

## Chemistry and Packaging on track; Paper under pressure

**The CPH Group raised its first-half net sales by 5.1% in 2021 to CHF 243.7 million. The Chemistry and the Packaging divisions performed on-track, while the Paper Division felt the impact of higher raw materials costs. Group EBIT declined as expected to CHF 5.7 million. The first-half net result amounted to CHF 5.9 million.**

The restrictions imposed in response to the coronavirus pandemic were gradually eased in many countries in the first half of 2021, and economies showed some signs of recovery. CPH's Chemistry Division benefited from customers' action backlogs and saw high order volumes for various product lines, especially the molecular sieves used in oxygen concentration. The impact on the Packaging Division was more mixed. Demand for its products declined in western countries, where pharmaceuticals manufacturers had built up stocks in 2020 and were more restrained in their new order placements. At the same time, the extensive mask-wearing requirements prompted declines in the prevalence of other viral infections such as colds and influenza, which in turn substantially depressed the sales volumes of over-the-counter self-medication products. Both trends were more than offset, however, through double-digit percentage net sales growth in Latin America and Asia. The Paper Division sold higher volumes of its products than it had in the first half of 2020, when the pandemic and its repercussions had kept its paper machines idle for extended periods. But with paper prices simultaneously declining as a result of growing overcapacities, first-half net sales were below their prior-year level, despite the higher sales volumes. Group net sales for the first half of 2021 totalled CHF 243.7 million, an increase of 5.1% on the prior-year period, or of 5.7% excluding currency factors.

The increase in demand – steep in some cases – led to delivery short-ages of certain raw materials and massive hikes in their prices. Many of the plastics used in the Packaging Division were in short supply, and their prices rose dramatically. The cost increases could only be passed on to the markets with some delay, and margins were pressured accordingly. Recovered paper is the key raw material for the Paper Division. But the declines in the production volumes of graphic printing paper during the pandemic reduced the amounts of waste paper collected. The resulting lower recovered paper volumes coincided in spring with a pick-up in demand for newsprint and magazine paper. The situation was exacerbated by a high demand for the mixed paper used by the cardboard industry for packagings for the booming online sales segment. Recovered paper prices rose accordingly, and first-half earnings for the Paper Division were negative as expected.

Group EBIT for the first-half period declined 67.8% to CHF 5.7 million. The net result amounted to CHF 5.9 million, which is around one-third of its prior-year level (excluding prior-year extraordinary income of CHF 12.0 million).

Cash flow for the first-half period decreased accordingly, declining 43.8% to CHF 15.4 million. With a balance sheet equity ratio of 65%, the CPH Group remains in sound financial health, with liquid funds of CHF 113.2 million.

To protect its many employees who are involved in production at its various sites and thus cannot work temporarily from home, the CPH Group has developed and consistently applies hygiene and protection concepts to prevent coronavirus infection. At the Group's Perlen site, several hundred employees participated in a pilot scheme by Canton Lucerne in spring under which weekly mass COVID testing was conducted throughout the operation. The Perlen operation played a further pioneering role in June by offering on-site COVID vaccinations.

**Full-year outlook** – Should the coronavirus pandemic be effectively contained through the current vaccination programmes, economies are likely to show further positive developments in the rest of 2021 in many parts of the world. On the expenditure side, high raw materials costs (especially for recovered paper) must continue to be expected, and can only be partially passed on to the markets concerned. The CPH Group is confident of achieving increased net sales for 2021 as a whole. As already announced in February, however, the annual EBIT result is likely to be substantially below its prior-year level. Based on current knowledge, though, the Group still expects to report a marginally positive net result for the year.

Perlen, 21 July 2021

Peter Schaub  
Chairman of the Board of Directors

Dr. Peter Schildknecht  
Group CEO

1.01.–30.06. in CHF thousand	2021	2020	Change (%)
Net sales	243 681	231 752	5.1
EBITDA	19 976	33 516	–40.4
in % of net sales	8.2	14.5	
EBIT	5 736	17 800	–67.8
in % of net sales	2.4	7.7	
Earnings before taxes and non-operating/ extraordinary items	4 223	15 365	–72.5
in % of net sales	1.7	6.6	
Net result (including minorities)	5 898	27 152	–78.3
in % of net sales	2.4	11.7	
Earnings per share (CHF)	0.97	4.56	–78.7
Cash flow	15 448	27 467	–43.8
in % of net sales	6.3	11.9	
Number of employees	1 101	1 095	0.5

## CHEMISTRY

## Substantially increased profitability

With the easing of actions taken in response to the coronavirus pandemic, the global economy began to pick up again – and with it the orders for the products of CPH's Chemistry Division. The sales of the lithium-based molecular sieves which are used to concentrate medical oxygen and in the production of industrial oxygen saw a particular surge. In these applications the division has developed a leading market position through its innovative product range. The division's sales of molecular sieve powders and of special products also showed encouraging trends. Only the deliveries to the energy industry have not yet returned to their pre-pandemic levels. Production facilities were well utilized at all operating sites. Order volumes reached record new highs, and the net first-half sales of CHF 47.5 million were 31.1% up on the prior-year period (or 36.7% up excluding currency factors). The availability of raw materials was predominantly good, though earnings were depressed by higher transport costs. First-half EBIT was almost tripled from its 2020 level, with an EBIT margin of 15.7%.

**Full-year outlook** – The rest of 2021 is likely to see an end to the current catch-up effect, and demand should return to normal levels. To meet the growing need for lithium-based products and molecular sieve powders, investments will be made in expanding capacities at the Louisville and Zvornik sites. The division expects to post higher net sales and a double-digit EBIT margin for 2021 as a whole.

01.01.–30.06. in CHF thousand	2021	2020	Change (%)
Net sales	47 469	36 198	31.1
EBITDA	9 887	4 954	99.6
in % of net sales	20.8	13.7	
EBIT	7 442	2 521	195.2
in % of net sales	15.7	7.0	
Number of employees	289	283	2.1

## PAPER

## In thrall to recovered paper prices

The demand for graphic printing paper declined by 12–15% in Western Europe in the first six months of 2021. Alongside structural factors, the restrictions imposed to counter the coronavirus pandemic continued to play their part. Compared to the prior-year period, when the demand for paper had slumped as a result of the lockdowns ordered, the division's paper machines were better utilized, and this in turn enabled higher product volumes to be sold. But with paper prices declining further from their 2020 levels, the net sales for the period of CHF 105.4 million still represented a 3.2% year-on-year decline (or a 3.1% decline excluding currency factors). The division also generated other operating income of CHF 12.8 million, largely through the sale of carbon emission certificates. The pick-up in demand coincided with a shortage of recovered paper, the division's prime raw material. This was partly due to growing demand from the cardboard industry for mixed waste paper from which to make packagings for the online sales segment. As a result, recovered paper prices rose to historically high levels. Despite optimizations and cost-saving actions, EBIT for the period declined to CHF –10.1 million.

**Full-year outlook** – Some 3.3 million tonnes of graphic printing paper production capacity will have been removed from the market in 2020 and 2021 through intensified predatory competition. In view of this, paper prices might be raised again in the second-half period. Such increases will not be sufficient, however, to offset the rising recovered paper prices. The division thus expects to post slightly higher net sales but a clearly negative EBIT result for the full year.

1.01.–30.06. in CHF thousand	2021	2020	Change (%)
Net sales	105 397	108 845	–3.2
EBITDA	–1 536	12 493	n.a.
in % of net sales	–1.5	11.5	
EBIT	–10 134	2 323	n.a.
in % of net sales	–9.6	2.1	
Number of employees	359	364	–1.4

## PACKAGING

## Focus on Latin America and Asia

While demand in Europe for pharmaceutical packagings had rocketed in first half of 2020 owing to the coronavirus pandemic, it showed a slight decline in the period under review. One of the reasons for this was the absence of the usual seasonal flu because of the protective actions taken to stop the coronavirus spread, which translated into lower demand for medicines from pharmacies. The slight year-on-year declines in sales volumes in Europe and North America were more than offset, however, by double-digit percentage sales growth in Latin America and Asia, though this overseas business was increasingly adversely impacted by steep rises in transport costs. The division-wide net sales for the period of CHF 90.8 million were 4.7% up on the first half of 2020, or a 3.8% improvement excluding currency factors. In addition to transport costs, sizeable increases were also seen in the prices of key raw materials such as PVC. The price of numerous raw materials has risen to historically high levels in the past few months. First-half EBIT margin declined to 9.3%, because the higher costs incurred can only be passed onto the markets with a certain delay.

**Full-year outlook** – The division is further adjusting its prices in response to its higher costs, and is intensifying the expansion of its markets overseas, including the provision of a new coating plant in Brazil which should open in the second quarter of 2022. Given the factors cited, the division expects to report a slight increase in net sales for 2021 as a whole and an EBIT margin below its prior-year level.

1.01.–30.06. in CHF thousand	2021	2020	Change (%)
Net sales	90 815	86 709	4.7
EBITDA	11 549	16 140	–28.4
in % of net sales	12.7	18.6	
EBIT	8 419	13 045	–35.5
in % of net sales	9.3	15.0	
Number of employees	446	442	0.9

## Consolidated income statement

01.01.–30.06. in CHF thousand	2021	2020
Net sales	243 681	231 752
Changes to semi-finished, finished inventories/ other operating income/goods, services on own account	11 726	1 854
Total income	255 407	233 606
Cost of materials and energy cost	-168 404	-133 092
Personal cost and other operating expenses	-67 027	-66 998
Earnings before interest, taxes, depreciation and amortization (EBITDA)	19 976	33 516
Depreciation and value adjustments	-14 240	-15 716
Earnings before interest and taxes (EBIT)	5 736	17 800
Financial result	-1 513	-2 435
Earnings before taxes and non-operating/ extraordinary items	4 223	15 365
Non-operating result	3 111	2 019
Extraordinary result	0	12 000
Earnings before taxes	7 334	29 384
Income tax	-1 436	-2 232
Net result	5 898	27 152
– attributable to shareholders of CPH AG	5 831	27 359
– attributable to minorities	67	-207
Earnings per share (CHF)	0.97	4.56

## Consolidated cash flow statement

01.01.–30.06. in CHF thousand	2021	2020
Net result for the period (including minorities)	5 898	27 152
Depreciation, further non-cash income/expense	9 550	315
Cash flow	15 448	27 467
Changes in net current assets	35	2 937
Cash flow from operating activities	15 483	30 404
Cash flow from investment activities	-6 807	-7 532
Free cash flow	8 676	22 872
Financial liabilities/other long-term liabilities	-1 060	-2 726
Dividends/Repayment of reduction in nominal value	-10 798	-10 798
Cash flow from financing activities	-11 858	-13 524
Currency translation effects	144	534
Net change in cash and cash equivalents	-3 038	9 882
Cash and cash equivalents 1.1.	116 265	93 096
Cash and cash equivalents 30.6.	113 227	102 978

## Consolidated balance sheet

in CHF thousand	30.06.2021	in %	31.12.2020	in %
Cash and cash equivalents	113 227	16	116 265	17
Other current assets	183 444	24	155 075	22
Fixed assets	425 457	59	432 893	61
Total assets	722 128	100	704 233	100
Current liabilities	115 458	16	89 561	13
Long-term liabilities	135 083	19	142 805	20
Total equity including minorities	471 587	65	471 867	67
Total equity and liabilities	722 128	100	704 233	100
Net financial liabilities	1 647		1 549	
Net debt ratio	0.0		0.0	

## Consolidated equity

in CHF thousand	30.06.2021	31.12.2020
Share capital	1 200	1 200
Capital reserves	7	4 150
Treasury shares	0	-27
Goodwill	-63 021	-63 021
Retained earnings	532 114	528 414
Equity excluding minorities	470 300	470 716
Minorities	1 287	1 151
Equity including minorities	471 587	471 867

## Income statement by division

01.01.–30.06. in CHF thousand	Chemistry		Paper		Packaging		Other/consolidation		CPH Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	47 469	36 198	105 397	108 845	90 815	86 709			243 681	231 752
EBITDA	9 887	4 954	-1 536	12 493	11 549	16 140	76	-71	19 976	33 516
in % of net sales	20.8	13.7	-1.5	11.5	12.7	18.6			8.2	14.5
EBIT	7 442	2 521	-10 134	2 323	8 419	13 045	9	-89	5 736	17 800
in % of net sales	15.7	7.0	-9.6	2.1	9.3	15.0			2.4	7.7

# Notes

## Foreign currency translation

Positions in foreign currencies were translated at the following rates:

Balance sheets: period-end rates	30.06.2021	31.12.2020
EUR	1.096	1.082
USD	0.924	0.884
CNY (CHF per 100 CNY)	14.31	13.52

  

Income/cash flow statements: average rates	30.06.2021	30.06.2020
EUR	1.095	1.064
USD	0.908	0.966
CNY (CHF per 100 CNY)	14.04	13.73

## Key management assessments

In compiling the first-half consolidated financial statements, estimates and assumptions are made that may have an impact on the accounting principles to be applied and on the assets and liabilities presented and the income and expenditure reported. Some possible impacts were considered more extensively in the prior-year statements in view of the coronavirus crisis. On the basis of these, the Board of Directors and Group Executive Management have studied various scenarios, and have found no limitation to the Group's ability to remain a going concern. The situation will continue to be closely monitored in 2021.

## Valuation of production facilities

The calculations for possible impairments to assets of the Paper Division as of 30 June 2021 confirmed the present valuations of the assets concerned.

## Long-term provisions

The CPH Group gained no new knowledge with regard to long-term provisions in the first half of 2021. These provisions thus remain broadly unchanged from those shown in the 2020 annual financial statements. In the first half of 2020, the provisions made for the lake bed clean-up at the former Uetikon site were reduced by CHF 12.0 million on the basis of new estimates of the costs involved, with the amount taken to the income statement as extraordinary income.

## Other operating income

Other operating income totalled CHF 14.8 million for the first half of 2021 (compared to CHF 2.4 million for the prior-year period). It consisted primarily of income from the sales of carbon emission certificates (CHF 11.6 million; prior-year period CHF 0.0 million). These certificates had been issued free of charge by the Swiss Federal Office for the Environment in prior accounting periods, and had thus been reported to date under intangible assets at their zero acquisition cost. Further other operating income derived from energy sales, state subsidies, the renting-out of operational premises and the sales of production waste.

## Non-operating result

The CHF 3.1 million (prior year: CHF 2.0 million) non-operating result contains income and expenditure relating to real estate in Uetikon, Buchrain and Full-Reuenthal which is not required for business operations.

## Changes in the scope of consolidation

CPH Immobilien AG was founded on 29 April 2021. It acquired UBV Immobilien Treuhand Perlen AG with the merger of Uetikon Industrieholding AG into CPH Chemie + Papier Holding AG on 11 June 2021.

## Merger with main shareholder Uetikon Industrieholding AG

CPH Chemie + Papier Holding AG acquired Uetikon Industrieholding AG, which had previously been its main shareholder with 49.99% of shares, via a merger by absorption on 11 June 2021. The transaction saw the previous shareholders of Uetikon Industrieholding AG acquire commensurate shareholdings in CPH Chemie + Papier Holding AG, giving them a direct holding in CPH. In the course of the merger transaction, further assets and liabilities amounting to CHF 0.2 million net were acquired for a payment of CHF 0.2 million. As of 30 June 2021, the significant shareholders of CPH Chemie + Papier Holding AG consisted of the Ella Schnorf-Schmid estate (with 17.6% of shares), Swiss Industrial Finance AG (with 14.8% of shares) and J. Safra Sarasin Investmentfonds AG (with 5.0% of shares). The two anchor shareholders of the Ella Schnorf-Schmid estate and Swiss Industrial Finance AG have concluded a shareholders' agreement to ensure a stable shareholder base that accounts for 32.4% of all shares.

## Subsequent events

No significant events have occurred since the balance-sheet date.

## Compliance with Swiss GAAP ARR 31

The present Half-Year Report is an unaudited interim report as defined in Swiss GAAP ARR 31, which permits an abridged presentation and disclosure compared to annual accounting requirements. All the presentations and calculations have been effected with due and full regard to the Consistency Principle.

## Future-oriented statements

This Half-Year Report contains forward-looking statements. These reflect the management's current assessment of market conditions and future events and developments, and are thus subject to certain risks, uncertainties and assumptions. Unforeseen events can result in actual developments deviating from the statements made in this report and from other published information. To this extent, all the forward-looking statements contained in this report are made with this proviso.

# Agenda

## 15 September 2021

Investora Swiss share conference

## 3–4 November 2021

ZKB Equity Conference 2021 in Zurich

## 12 January 2022

Baader Helvea Equity Conference in Bad Ragaz

## 22 February 2022

Annual Results Media Conference and Investors' Meeting in Perlen

## 17 March 2022

Annual General Meeting in Lucerne

# Investor Relations contact

Richard Unterhuber, CFO

CPH Chemie + Papier Holding AG

CH-6035 Perlen

Phone +41 41 455 8000, investor.relations@cph.ch