

Net sales and net result substantially improved

The CPH Group generated net sales of CHF 360 million for the first six months of 2022, a 48 % improvement on the prior-year period to which all three of its business divisions contributed with double-digit growth. Thanks to strong order volumes and higher sales prices, group EBIT was raised from CHF 5.7 million to CHF 51.9 million, and the net result for the period amounted to CHF 47.5 million.

Demand for the products of the CPH Group was strong in all three of its business divisions in the first half of 2022 and production facilities were well utilized, despite the adverse impacts of the war in Ukraine, the coronavirus measures in China and the further challenges on the raw materials procurement front. The Chemistry Division supplied substantially more molecular sieves for purifying natural gas and ethanol to the energy industry, while the molecular sieves used to concentrate industrial oxygen also remained in great demand. The market for graphic paper products showed positive trends, too: with paper production volumes in Western Europe reduced by the permanent closure of manufacturing capacities and a months-long strike at a competitor, paper prices increased and the Paper Division's net sales rose accordingly. The Packaging Division was also able to pass most of its higher raw materials costs on to the market and raise its net sales for the period.

The CPH Group achieved total net sales for the first half of 2022 of CHF 360 million. This represents an increase of 48 % on the prior-year period, or of 51 % excluding currency factors.

The first half of 2022 saw further significant increases in raw materials, energy and transport costs. Waste paper remained in short supply, and recovered paper prices showed no signs of declining. Quite the opposite, in fact – not least because waste paper collected together with cardboard came increasingly to be used by the cardboard manufacturing sector to alleviate its own raw materials shortages. Other raw materials such as plastics and auxiliary materials also rose in price as a result of the higher energy prices or shortages in supplies. Material deliveries were further disrupted by a lack of sufficient transport capacities. All three business divisions were able to pass most of their increased raw materials, energy and transport costs on to the market in the first-half period.

The Paper and Packaging divisions were able to reverse their margin declines of the prior-year period, and the CPH Group raised its first-half EBIT from CHF 5.7 million to CHF 51.9 million. Some CHF 5.5 million of this EBIT improvement is attributable to the lower depreciation required following the fixed asset impairment at the end of 2021. The net result for the period was improved from CHF 5.9 million to CHF 47.5 million.

With an equity ratio of 55 % the CPH Group remains in sound financial health. Net debt was fully eliminated in the first-half period, and the Group now reports net cash of CHF 12.6 million.

Outlook for 2022 – The prospects for the second half of the current year are subject to several uncertainties. These include the impact of the war in Ukraine on energy supplies, the possible effects of the further course of the coronavirus pandemic in supply chain terms and the ramifications of the central banks' interest rate increases in response to the present inflation. The OECD has lowered its forecasts accordingly, and now expects global economic growth for 2022 to amount to 3 %.

The availability of and the price trends for raw materials, energy and transport capacities will have a major influence on business performance in the second-half period. Provided the broader economic environment does not worsen, net sales for the CPH Group for 2022 will be a tangible year-on-year improvement, and group EBIT for the year should be in the high double-digit millions. Barring the impact of any currently unexpected factors, the net result for the year is likely to be in a similar range.

Perlen, 21 July 2022

Peter Schaub
Chairman of the Board

Dr. Peter Schildknecht
Group CEO

01.01.–30.06., in CHF million	2022	2021	±
Net sales	360	244	47.7 %
EBITDA	61.7	20.0	209 %
in % of net sales	17.1 %	8.2 %	
EBIT	51.9	5.7	804 %
in % of net sales	14.4 %	2.4 %	
Net result	47.5	5.9	705 %
Earnings per share (in CHF)	7.90	0.97	713 %
Cash flow	60.0	15.4	289 %
Headcount (FTE)	1 126	1 101	2.3 %

in CHF million	30.06.2022	31.12.2021	±
Total assets	643	560	14.8 %
Shareholders' equity	351	310	13.0 %
in % of total assets	54.5 %	55.4 %	
Net cash	12.6	-14.7	na.

CHEMISTRY

Facilities fully utilized

The products of the Chemistry Division were in sizeable demand in the first-half period, particularly the molecular sieves used to purify ethanol, natural gas and industrial gases and to concentrate industrial oxygen. Order volumes were strong, and the high utilization of the division's production facilities sometimes led to longer delivery times. The newly established facilities for manufacturing molecular sieve powders, which are primarily used as desiccants in multi-pane insulated glass windows, were already at full capacity. As the coronavirus pandemic eased, demand declined somewhat for the molecular sieves used in medical applications. On the expenditure side, the prices of raw materials saw double-digit rises, and the division's transport logistics faced major challenges, too. With the higher procurement costs prompting upward product price adjustments, first-half net sales increased to CHF 56.4 million, up 18.9% (or up 15.6% excluding currency factors). The first-half EBIT of CHF 7.3 million was in line with its prior-year level, and produced an EBIT margin of 13.0%.

Outlook for 2022 – Order volumes remain high, and the additional lithium product manufacturing capacities in the USA are now coming into operation. The division expects to report double-digit net sales growth for the year. The rising raw materials and transport costs will, however, put pressure on margins, which are likely to be slightly below their high prior-year levels.

01.01.–30.06., in CHF million	2022	2021	±
Net sales	56.4	47.5	18.9 %
EBITDA	9.9	9.9	0.4 %
in % of net sales	17.6 %	20.8 %	
EBIT	7.3	7.4	-1.6 %
in % of net sales	13.0 %	15.7 %	
Headcount (in FTE)	291	289	0.7 %

PAPER

Back in profit

Western Europe saw demand for newsprint slightly increase and demand for magazine paper decline in the first-half period. Paper production was reduced even more substantially, however, and paper prices rose as a result. The lower production was due to permanent capacity closures and a long strike at one of the Paper Division's competitors. On the magazine paper front alone, the strike deprived the market of capacities amounting to the annual production of Perlen's PM 4 paper machine. A further competitor also announced the sale of four of its five European paper factories. At the same time, the costs of procuring the division's prime raw materials of recovered paper and waste wood saw further double-digit increases, and the costs of energy and auxiliary materials also continued to rise. Recovered paper prices even reached historic new highs. The higher paper prices helped raise net sales to CHF 187.6 million, an increase of 78.0% (or 83.4% excluding currency factors). The division brought its earnings back into the black, too, and posted an EBIT for the period of CHF 34.0 million.

Outlook for 2022 – Raw materials prices are likely to remain high in the second half of 2022, and further price rises cannot be ruled out. This, along with the supply/demand ratio, will be the strongest influence on paper price trends. The Paper Division expects to maintain its net sales growth in the second-half period, though pressure could be felt on its operating margin.

01.01.–30.06., in CHF million	2022	2021	±
Net sales	187.6	105.4	78.0 %
EBITDA	36.8	-1.5	na.
in % of net sales	19.6 %	-1.5 %	
EBIT	34.0	-10.1	na.
in % of net sales	18.1 %	-9.6 %	
Headcount (in FTE)	355	359	-1.1 %

PACKAGING

High order volumes

Demand for pharmaceutical packagings was high in the first-half period. Europe in particular saw increased sales of non-prescription medications. Numerous pharmaceutical manufacturers also added to their stocks of packaging films, fearing possible future limitations in their availabilities. The Packaging Division's production in Suzhou was not directly affected by the coronavirus response measures taken by the Chinese government; but actions such as the closure of the port of Shanghai did result in delivery delays. All the division's production facilities were well utilized overall, and order volumes were high. In addition to transport costs, increases were also seen in the prices of all raw materials. The higher costs incurred could largely be passed on to the market. With higher product prices and sales volumes and with a growing proportion of high-barrier films sold, the division raised its first-half net sales to CHF 115.8 million, a 27.5% increase on the prior-year period (or a 29.6% increase excluding currency factors). EBIT margin rose slightly to 9.7%.

Outlook for 2022 – The new coating plant in Brazil will commence operations in autumn. But the Packaging Division's net sales growth is still likely to slow in the second half of the year, while its operating margin should be broadly maintained at its first-half level.

01.01.–30.06., in CHF million	2022	2021	±
Net sales	115.8	90.8	27.5 %
EBITDA	15.6	11.5	34.9 %
in % of net sales	13.5 %	12.7 %	
EBIT	11.2	8.4	33.1 %
in % of net sales	9.7 %	9.3 %	
Headcount (in FTE)	472	446	5.8 %

Consolidated 2022 interim financial statements

Income statement

01.01.–30.06., in CHF thousand	2022	2021
Net sales	359 854	243 681
Change in inventory and other operating income	9 290	11 726
Total income	369 144	255 407
Cost of material and energy	–228 937	–168 404
Personnel expense	–50 340	–47 122
Other operating expense	–28 175	–19 905
Earnings before interest, taxes, depreciation and amortization (EBITDA)	61 692	19 976
Depreciation expense	–9 811	–14 240
Operating result (EBIT)	51 881	5 736
Financial result	–1 449	–1 513
Ordinary earnings before taxes	50 432	4 223
Non-operating result	–1 610	3 111
Earnings before taxes	48 822	7 334
Income taxes	–1 337	–1 436
Net result	47 485	5 898
- thereof shareholders of the company	47 407	5 831
- thereof minorities	78	67
Earnings per share, basic (in CHF)	7.90	0.97
Earnings per share, diluted (in CHF)	7.90	0.97

Balance sheet

in CHF thousand	30.06.2022	31.12.2021
Cash and cash equivalents	120 772	95 084
Trade receivables	108 294	69 271
Inventories	93 535	87 528
Other current assets	45 553	37 820
Total current assets	368 154	289 703
Total fixed assets	275 328	270 695
Total assets	643 482	560 398
Current financial liabilities	3 125	3 227
Other current liabilities	158 939	114 338
Total current liabilities	162 064	117 565
Non-current financial liabilities	105 095	106 595
Other non-current liabilities	25 578	25 744
Total non-current liabilities	130 673	132 339
Total liabilities	292 737	249 904
Shareholders' equity excluding minorities	349 303	309 126
Minorities	1 442	1 368
Total shareholders' equity including minorities	350 745	310 494
Total liabilities and equity	643 482	560 398

Cash flow statement

01.01.–30.06., in CHF thousand	2022	2021
Net result	47 485	5 898
Depreciation expense	9 811	14 240
Other non-cash items	2 744	–4 690
Cash flow	60 040	15 448
Change in net working capital	–10 789	35
Cash flow from operating activities	49 251	15 483
Cash flow used for investing activities	–14 371	–6 807
Free cash flow	34 880	8 676
Change in current financial liabilities	–102	599
Repayment of long-term financial liabilities	–1 500	–1 500
Dividend distribution	–7 800	–10 798
Purchase/Sale of own shares	–210	–159
Cash flow from financing activities	–9 612	–11 858
Currency translation	420	144
Change in cash and cash equivalents	25 688	–3 038
Cash and cash equivalents as at 1 January	95 084	116 265
Cash and cash equivalents as at 30 June	120 772	113 227

Statement of changes in equity

01.01.–30.06., in CHF thousand	2022	2021
As at January 1	310 494	471 867
Net result of the reporting period	47 485	5 898
Dividend distribution	–7 800	–10 798
Purchase/Sale of own shares	–210	–159
Share-based compensation	210	180
FX translation	566	4 599
As at June 30	350 745	471 587

Notes to the interim financial statements

1. Accounting principles

These unaudited consolidated 2022 interim financial statements have been prepared in accordance with Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). They constitute an interim report as defined in Swiss GAAP FER 31 (Complementary recommendation for listed companies), which permits an abbreviated presentation and disclosure compared to the annual financial statements.

These consolidated interim financial statements do not contain all the details provided by consolidated annual financial statements, and should therefore be read and interpreted in conjunction with

the 2021 consolidated annual financial statements. The accounting principles used are identical to those used in the 2021 consolidated annual financial statements (as described on Pages 56 to 60 of the 2021 Annual Report).

These interim financial statements include estimates and assumptions which affect the figures reported and associated disclosures. Actual results may deviate from such estimates.

The CPH Group is active in business segments in which net sales are subject to only minor seasonal fluctuations over the course of the business year.

2. Segment information

01.01.–30.06., in CHF thousand	Chemistry		Paper		Packaging		Reconciliation		CPH Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales	56 438	47 469	187 615	105 397	115 801	90 815	-	-	359 854	243 681
EBITDA	9 931	9 887	36 806	-1 536	15 578	11 549	-623	76	61 692	19 976
in % of net sales	17.6 %	20.8 %	19.6 %	-1.5 %	13.5 %	12.7 %			17.1 %	8.2 %
EBIT	7 325	7 442	34 038	-10 134	11 207	8 419	-689	9	51 881	5 736
in % of net sales	13.0 %	15.7 %	18.1 %	-9.6 %	9.7 %	9.3 %			14.4 %	2.4 %
Headcount (in FTE)	291	289	355	359	472	446	8	7	1 126	1 101

3. Notes to the income statement

Other operating income for the prior-year period includes income of CHF 11.6 million from the sale of carbon credits issued to the Paper Division from 2018 onwards. No such income was recognized in the reporting period. The Paper Division was, however, issued 96 000 carbon credits for the 2021 financial year in the reporting period, which were recognized at their zero purchase cost. As a result, a total of 98 000 carbon credits were held for sale as at 30 June 2022 (end of prior year: 2 000 credits). These are included in the balance sheet at their zero purchase cost.

As a result of the use of uncanceled losses carried forward, income tax expense amounted to a low 2.7 % of earnings before taxes (prior-year period: 19.6 %).

4. Notes to the balance sheet

Total assets as at 30 June 2022 amounted to CHF 643 million, up CHF 83 million from the end of 2021. The increase is primarily attributable to the higher levels of cash and cash equivalents and to the increase in trade receivables as a result of the higher net sales. Thanks to the high free cash flow, the previous net debt was more than eliminated into net cash of CHF 12.6 million. In view

of the favourable net result for the period, shareholders' equity increased CHF 41 million to CHF 351 million. The resulting equity ratio remained sound at 55 %, unchanged from the end of 2021.

5. Currency translation rates

	Average, 01.01.–30.06.		Closing	
	2022	2021	30.06.2022	31.12.2021
1 EUR	1.0320	1.0950	1.0000	1.0360
1 USD	0.9440	0.9080	0.9570	0.9110
1 CNY	0.1457	0.1404	0.1428	0.1430

6. Subsequent events

No events occurred between 30 June 2022 and the approval of these interim financial statements on 18 July 2022 which are of significance to any judgment or assessment of the statements presented.

Agenda

13 September 2022

CPH Group Investors' Day in Perlen

3-4 November 2022

ZKB Swiss Equity Conference

11 January 2023

Baader Helvea Swiss Equities Conference

21 February 2023

Annual Results Media Conference and Investors' Meeting;
publication of 2022 Annual Report

14 March 2023

Annual General Meeting of CPH Chemie + Papier Holding AG

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