

First-half profits achieved by all business divisions

The CPH Group reports net sales of CHF 231.8 million for the first half of 2020, a 13.3% decline on the prior-year period attributable largely to the coronavirus pandemic. First-half EBIT also declined to CHF 17.8 million. But the net result was unchanged at CHF 27.2 million, thanks primarily to an extraordinary income item.

The coronavirus crisis dominated the first half of 2020, although its impact on the CPH Group's business activities showed strong variations among its three divisions. The Packaging Division (which primarily serves the pharmaceuticals sector) and certain product segments of the Chemistry Division registered record order volumes, while demand declined steeply for the publication papers of the Paper Division and the Chemistry Division's molecular sieves for industrial applications. The Group generated total net sales for the first-half period of CHF 231.8 million, a 13.3% decline on January-to-June 2019 or an 8.2% decline excluding currency movements.

The decline in net sales is attributable to a large extent to trends in the Paper Division. While the current crisis has prompted a substantial increase in people's information needs, the media publishing houses have suffered tangible falls in their advertising income. They have responded to this by reducing their publications' sizes and print runs; and this in turn has lowered the volumes of printing paper required. The Group was unable to reduce its materials, energy and personnel expenditure to a comparable degree; and, as a result, group earnings before interest and taxes (EBIT) for the period declined CHF 14.2 million to CHF 17.8 million.

That the first-half net result could be maintained at the CHF 27.2 million of 2019 is also due to extraordinary income of CHF 12.0 million. Canton Zurich appointed a full-services contractor in spring 2020 for the lake bed clean-up work required at the Chemistry Division's former Uetikon operating site. And with the costs of this work now expected to be lower than those estimated at the time of the site's sale to the canton, the CPH Group was able to release a proportionate part of its corresponding provisions.

First-half cash flow declined 35.1% to CHF 27.5 million, primarily for sales volume reasons. The CPH Group remains in sound financial health, with a balance sheet equity ratio of 66% and liquid funds of CHF 103.0 million.

Thanks to the strategic and operational actions which were initiated right at the onset of the present crisis, all three of the Group's divisions were able to maintain both their production and their supply capabilities. As early as January, before the likely impact of the pandemic could be meaningfully foreseen, local CPH management in China procured adequate stocks of the hygiene materials required. As a result, once the closures ordered by the authorities were rescinded, the Group's production facilities in Donghai and Suzhou could be returned to operation in a relatively short time, and were able to make up for the lost production over the following months. All three of the Group's divisions are involved in industrial production, with only part of their workforces able to work from home. But by creating and rotating fixed teams and by strictly observing hygiene and physical distancing provisions, the risks to employees at the workplace have been diminished as much as possible. To date, one CPH Group employee has tested positive for COVID-19 worldwide.

CPH Chemie + Papier Holding was also unwittingly involved in a "Swiss first" as a result of the present coronavirus pandemic. Since the national authorities imposed new provisions prohibiting any gathering of more than five persons on the eve of its 2020 Annual General Meeting, the event was held for the first time without the physical presence of the company's shareholders – with five instead of the usual 200-plus attendees.

As mentioned above, the coronavirus pandemic has had its positive business effects, too. The crisis has increased the need for self-medication products, and this in turn has heightened the demand for blister pack films. As a result, the Packaging Division raised its first-half net sales in 2020, and also posted a new record EBIT margin for the period.

Full-year outlook – Whether and how fast the global economy will recover from the massive setback it has suffered through the coronavirus crisis is impossible to say. Even if the pandemic does not flare up again, it is still likely to have a tangible impact on further business developments at the CPH Group. Net sales and earnings will see substantial declines, and the net result for the year is likely to be in the low-double-digit millions.

Perlen, 21 July 2020

Peter Schaub
Chairman of the Board of Directors

Dr. Peter Schildknecht
Group CEO

in CHF thousand	First half 2020	First half 2019	Change (%)
Net sales	231 752	267 453	-13.3
EBITDA	33 516	47 795	-29.9
in % of net sales	14.5	17.9	
EBIT	17 800	31 998	-44.4
in % of net sales	7.7	12.0	
Earnings before taxes and non-operating items	15 365	28 455	-46.0
in % of net sales	6.6	10.6	
Net result (including minorities)	27 152	27 199	-0.2
in % of net sales	11.7	10.2	
Earnings per share (in CHF)	4.56	4.52	1.0
Cash flow	27 467	42 344	-35.1
in % of net sales	11.9	15.8	
Employees	1 095	1 092	0.3

Customers defer investments

After a strong start to the year, the second quarter saw the coronavirus pandemic dampen business trends in many industries which the Chemistry Division serves by supplying its molecular sieves, gels and deuterated compounds. The oil, gas and ethanol sectors were especially hard hit as demand for fuel collapsed and energy prices slumped. The sudden uncertainties also prompted many industrial gas operations to defer previously-planned investments in their facilities. At the same time, the pandemic had a positive effect on demand for medical oxygen, which is used in the treatment of the respiratory disease, and incoming orders for the molecular sieves employed in the concentration of medical oxygen reached new record highs. Overall, however, the negative effects prevailed, and the division's first-half net sales declined 8.8% to CHF 36.2 million. The division responded to the falling demand by imposing rigorous cost controls. But despite these efforts, first-half earnings before interest and taxes fell 18.1% to CHF 2.5 million, giving an EBIT margin for the period of 7.0%.

Full-year outlook – Further business trends for the Chemistry Division will be heavily contingent on the scale and the pace of the global economy's recovery in the second-half period. The division expects to report lower net sales for 2020 as a whole, and an EBIT margin that is broadly in line with its prior-year level.

in CHF thousand	First half 2020	First half 2019	Change (%)
Net sales	36 198	39 689	-8.8
EBITDA	4 954	5 642	-12.2
in % of net sales	13.7	14.2	
EBIT	2 521	3 077	-18.1
in % of net sales	7.0	7.8	
Employees	283	306	-7.5

Overcapacities depress prices

The Paper Division made a modest start to 2020 in business terms. With digitalization continuing and advertising volumes falling, the demand for graphic papers suffered a further decline of more than 10% in the first-quarter period. This in turn depressed paper prices. The business pressures were eased somewhat on the expenditure side by a steep decline in the cost of recovered paper owing to surplus supplies. In the second-quarter period, efforts to stem the spread of the coronavirus brought economies to a virtual standstill in numerous countries. As a result, advertising volumes slumped, and publications' page volumes were correspondingly substantially reduced. The resulting declines in the demand for newsprint and magazine papers forced the division to keep both its paper machines idle for days at a time. The dual impact of reduced sales volumes and lower paper prices was reflected in the division's net sales for the period, which, at CHF 108.8 million, were 25.9% down on their prior-year level. With its collection restricted by the coronavirus crisis, recovered paper experienced some shortages of supply, and its prices rose again accordingly. But the division still posted a positive EBIT for the period of CHF 2.3 million.

Full-year outlook – Demand for graphic papers is likely to recover slightly in Europe in the second-half period. But with the present substantial market overcapacities, paper prices will remain under sizeable pressure and further market consolidation is all but inevitable. The Paper Division will modify its processes to compete effectively in this predatory market. The division expects to report lower full-year net sales than in 2019 and a negative EBIT result.

in CHF thousand	First half 2020	First half 2019	Change (%)
Net sales	108 845	146 921	-25.9
EBITDA	12 493	28 964	-56.9
in % of net sales	11.5	19.7	
EBIT	2 323	18 974	-87.8
in % of net sales	2.1	12.9	
Employees	364	369	-1.4

Incoming orders at record new highs

The Packaging Division has been one of the winners in the coronavirus pandemic, thanks to the resulting steep increases in the demand for medications. As a supplier of films for the blister packs which are used in the pharmaceuticals industry, the division experienced record levels of new product orders. Having production plants in Asia, Europe and the Americas, the division proved well able to balance its capacities to ensure effective supplies. The production of duplex films, for instance, was partially transferred from Switzerland to China. Plants also worked at their maximum output in the first half-year. With a view to ensuring further future growth, the division also took action to align its capacities to the rising demand. The division's first-half net sales totalled CHF 86.7 million, up 7.3% on their prior-year level. And with the price of raw materials simultaneously seeing sizeable declines, EBIT was raised by an above-average 29.6% to CHF 13.0 million, giving an EBIT margin of 15.0%.

Full-year outlook – The demand for blister pack films is likely to return to more normal levels as the present pandemic subsides. The division plans to further increase the share of its products which are in the high barrier film segment. It expects its full-year net sales for 2020 to be a tangible increase on the previous year, and is confident of reporting an improved EBIT result.

in CHF thousand	First half 2020	First half 2019	Change (%)
Net sales	86 709	80 843	7.3
EBITDA	16 140	13 286	21.5
in % of net sales	18.6	16.4	
EBIT	13 045	10 062	29.6
in % of net sales	15.0	12.4	
Employees	442	411	7.5

Consolidated income statement

in CHF thousand	First half 2020	First half 2019
Net sales	231 752	267 453
Changes to semi-finished, finished inventories/other operating income/goods, services on own account	1 854	15 469
Total income	233 606	282 922
Cost of materials and energy costs	-133 092	-163 633
Personnel cost and other operating expense	-66 998	-71 494
Earnings before interest, taxes, depreciation and amortization (EBITDA)	33 516	47 795
Depreciation and value adjustments	-15 716	-15 797
Earnings before interest and taxes (EBIT)	17 800	31 998
Financial result	-2 435	-3 543
Earnings before taxes and non-operating/extraordinary items	15 365	28 455
Non-operating result	2 019	500
Extraordinary result	12 000	0
Earnings before taxes	29 384	28 955
Income taxes	-2 232	-1 756
Net result for the year	27 152	27 199
- attributable to CPH shareholders	27 359	27 092
- attributable to minorities	-207	107
Earnings per share entitled to dividend (in CHF)	4.56	4.52

Consolidated cash flow statement

in CHF thousand	First half 2020	First half 2019
Net result for the period (including minorities)	27 152	27 199
Depreciation and changes in provisions	315	15 145
Cash flow	27 467	42 344
Changes in net current assets	2 937	-13 603
Cash flow from operating activities	30 404	28 741
Cash flow from investment activities	-7 532	-7 374
Free cash flow	22 872	21 367
Financial liabilities/other long-term liabilities	-2 726	-3 975
Dividends and nominal value repayments	-10 798	-10 798
Cash flow from financing activities	-13 524	-14 773
Currency translation effects	534	-115
Net change in cash and cash equivalents	9 882	6 479
Cash and cash equivalents at 1 January	93 096	89 047
Cash and cash equivalents at 30 June	102 978	95 526

Income statement by division

2020	in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	First half 2020 Group
Net sales		36 198	108 845	86 709		231 752
EBITDA		4 954	12 493	16 140	-71	33 516
in % of net sales		13.7	11.5	18.6		14.5
EBIT		2 521	2 323	13 045	-89	17 800
in % of net sales		7.0	2.1	15.0		7.7

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

Consolidated balance sheet

in CHF thousand	30.06.2020	in %	31.12.2019	in %
Cash and cash equivalents	102 978	15	93 096	13
Other current assets	163 069	23	173 545	25
Fixed assets	425 096	62	436 017	62
Total assets	691 143	100	702 658	100
Current liabilities	87 482	13	95 853	14
Long-term liabilities	149 427	22	165 516	23
Total equity including minorities	454 234	66	441 289	63
Total equity and liabilities	691 143	100	702 658	100
Net financial debt	16 481		29 502	
Net debt ratio	0.2		0.3	

Consolidated equity

in CHF thousand	30.06.2020	31.12.2019
Share capital	1 200	12 000
Capital reserves	4 174	4 174
Treasury shares	-62	-45
Goodwill	-61 736	-61 736
Profit reserves	509 505	485 318
Group equity excluding minorities	453 081	439 711
Minorities	1 153	1 578
Group equity including minorities	454 234	441 289

Notes

Foreign currency translation

Positions in foreign currencies were translated at the following rates:

Balance sheet:	EUR 1.064 (31.12.19: EUR 1.087)
	USD 0.948 (31.12.19: USD 0.968)
	CNY 13.41 (31.12.19: CNY 13.90) CHF per 100 CNY
Income statement:	EUR 1.064 (30.06.19: EUR 1.130)
	USD 0.966 (30.06.19: USD 1.000)
	CNY 13.73 (30.06.19: CNY 14.74) CHF per 100 CNY

Coronavirus crisis/key management assessments

In compiling the first-half consolidated financial statements, estimates and assumptions were 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. Further possible impacts were considered more extensively 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.

Valuation of production facilities

The calculations for possible impairments to assets of the Paper Division as of 30 June 2020 confirmed the present valuations of the assets concerned.

Short-term provisions

As part of the CPH Group's environmental endeavours, the clean-up of the Rotholz waste disposal site in Meilen (Canton Zurich) was begun in early 2020. The CHF 2.0 million provisions made for this could be released, as the income generated by the sale of the site should fully cover the cost of these clean-up activities.

Long-term provisions/extraordinary result

In connection with the CHF 52.0 million sale of the Uetikon operating site in 2016, provisions of CHF 32.0 million (80% of the CHF 40.0 million estimated total costs) were made for CPH's share of the expense of cleaning up the adjacent lake bed. The remaining 20% of these costs is being met by Canton Zurich. A pilot project and inspections have been conducted for the lake bed clean-up since the site's sale was concluded. A tender invitation for the clean-up work was issued in 2019, and a study was also commissioned on the options available. In May 2020 the AWEL department of Canton Zurich awarded the lake bed clean-up contract to a full-services contractor. As a result of this, the canton now expects the total cost of the operation to amount to CHF 25.0 million, of which 80% (CHF 20.0 million) will be met by the CPH Group. In view of this, CPH's original provisions for this work could be reduced by CHF 12.0 million,

which was taken to the income statement as extraordinary income. The clean-up should begin in summer 2021 and will take about two years. As of 30 June 2020 the corresponding provisions amounted to CHF 19.3 million (compared to CHF 31.4 million at the end of 2019). The use of these provisions since their creation in 2016 has been largely for project work, the external consultancy and inspection services required.

Non-operating result

The CHF 2.0 million (prior year: CHF 0.5 million) non-operating result contains income and expenditure relating to real estate in Uetikon, Buchrain and Full-Reuenthal that is not required for business operations and income deriving from the release of short-term provisions (for environmental protection measures) described above.

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 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

8 September 2020

CPH Group Investors' Day in Perlen

4 November 2020

ZKB Equity Conference 2020 in Zurich

14/15 January 2021

Baader Helvea Equity Conference in Bad Ragaz

23 February 2021

Annual Results Media Conference and Investors' Meeting in Perlen

18 March 2021

Annual General Meeting in Lucerne