net financial liabilities

in CHF thousand	2016	2015
Liquid funds and securities	70 387	53 191
Short-term financial receivables	91	0
Total liquid funds and financial receivables	70 478	53 191
Short-term financial liabilities to banks	6 922	6 761
Short-term financial liabilities to others	75	84
Total short-term financial liabilities	6 997	6 845
Corporate bonds	120 000	120 000
Long-term financial liabilities to banks	25 580	6 521
Total long-term financial liabilities	145 580	126 521
Net financial liabilities	82 099	80 175

29. Contingent liabilities and off-balance-sheet business

29.1 Contingent liabilities
As in the prior year, there were no guarantees towards third parties as of 31 December 2016.

29.2 Pledged assets

Real estate in Müllheim, Germany, with a book value of CHF 9.9 million (prior year: CHF 10.4 million) was subject to a CHF 6.0 million lien as of 31 December 2016 (prior year: CHF 6.1 million). Real estate of Jiangsu ALSIO Technology Co. Ltd. with a book value of CHF 2.7 million was subject to a CHF 2.6 million lien as of 31 December 2016.

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; and a further payment of CHF 3.6 million was made upon the entry into legal effect of the associated development plan. The balance of CHF 6.0 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 lien assignment was entered into the land register as security on the downpayment.

29.3 Derivative financial instruments and foreign-currency hedges

As in the prior year, no derivative financial instruments subject to balance sheet reporting were held as of 31 December 2016.

Open foreign-currency hedges as of 31 December 2016

in CHF thousand	2016				2015			
Instrument	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Forward foreign-exchange contracts	96 372	807	355	Cash flow hedge	94 914	0	518	Cash flow hedge

The open foreign-currency hedges are forward contracts in euros and US dollars designed to secure future cash flows.

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

30.1 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.

30.2 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.

30.3 Risk overview

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

30.4 Reporting

Reporting on the Group's risk management is effected on an annual basis, and extends to both strategic and operational risks. Exceptional events are reported immediately to the Board of Directors. With the risk management established, the Board of Directors is 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.

31. Earnings per share

Earnings per share are calculated by dividing the net result for the year by the average number of shares entitled to dividend issued, less any treasury shares. The company held an average of 2 323 treasury shares in 2016 (prior year: 2 316). Since no authorized or conditional capital is currently outstanding, diluted earnings per share are identical to the earnings per share amount.

	2016	2015
Net result as per consolidated income statement (in CHF thousand) after minorities	–7 905	–33 123
Weighted average number of shares entitled to dividend	5 997 677	5 997 684
Net result per share (in CHF)	–1.32	–5.52

32. Treasury shares

	2016			2015		
in CHF thousand	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	**2 712**	**58.75**	**160**	**1 920**	**60.25**	**116**
Purchased	22 317	35.71	797	13 588	41.78	568
Sold	23 095	34.38	795	12 796	40.96	524
Closing balance on 31.12.	**1 934**	**83.84**	**162**	**2 712**	**58.75**	**160**

The company held 1 934 treasury shares at the end of 2016 (prior year: 2 712 shares).

A total of 22 317 treasury shares were purchased on the SIX Swiss Exchange in the course of 2016 (prior year: 13 558 shares) at an average purchase price of CHF 35.71 (prior year: CHF 41.78). A total of 23 095 treasury shares were sold via the SIX Swiss Exchange in the course of 2016 (prior year: 12 796 shares) at an average sale price of CHF 34.38 (prior year: CHF 40.96).

33. Other long-term receivables

Other long-term receivables consist mainly of CHF 32.0 million receivable in the longer term from Canton Zurich (80% of the estimated CHF 40.0 million cost of cleaning up the adjacent lake bed) in connection with the sale of the Uetikon operating site (see Note 8).

34. Subsequent events

The Board of Directors approved these consolidated financial statements at its meeting of 10 February 2017.

List of major shareholdings

	Registered office	Currency	Capital in thousand	Consolidation in %	Consolidation method
Chemie Uetikon AG	Uetikon/CH	CHF	2 220	100	F

Consolidated chemistry companies:

Jiangsu ALSIO Technology Co. Ltd.	Lianyungang/CN	CNY	90 000	80	F
CU Deutero + Agro AG	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 LLC	Louisville/USA	USD	36 547	100	F
Zeochem d.o.o.	Zvornik/BA	BAM	2	100	F
Zeochem Pte. Ltd.	Singapore/SG	SGD	1	100	F

Consolidated paper companies:

Perlen Papier AG	Perlen/CH	CHF	81 000	100	F
Perlen Deutschland GmbH	Munich/D	EUR	100	100	F

Consolidated packaging companies:

Perlen Converting AG	Perlen/CH	CHF	4 000	100	F
Perlen Converting LLC	Whippany/USA	USD	1 000	100	F
ac-Folien GmbH	Müllheim/D	EUR	1 300	100	F
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	HKD	100	100	F
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN	USD	2 794	100	F

Consolidation method:
F = fully consolidated

Changes to the scope of consolidation:
Jiangsu ALSIO Technology Co. Ltd. was consolidated from 1 March 2016.
Zeochem d.o.o. was founded on 9 September 2016.
Zeochem Pte. Ltd. was reactivated on 31 October 2016.

The liquidation of CU Immobilien Lahr AG, Uetikon/CH, was finalized on 1 April 2016.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CPH Chemie + Papier Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 44 to 77).

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

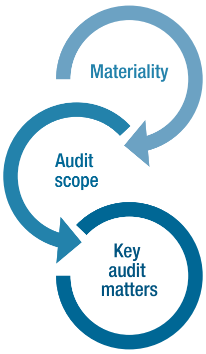
Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: CHF 4 500 000

We concluded full scope audit work at eight reporting units in four countries. Additionally, we concluded reviews of the group reporting package at a further two reporting units in two countries.

Our audit scope addressed 76% of net sales and 90% of the assets of the Group.

Additionally, individually defined audit procedures were concluded at one further reporting unit.

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

- Impairment testing of tangible fixed assets of Perlen Papier AG
- Restructuring of the Uetikon am See site
- Acquisition of a new subsidiary company, Jiangsu ALSIO Technology, China

Audit scope

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

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

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

Overall Group materiality	CHF 4 500 000
How we determined it	1% of net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is an appropriate benchmark given the current earnings situation of the Group. Furthermore, it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 225 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

Impairment testing of tangible fixed assets of Perlen Papier AG

Key audit matter

Plant and machinery must be up to date in order to achieve sales targets and meet technological demands. To ensure this is the case, Perlen Papier AG invested in a new paper machine, which went into operation in September 2010. Due to unfavourable developments in the market and, as a result, in profitability, Perlen Papier AG had to book an impairment charge in the 2013 financial year. The business environment remains challenging and the valuation of plant and machinery was again the subject of in-depth investigation in the year under review.

Please refer to note 4.1 in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

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

- We inspected the minutes of meetings of the Board of Directors and its committees.
- We identified potential indications of impairment.
- We discussed the impairment tests with Management and with the Finance Committee of the Board of Directors.
- We performed plausibility checks on the assumptions used by Management concerning sales trends, costs and margins.
- With the support of a PwC valuation specialist, we compared the discount rate with the cost of capital of the Group.
- We assessed and tested the mathematical correctness of the impairment tests, based on a DCF method, performed by Management.

The results of our audit support Management's chosen impairment testing method, the related assumptions and budget figures as well as the conclusions reached by Perlen Papier AG.

Restructuring of the Uetikon am See site

Key audit matter

In March 2016, the CPH Group announced the sale of the production site in Uetikon to the Canton of Zurich. The site comprises buildings for research and development, production and administration for the CPH Group's Chemistry Division. CPH will be able to continue production on the site and, to this end, it is leasing the production site from the Canton of Zurich for two years. At the same time, it is relocating the production activities.

In the 2016 consolidated financial statements, provisions were created for environmental risks and for restructuring costs. In addition, the residual value of the production plant in Uetikon am See affected by the sale of the site was written down.

The purchase price includes, as a deduction, a contribution from Chemie Uetikon AG towards the costs incurred in disposing of polluted earth and building materials in order to render the site fit for alternative use. The CPH Group is also contributing to the clean-up of the lakebed adjacent to the site. For this, the Canton retained part of the purchase price.

In these situations, there is an inherent risk that the provisions, residual value write-downs and restructuring costs recognised in the financial statements and the disclosures in the notes to the 2016 consolidated financial statements do not comply with Swiss GAAP FER requirements.

Please refer to note 8 in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures with regard to the restructuring of the Uetikon am See site:

- We inspected the minutes of meetings of the Board of Directors and its committees.
- We read the sale and lease agreement with the Canton of Zurich and the available investigation reports and studies.
- We re-performed the calculation done by Management to determine the amount of the provision.
- By reference to inspected documents and information obtained from Management, we assessed the appropriateness of the disclosed provisions and the write-downs of the residual values of plant and machinery.
- We checked whether the provisions, the costs for restructuring and for environmental risks and the residual value write-downs relating to the Uetikon am See site were disclosed in accordance with Swiss GAAP FER.

The results of our audit support the provisions, residual value write-downs and restructuring costs recognised by Management and the disclosures in the notes to the 2016 consolidated financial statements.

Acquisition of the group member company, Jiangsu ALSIO Technology, China

Key audit matter

CPH Chemie + Papier Holding AG has acquired 80% of the shares in Jiangsu ALSIO Technology Co. Ltd.

With an acquisition, there is an inherent risk that the financial reporting of the acquired entity does not comply with the Group's accounting principles or that the purchase price proves to be too high, if Management's expectations are not fulfilled, and therefore might give rise to the need for an impairment or write-down.

Further, on the acquisition of a company, there is a risk that warranty claims resulting from the purchase agreement might not be recognised and disclosed in the consolidated financial statements in accordance with the Swiss GAAP FER requirements.

Please refer to notes 14 and 26 in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures with regard to the acquisition of the new subsidiary company, Jiangsu ALSIO Technology, China:

- We checked whether the company's financial information included in the consolidated financial statements complied with the Group's accounting principles.
- We read the purchase agreement, inspected the minutes of meetings of the Board of Directors and its committees and interviewed Management about any warranty claims or potential impairments or write-downs.
- We checked whether the recognition and disclosure in the consolidated financial statements of the acquisition, and of any warranty claims or potential impairments or write-downs complied with the Swiss GAAP FER requirements.

Our audit results support Management's approach to the recognition and disclosure of the acquisition in the 2016 consolidated financial statements.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Illi	Marcel Aeberhard
Audit expert	Audit expert
Auditor in charge	

Zurich, 10 February 2017

Income statement

in CHF thousand	Note	2016	2015
Net revenue from sale of goods and services	**2.10**	**4 906**	**5 018**
Other income		359	359
Personnel expense		–2 727	–2 840
Other operating expense		–1 529	–1 465
Amortization/depreciation and impairment losses on non-current assets	2.11	–20 529	–30 103
Earnings before interest and taxes (EBIT)		**–19 520**	**–29 031**
Financial income		14 880	7 399
– Income from participations	*2.12*	*8 850*	*403*
– Interest income	*2.13*	*5 592*	*6 032*
– Book gains on securities held		*0*	*444*
– Other financial income	*2.14*	*438*	*520*
Financial expense		–3 721	–10 107
– Interest expense	*2.15*	*–3 301*	*–3 302*
– Book losses on securities held		*–3*	*–321*
– Other financial expense	*2.16*	*–417*	*–6 484*
Earnings before taxes and extraordinary items		**–8 361**	**–31 739**
Extraordinary, non-recurring or prior-period income	2.17	0	177
Extraordinary, non-recurring or prior-period expense		0	–4
Earnings before taxes (EBT)		**–8 361**	**–31 566**
Direct taxes		–10	593
Loss for the year		**–8 371**	**–30 973**

Balance sheet

in CHF thousand	Note	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.1	17 524	13 169
Other short-term receivables		5 103	5 549
– From third parties		*4 603*	*5 549*
– From group member companies		*500*	*0*
Prepaid expenses and accrued income		30	30
Total current assets		**22 657**	**18 748**
Financial assets		351 642	389 326
– Long-term receivables from group member companies	*2.2*	*351 642*	*389 326*
Participations	2.3	142 485	110 397
Property, plant and equipment		409	425
Total non-current assets		**494 536**	**500 148**
Total assets		**517 193**	**518 896**
Equity and liabilities			
Trade payables		108	154
– To third parties		*108*	*154*
Short-term interest-bearing liabilities		24	30
– Towards third parties	*2.4*	*24*	*30*
Other short-term liabilities		148	142
– Towards third parties		*73*	*48*
– Towards group member companies		*75*	*94*
Accrued expenses and deferred income	2.5	1 994	2 103
Short-term provisions		0	326
Total short-term liabilities		**2 274**	**2 755**
Long-term liabilities		130 750	120 000
– Corporate bond	*2.6*	*120 000*	*120 000*
– Towards group member companies		*10 750*	*0*
Total long-term liabilities		**130 750**	**120 000**
Total liabilities		**133 024**	**122 755**
Equity	2.7	30 000	30 000
Legal capital reserves	2.8	4 804	8 402
– Capital contribution reserve		*4 804*	*8 402*
Legal retained earnings		10 016	10 016
Voluntary retained earnings		347 882	379 151
Earnings available for distribution		–8 371	–31 268
– Balance brought forward from prior year		*0*	*–295*
– Loss for the year		*–8 371*	*–30 973*
Treasury shares	2.9	–162	–160
Total equity		**384 169**	**396 141**
Total equity and liabilities		**517 193**	**518 896**

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 major balance sheet items have been capitalized as described below.

No cash flow statement or certain additional notes

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

Financial assets and 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.

Acquisition of Jiangsu ALSIO Technology of China

CPH Chemie + Papier Holding AG acquired an 80% shareholding in Jiangsu ALSIO Technology Co. Ltd., China on 1 March 2016. Like Zeochem AG, ALSIO manufactures molecular sieves, and has been assigned to the Chemistry Division in operational terms.

Foreign currency positions

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

Foreign currency	2016 income statement	2016 balance sheet	2015 income statement	2015 balance sheet
EUR	1.0900	1.0720	1.0681	1.0874
USD	0.9850	1.0160	0.9625	1.0010

The balance sheet conversion rates are the rates that ruled on the balance sheet date of 31 December 2016, while the conversion rates used for the income statement are the average rates for 2016.

2. Notes on the financial statements

CPH Chemie + Papier Holding AG, Root

The company employed an average of six persons in full-time-equivalent terms in 2016 (prior year: six).

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

in CHF thousand	2016	2015
Cash and cash equivalents	17 482	13 125
Assets held for short-term disposal with a quoted market price	42	44
Total	**17 524**	**13 169**

2.2 Long-term receivables from group member companies

Long-term receivables from group member companies amounted to CHF 351.6 million for 2016, down CHF 37.7 million from the previous year. The decrease is due to the waiver of a CHF 20.0 million receivable from Perlen Converting AG (which was converted into an equity investment in the company) and a CHF 10.0 million subordination agreement with Zeochem AG. In addition, loans totalling CHF 7.7 million net were repaid by subsidiaries.

2.3 Participations

Name and legal form	Domicile	Remarks	Currency	Holding in 2016 Capital in thousand	Holding in 2016 Capital/Voting rights	Holding in 2015 Capital in thousand	Holding in 2015 Capital/Voting rights
Jiangsu ALSIO Technology Co. Ltd.	Lianyungang/CN	Purchased 1.3.2016	CNY	90 000	80%	–	–
Chemie Uetikon AG	Uetikon/CH		CHF	2 220	100%	2 220	100%
BioUetikon Ltd.	Dublin/IR	Liquidated on 18.11.2015	EUR	0	0%	0	0%
CU Immobilien Lahr AG	Uetikon/CH	Liquidated on 1.4.2016	CHF	0	0%	2 200	100%
Zeochem AG	Uetikon/CH		CHF	14 000	100%	14 000	100%
Zeowest AG	Uetikon/CH		CHF	1 000	100%	1 000	100%
Zeochem LLC	Louisville/USA		USD	36 547	100%	36 547	100%
Zeochem d.o.o.	Zvornik/BA	Established 9.9.2016	EUR	2	100%	–	–
CU Deutero + Agro AG	Uetikon/CH		CHF	550	100%	550	100%
Perlen Papier AG	Root/CH		CHF	81 000	100%	81 000	100%
Perlen Deutschland GmbH	Munich/D		EUR	100	100%	100	100%
Perlen France Sarl	Champigny/F	Liquidated on 17.7.2015	EUR	0	0%	0	0 %
Perlen Converting AG	Root/CH		CHF	4 000	100%	4 000	100%
ac-Folien GmbH	Müllheim/D		EUR	1 300	100%	1 300	100%
Perlen Converting LLC	Whippany/USA		USD	1 000	100%	1 000	100%
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK		HKD	100	100%	100	100%
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN		USD	2 794	100%	2 794	100%

While an impairment of CHF 10.3 million was effected to the holding in Perlen Papier AG, Perlen, the value of the holding in Perlen Converting AG was raised by CHF 20.0 million via a capital increase. The acquisition of ALSIO added a further CHF 22.6 million to raise the book value of the participations of CPH Chemie + Papier Holding AG by CHF 32.1 million. The equity development of the Group's subsidiaries in 2015 resulted in an impairment of CHF 0.6 million.

2.4 Liabilities towards pension schemes

As of 31 December 2016, liabilities towards pension schemes amounted to CHF 0.02 million (prior year: CHF 0.03 million).

2.5 Accrued expenses and deferred income

Accrued expenses and deferred income for 2016 includes CHF 1.6 million in accrued interest payable on the CHF 120 million 2.75% corporate bond (duration 10 July 2014 to 10 July 2019) (prior year: CHF 1.6 million) and accruals for employees' salary and vacation entitlements.

2.6 Long-term interest-bearing liabilities

Long-term interest-bearing liabilities amounted to CHF 120 million at the end of 2016 (prior year: CHF 120 million). They relate to the unsecured corporate bond issued on 10 July 2014 with a duration until 10 July 2019 and a coupon of 2.75%. The bond is listed on the SIX Swiss Exchange with the SIX designation CPH14. The remaining CHF 15.4 million of the previous UBS-led syndicated credit facility was repaid in May 2015.

2.7 Share capital

The company's share capital was subjected to a 1:20 share split on 10 April 2015. Following this, share capital now consists of 6 000 000 registered shares each of CHF 5 nominal value. Uetikon Industrieholding 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 27.3.1 of the Notes to the consolidated financial statements.

2.8 Legal capital reserves

The capital contribution reserve derives from a quasi-merger in 1998, and has been shown separately since 2011.

2.9 Treasury shares

CPH Chemie + Papier Holding AG held 1 934 treasury shares at the end of 2016 (prior year: 2 712 shares), at a purchase price of CHF 83.84 per share (prior year: CHF 58.75).

2.10 Net revenue from sale of goods and services

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

2.11 Amortization/depreciation and impairment losses on non-current assets

Negative equity at one subsidiary prompted a CHF 10.0 million (prior year: CHF 29.5 million) impairment to intercompany loans. Together with the CHF 10.5 million (prior year: CHF 0.6 million) impairment to participations, this resulted in a total impairment to non-current assets of CHF 20.5 million (prior year: CHF 30.1 million).

2.12 Income from participations

This item includes profit distributions by certain subsidiaries.

2.13 Interest income

Interest income stems predominantly from intercompany loans. As in the previous year, an interest rate of between 1% and 3% was applied in 2016.

2.14 Other financial income

This item includes income from securities and the positive net impact of currency movements on foreign currency amounts held. For 2016 it also includes a release of CHF 0.3 million of provisions effected in 2015 for the tax payments of CU Immobilien Lahr AG. The final such payment – of CHF 0.05 million – was made in 2016.

2.15 Interest expense

This item consists largely of the CHF 3.3 million (prior year: CHF 3.3 million) interest paid on the CHF 120 million 2.75% corporate bond (duration 10 July 2014 to 10 July 2019).

2.16 Other financial expense

Other financial expense for 2016 consists largely of the costs of currency hedges (CHF 0.24 million), currency losses on loans to subsidiaries in foreign currencies (CHF 0.05 million) and ordinary financial expense of CHF 0.13 million. Other financial expense for 2015 consisted mainly of the costs of currency hedges (CHF 5.6 million) and ordinary financial expense.

2.17 Extraordinary, non-recurring or prior-period income

Pension scheme contributions amounting to CHF 0.2 million were assumed by the CPH Group's employer's fund in 2015.

Guarantees to third parties

Contingent liabilities amount to CHF 28.9 million (prior year: CHF 28.9 million). These consist largely of guarantees by CPH Chemie + Papier Holding AG to Swiss banking institutions in respect of subsidiaries' credit limits and overdraft facilities.

Pledged assets

As in the prior year, no assets were pledged at the end of 2016.

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 0.04 million (prior year: CHF 0.05 million).

Leasing liabilities

The liabilities on leased vehicles amount to CHF 0.04 million (prior year: CHF 0.05 million).

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

The remuneration paid to members of the Board of Directors and Group Executive Management is detailed in the Remuneration Report on Pages 34 to 37.

Subordination agreements

Subordination agreements have been concluded between CPH Chemie + Papier Holding AG, Perlen and Zeochem AG, Uetikon (CHF 40.0 million; prior year CHF 30.0 million). In addition, CPH Chemie + Papier Holding AG has also issued a comfort letter to ensure the further going concern of Zeochem AG.

Subsequent events

None.

Recommendation on the appropriation of reserves

Movements in earnings available

in CHF thousand	2016	2015
Balance brought forward from prior year	–31 268	–295
Appropriation of reserves available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
Offsetting from voluntary retained earnings	31 268	0
Dividend to shareholders	–3 598	–3 898
Loss for the year	–8 371	–30 973
Release from capital contribution reserve	3 598	3 898
Earnings available at end of the year	**–8 371**	**–31 268**

Board's recommendation to shareholders on the appropriation of reserves

in CHF thousand	2016 Board's recommendation	2015 General Meeting's resolution
Earnings available	–8 371	–31 268
Release from capital contribution reserve	3 900	3 600
Dividend to shareholders	–3 900	–3 600
Release from voluntary retained earnings	8 371	31 268
Balance of earnings to be carried forward	**0**	**0**

Report on the audit of the financial statements

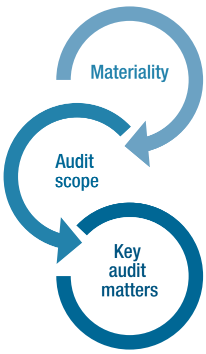
Opinion
We have audited the financial statements of CPH Chemie + Papier Holding AG, which comprise the income statement as at 31 December 2016, balance sheet as at 31 December 2016 and notes, including a summary of significant accounting policies (pages 82 to 87).

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

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

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

Our audit approach
Overview



Overall materiality: CHF 4 500 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

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

Valuation of long-term receivables from group companies and of participations

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

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

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

Overall materiality	CHF 4 500 000
How we determined it	0.9% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark for determining materiality. Total assets is a generally accepted benchmark for materiality considerations with regard to a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 225 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of long-term receivables from group companies and of participations

Key audit matter	How our audit addressed the key audit matter
We consider impairment testing of long-term receivables from group companies and of participations in group companies as a key audit matter; these items are disclosed on the balance sheet in the amounts of CHF 351.6 million and CHF 142.5 million, respectively. The valuation of long-term receivables from group companies and of participations in group companies depends on the financial substance and profitability of the subsidiaries. Hence, there is a risk that write-downs could be necessary if Management's expectations are not met. Please refer to notes 2.2, 2.3 and 2.11 in the notes to the financial statements.	We performed the following audit procedures with regard to the valuation of long-term receivables from group companies and of participations in group companies: – For long-term receivables from group companies, we tested the recoverability of the recognised amounts by comparing them with the debtor's net assets at Swiss GAAP FER book values. – For significant participations in group companies, we tested the valuation of the investment either on the basis of the net assets at Swiss GAAP FER book values or, where necessary, on the basis of Management's estimates of capitalised earnings. – In addition, we tested whether appropriate provisions or impairments were recognised in the case of any letters of comfort or subordination agreements. Our audit supports the amounts recognised by Management with regard to long-term receivables from group companies and participations in group companies.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Thomas Illi Audit expert Auditor in charge	Marcel Aeberhard Audit expert

Zurich, 10 February 2017

Addresses

Holding company
CPH Chemie + Papier Holding AG, Perlenring 1, CH-6035 Perlen
Phone +41 41 455 8000, www.cph.ch

Chemistry
Zeochem AG, Seestrasse 108, CH-8707 Uetikon
Phone +41 44 922 9393, www.zeochem.ch
CU Deutero + Agro AG, Seestrasse 108, CH-8707 Uetikon
Phone +41 44 922 9111, www.uetikon.ch
Chemie Uetikon AG, Seestrasse 108, CH-8707 Uetikon
Phone +41 44 922 9111, www.uetikon.ch
Zeochem L.L.C., 1600 West Hill Street, P.O. Box 35 940, Louisville, KY 40232, USA
Phone +1 502 634 7600, www.zeochem.com
Zeochem Pte. Ltd., 16 Collyer Quay, #17-00 Income At Raffles, Singapore 049318
Phone +65 8128 3555, www.zeochem.com
Jiangsu ALSIO Technology Co. Ltd., Jingdu Rd., Donghai County, Lianyungang City, Jiangsu Province, China 222300
Phone +86 21 5855 5516, www.alsiotech.com

Paper
Perlen Papier AG, Perlenring 1, CH-6035 Perlen
Phone +41 41 455 8000, www.perlen.ch
Perlen Deutschland GmbH, Liegnitzerstrasse 6, D-82194 Gröbenzell
Phone +49 8142 30525-00, www.perlen.ch

Packaging
Perlen Converting AG, Perlenring 3, CH-6035 Perlen
Phone +41 41 455 8800, www.perlenpackaging.com
ac-Folien GmbH, Neuenburger Strasse 9, D-79379 Müllheim
Phone +49 7631 803 0, www.perlenpackaging.com
Perlen Converting L.L.C., 135 Algonquin Parkway, Whippany, NJ 07981, USA
Phone +1 973 887 0257, www.perlenpackaging.com
Perlen Packaging (Hong Kong) Ltd., Room 904, 9/Fl., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong
Perlen Packaging (Suzhou) Co. Ltd., 828 Caizi Road, Wujiang Economic and Technological Development Zone,
Suzhou City, Jiangsu Province, China 215200
Phone +86 512 6395 6778, www.perlenpackaging.com

Real estate
UBV Immobilien Treuhand Perlen AG, Perlenring 1, CH-6035 Perlen
Phone +41 41 455 8950, www.perlen-immobilien.ch

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

This Annual Report is also available in the original German.