CPH GROUP

Encouraging results in all business divisions

The CPH Group generated net sales of CHF 267.5 million in the first six months of 2019, up 1.3% on the prior-year period. All three business divisions reported encouraging operating results. Group first-half EBIT was raised 15.0% to CHF 32.0 million, and the net group result for the period amounted to CHF 27.2 million.

The first six months of 2019 saw challenging business conditions. The trade dispute between the USA and China and continuing Brexit uncertainties in Europe both contributed to a cooling of economies worldwide. The slower pace of growth in its sales markets was also felt by the CPH Group, whose net sales for the period of CHF 267.5 million were 1.3% above their prior-year level. On the positive side, order books were full and plant and equipment remained well utilized, with some production facilities continuing to operate at their full capacity. Adjusted for currency factors, the net sales growth for the period amounted to 2.1%.

With sales price increases outpacing the rises in materials costs, group first-half earnings before interest and taxes (EBIT) showed a disproportionately high 15.0% increase to CHF 32.0 million. The resulting EBIT margin of 12.0% is the highest ever recorded by CPH since its listing on the Swiss stock exchange in 2001. The net result for the period was raised 20.1% to CHF 27.2 million and cash flow increased 26.7% to CHF 42.3 million. As of 30 June 2019 the CPH Group held liquid funds of CHF 95.5 million and a time deposit of CHF 100 million deriving from the bond issue of autumn 2018. The balance sheet equity ratio was raised back towards 60% following the repayment of the CHF 120 million bond on 10 July 2019. Personnel numbers increased slightly during the first-half period, and stood at 1 092 employees at the end of June.

The Chemistry Division benefited from continued strong demand for the molecular sieves used to purify natural gas and ethanol and to produce concentrated oxygen. The deuterated compounds segment, which had relocated to its new Rüti site at the end of 2018, showed very favourable trends: in addition to its traditional analysis applications, the business made new inroads into the attractive OLED screen market. Having concluded its strategic realignment, the Chemistry Division focused on expanding its marketing activities. EBIT for the period was slightly below its prior-year level, however, because higher volumes of other operating income had been recorded in January-to-June 2018.

On the Paper Division front, supply and demand for newsprint and magazine paper were virtually equal at the beginning of 2019, permitting further increases in paper prices. Renewed overcapacities developed worldwide, however, in the course of the first-half period. The reasons for this lie in the continued structural decline in the demand for such paper products. The Paper Division maintained its first-half net sales at their previous level, and was able to further raise its EBIT for the period through a combination of higher prices and effective cost management. The pressure on prices in the European paper market is intensifying, however, for the second half of 2019 as a result of the growing industry overcapacities.

With its new finishing and logistics centre in Brazil, the Packaging Division has substantially improved its market position and achieved an above-average increase in its sales in the Latin American market. Elsewhere, the Suzhou coatings plant now holds the requisite product licences for China, which enables the operation to supply blister films directly to the key Chinese market. The Packaging Division's European markets saw only modest growth in the first-half period. Despite this, the division still achieved a new record net sales result. And with another increase in the proportions of high-value products sold, the division's EBIT margin was also further improved in the first-half period.

Full-year outlook – The CPH Group expects to see a substantial slowdown in economic growth for 2019 as a whole, and reaffirms the prediction of its business development which it issued at the beginning of this year. Provided currency rates remain largely stable in the second six months, the Group should report full-year net sales, EBIT margin and net profit results for 2019 that are around their prior-year levels.

Perlen, 19 July 2019

Peter Schaub	Dr. Peter Schildknecht
Chairman of the Board of Directors	Group CEO

in CHF thousand	First half 2019	First half 2018	Change (%)
Net sales	267 453	264 071	1.3
EBITDA	47 795	43 326	10.3
in % of net sales	17.9	16.4	
EBIT	31 998	27 821	15.0
in % of net sales	12.0	10.5	
Earnings before taxes and non-operating items	28 455	25 485	11.7
in % of net sales	10.6	9.7	
Net result (incl. minorities)	27 199	22 640	20.1
in % of net sales	10.2	8.6	
Earnings per share (CHF)	4.52	3.80	19.0
Cash flow	42 344	33 425	26.7
in % of net sales	15.8	12.7	
Number of employees	1 092	1 055	3.5

CHEMISTRY

Production facilities well utilized

Having completed its repositioning, the Chemistry Division was able to refocus its energies on its business operations in the 2019 first-half period. The division expanded its marketing and extended its distribution network in Brazil, Bahrain and the Czech Republic. Demand was high for molecular sieves used to purify natural gas and ethanol and to produce concentrated oxygen, for gels and for deuterated compounds, and the division's manufacturing facilities were generally well utilized. The trade dispute between the USA and China did, however, dampen both the general economic mood and the flows of goods between the two major powers. The Chemistry Division raised its first-half net sales to CHF 39.7 million – a 6.3% increase on the prior-year period, or 4.9% excluding currency factors. EBIT for the period did not keep pace: the CHF 3.1 million reported was down on January-to-June 2018, largely because of the higher volume of other operating income in the prior-year result. EBIT margin for the period amounted to 7.8%.

Full-year outlook – While the economic prospects have darkened somewhat, the currently encouraging order book volumes suggest that the division's production facilities will remain well utilized. The division expects to report net sales growth for 2019 as a whole and an EBIT margin that is broadly in line with its prior-year level.

in CHF thousand	First half 2019	First half 2018	Change (%)
Net sales	39 689	37 320	6.3
EBITDA	5 642	5 503	2.5
in % of net sales	14.2	14.7	
EBIT	3 077	3 437	–10.5
in % of net sales	7.8	9.2	
Number of employees	306	286	7.0

PAPER

Operating margin raised again

The demand for wood-based graphic printing paper fell again in Europe in the first-half period. The decline was particularly steep in the magazine paper market. The trend is attributable to economic factors and falling advertising volumes, as well as to the continuing digitalization of the media landscape. Various manufacturers announced capacity reductions in their magazine paper production totalling 750 000 tonnes, though these will only have their effect in the coming months. No actions to realign capacity to the lower demand have been communicated for the newsprint segment. With supply and demand broadly balanced at the turn of the year, some paper price increases were possible in early 2019. This had a positive impact on business trends. The division's net sales for the first-half period of CHF 146.9 million were a 0.8% decline, or 0.6% excluding currency factors. But the CHF 19.0 million EBIT for the first half-year was a 28.0% improvement on the prior-year period, as the division took further action to raise productivity and reduce costs. EBIT margin for the period was improved to 12.9%.

Full-year outlook – European market demand for newsprint and magazine paper will further decline in the second half of 2019, and more paper supplies will be available as a result of the industry overcapacities. Pricing pressures will increase accordingly. The Paper Division expects to post net sales and an EBIT margin for 2019 as a whole that are in line with their 2018 levels.

in CHF thousand	First half 2019	First half 2018	Change (%)
Net sales	146 921	148 088	–0.8
EBITDA	28 964	25 255	14.7
in % of net sales	19.7	17.1	
EBIT	18 974	14 821	28.0
in % of net sales	12.9	10.0	
Number of employees	369	360	2.5

PACKAGING

Product licences for China obtained

The growth in the pharmaceuticals markets weakened in the first six months of 2019. Growth rates for the Packaging Division's prime European market were as low as around one per cent. Demand for blister films for use in medicinal packagings declined accordingly. Growth in the Asian markets was also below its prior-year levels. The Suzhou production plant has now obtained the product licences required from the local regulatory authorities. The requisite capacities are also available, so work can now begin in earnest on developing the new China business. The new finishing and logistics centre in Brazil has been in operation since last autumn, and is setting new GMP standards for the Latin American continent. The positive effects here were clearly reflected in first-half results for the region, with net sales witnessing double-digit percentage growth. The division as a whole increased its first-half net sales by 2.8% to a total of CHF 80.8 million – a new sales record. Year-on-year net sales growth amounted to 5.9% excluding currency factors. Despite a slight increase in raw materials prices, first-half EBIT was improved by as much as 4.4% to CHF 10.1 million, thanks to a continued shift in the product mix towards high-value items. As a result, EBIT margin saw a further improvement to 12.4%.

Full-year outlook – The uncertainties over new trade barriers and current economic risks may well have their impact on the pharmaceuticals markets in the second half of the year. The Packaging Division expects to report a slight increase in net sales for 2019 as a whole, and an EBIT margin that is at or around its prior-year level.

in CHF thousand	First half 2019	First half 2018	Change (%)
Net sales	80 843	78 663	2.8
EBITDA	13 286	12 626	5.2
in % of net sales	16.4	16.1	
EBIT	10 062	9 639	4.4
in % of net sales	12.4	12.3	
Number of employees	411	402	2.2

Consolidated income statement

in CHF thousand	First half 2019	First half 2018
Net sales	267 453	264 071
Changes to semi-finished and finished inventories/ other operating income/goods and services on own account	15 469	10 052
Total income	282 922	274 123
Operating expense	–235 127	–230 797
Earnings before interest, taxes, depreciation and amortization (EBITDA)	47 795	43 326
Depreciation and value adjustments	–15 797	–15 505
Earnings before interest and taxes (EBIT)	31 998	27 821
Financial result	–3 543	–2 336
Earnings before taxes and non-operating items	28 455	25 485
Non-operating result	500	–153
Extraordinary result	0	0
Earnings before taxes	28 955	25 332
Income tax	–1 756	–2 692
Net result	27 199	22 640
– attributable to shareholders of CPH AG	27 092	22 776
– attributable to minorities	107	–136
Earnings per share (CHF)	4.52	3.80

Consolidated cash flow statement

in CHF thousand	First half 2019	First half 2018
Net result for the period (including minorities)	27 199	22 640
Depreciation, changes in provisions	15 145	10 785
Cash flow	42 344	33 425
Changes in net current assets	–13 603	–5 723
Cash flow from operating activities	28 741	27 702
Cash flow from investment activities	–7 374	–26 835
Free cash flow	21 367	867
Financial liabilities/other long-term liabilities	–3 975	–3 145
Dividends to shareholders	–10 798	–3 899
Cash flow from financing activities	–14 773	–7 044
Currency translation effects	–115	550
Net change in cash and cash equivalents	6 479	–5 627

Income statement by division

2019 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	First half 2019 Group
Net sales	39 689	146 921	80 843		267 453
EBITDA	5 642	28 964	13 286	–97	47 795
in % of net sales	14.2	19.7	16.4		17.9
EBIT	3 077	18 974	10 062	–115	31 998
in % of net sales	7.8	12.9	12.4		12.0

2018 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	First half 2018 Group
Net sales	37 320	148 088	78 663		264 071
EBITDA	5 503	25 255	12 626	–58	43 326
in % of net sales	14.7	17.1	16.1		16.4
EBIT	3 437	14 821	9 639	–76	27 821
in % of net sales	9.2	10.0	12.3		10.5

Consolidated balance sheet

in CHF thousand	30.06.2019	in %	31.12.2018	in %
Cash and cash equivalents	95 526	12	89 047	11
Other current assets	281 852	34	264 250	33
Fixed assets	438 428	54	447 172	56
Total assets	815 806	100	800 469	100
Current liabilities	223 924	27	220 816	28
Long-term liabilities	169 595	21	172 509	21
Total equity including minorities	422 287	52	407 144	51
Total equity and liabilities	815 806	100	800 469	100

Consolidated equity

in CHF thousand	30.06.2019	31.12.2018
Share capital	12 000	12 000
Capital reserves	4 177	14 975
Treasury shares	–100	–84
Goodwill	–61 736	–61 736
Profit reserves	466 201	440 333
Group equity excluding minorities	420 542	405 488
Minorities	1 745	1 656
Group equity including minorities	422 287	407 144

Notes

Foreign currency translation

Positions in foreign currencies were translated at the following rates:

Balance sheet: EUR 1.110(31.12.18: EUR 1.127)
USD 0.975 (31.12.18: USD 0.986)
CNY 14.20 (31.12.18: CNY 14.36) CHF per 100 CNY

Income statement: EUR 1.130 (30.06.18: EUR 1.170)
USD 1.000 (30.06.18: USD 0.967)
CNY 14.74 (30.06.18: CNY 15.18) CHF per 100 CNY

Acquisitions of business activities

No business activities were acquired by the CPH Group in the first half of 2019. In the prior-year period, Perlen Papier AG acquired 100% of the capital of APS Altpapier Service Schweiz AG, Utzenstorf BE/CH, as of 1 January 2018, Perlen Converting AG acquired 60% of the capital of Sekoya Indústria e Comércio Ltda., Anápolis, State of Goia (Brazil), as of 1 January 2018 and Zeochem AG acquired the business activities of Armar AG, Döttingen AG/CH under an asset deal as of 1 March 2018. The total net assets acquired amounted to CHF 2.5 million, with goodwill (including directly attributable costs) of CHF 22.0 million. The acquisitions of these business activities resulted in a net cash outflow of CHF 24.5 million, the majority of which was for the acquisition of APS Altpapier Service Schweiz AG.

Valuation of production facilities

There were no indications as of 30 June 2019 that any impairment might be required to any production facilities owing to a reduction in their value.

Long-term provisions

The CPH Group acquired no new knowledge in the first six months of 2019 regarding its long-term provisions. As a result, such provisions remain largely at the levels shown in the 2018 annual financial statements.

Non-operating result

The CHF 0.5 million (prior year: CHF –0.2 million) non-operating result contains income and expenditure relating to real estate in Uetikon, Perlen and Full-Reuenthal that is not required for business operations.

Extraordinary result

There was no extraordinary income or expenditure in the first half of 2019 or in the prior-year period.

Subsequent events

CPH Chemie + Papier Holding AG repaid the 2014–2019 CHF 120 million bond upon its maturity on 10 July 2019. No further significant events have occurred since the balance-sheet date.

Changes in the scope of consolidation

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

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 a somewhat simplified 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

19 September 2019
Investora 2019 in Zurich

6 November 2019
ZKB Equity Conference 2019 in Zurich

16/17 January 2020
Baader Helvea Equity Conference in Bad Ragaz

25 February 2020
Annual Results Media Conference and Investors' Meeting in Perlen

17 March 2020
Annual General Meeting in Lucerne

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