CPH GROUP

A substantially-improved first-half earnings result

The CPH Group raised its net sales 14.0% to CHF 264.1 million and reported an EBITDA of CHF 43.3 million for the first six months of 2018. All the Group's business divisions posted correspondingly strong earnings improvements, and the Packaging Division achieved a new record operating result.

The double-digit percentage growth in the CPH Group's net sales for the first half of 2018 reflects both favourable business trends in its various sales markets and the successful further pursuit of its corporate strategy. Good market conditions, the high utilization of capacities and stable fixed costs combined to engineer a disproportionately high increase in earnings before interest and taxes (EBIT), which rose CHF 26.7 million to CHF 27.8 million, giving an EBIT margin for the period of 10.5%. The net result was also raised CHF 24.9 million to CHF 22.6 million. The CPH Group generated a cash flow of CHF 33.4 million for the period. The Group remains on a sound financial footing, with liquid funds of CHF 74.6 million and a balance sheet equity ratio of 57%.

Demand was high for the products of the Group's Chemistry Division. But its net first-half sales were still slightly below their prior-year level, partly because production at the new Zvornik facility still had to be ramped up in the first quarter following its transfer from Uetikon, and partly because the prior-year sales had included those from the division's fertilizer production, which was discontinued in summer 2017. The restructuring of the division, which was embarked on in 2016, will be successfully concluded later this summer with the transfer from Uetikon to Rüti of its deuterated product manufacturing. This product segment was further strengthened with the integration of Armar, a Swiss-based deuterated product manufacturer and distribution partner. The division also took over the molecular sieve distribution activities of Yusheng Chemical in China. Its molecular sieve production capacities in China and the USA were fully utilized, and the division achieved another substantial improvement in its earnings result.

The Paper Division benefited from an increase in paper prices, following years of declines. With several paper manufacturers mothballing capacities in the face of fierce competition, supply and demand are currently well balanced. But demand for paper will continue to decline in Europe, for structural reasons. The paper recovery activities taken over from Papierfabrik Utzenstorf were transferred to the new APS Altpapier Service Schweiz AG, which was founded at the beginning of the year. Following these developments, a large proportion of the recovered paper which the division requires can now be sourced in Switzerland at lower costs. A weaker Swiss franc worked to the division's advantage, too, since much of its product is exported to Eurozone countries. The division posted substantial increases in both its net sales and its earnings for the first-half period.

With high market demand, the production facilities of the Packaging Division were well utilized in the first half of 2018. The division also expanded to South America, following its acquisition of a majority holding in Sekoya of Brazil. The new BLISTair single-use inhaler won further innovation prizes, including the industry's most prestigious distinction, the Worldstar Packaging Award. The division recorded sizeable increases in both net sales and earnings, and posted a new record first-half operating result.

The Annual General Meeting of 14 March 2018 resolved a capital reduction of CHF 18 million and the appropriation of this amount to the capital contribution reserve. Any dividends distributed from this reserve are tax-free for Swiss-based private investors.

CPH celebrated the 200th anniversary of its foundation in May 2018. The festivities, which were held in Uetikon, included a gala event for around 500 invitees, along with a public party which attracted some 3 000 visitors and provided a fitting farewell to the Group's original operating site.

Full-year outlook – The currently favourable economic and business conditions should help keep the Group's production facilities well utilized in the second half of 2018, too. The new businesses of Armar and Yusheng in the Chemistry Division, APS in Paper and Sekoya in Packaging will have a beneficial impact on net sales volumes. And provided currency exchange rates remain broadly stable, the CPH Group expects to report increased net sales and a consolidated earnings result that is a substantial improvement on the previous year for 2018 as a whole.

Perlen, 20 July 2018

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

in CHF thousand	First half 2018	First half 2017	Change (%)
Net sales	264 071	231 664	14.0
EBITDA	43 326	16 536	162.0
in % of net sales	16.4	7.1	
EBIT	27 821	1 107	2 413.2
in % of net sales	10.5	0.5	
Earnings before taxes and non-operating items	25 485	–999	n.a.
in % of net sales	9.7	–0.4	
Net result (incl. minorities)	22 640	–2 220	n.a.
in % of net sales	8.6	–1.0	
Earnings per share (CHF)	3.80	–0.39	n.a.
Cash flow	33 425	12 640	164.4
in % of net sales	12.7	5.5	
Number of employees	1 055	979	7.8

CHEMISTRY Restructuring brings rewards

The Chemistry Division's production facilities in China and the USA were fully utilized in the first-half period, with demand particularly strong for the high-quality molecular sieves that are used to purify oxygen. By acquiring the molecular sieve distribution activities of Shanghai Yusheng Chemical Co. Ltd. with effect from 1 March 2018, the division further consolidated its position in the Chinese market. Following the scheduled transfer of production plant and activities from Uetikon to Zvornik in the second half of 2017, production still needed to be ramped up at the new location at the beginning of 2018. This, plus the termination of the fertilizer production business in mid-2017, limited the division's sales growth, and the CHF 37.3 million of net sales for the first-half period were just below their prior-year level. The transfer of the manufacture of gels and deuterated products from Uetikon to Rüti will be completed this summer. The integration of Armar AG with effect from 1 March 2018 further strengthens the division's position in the deuterated compounds segment. The closure of the Uetikon site had a beneficial effect on the division's cost structure. Earnings before interest and taxes (EBIT) for the first-half period were raised 85.3% from their prior-year level to CHF 3.4 million, to give an EBIT margin of 9.2%.

Full-year outlook – With order books well filled in the first-half period, the positive impact of the newly-integrated businesses and advantageous economic conditions in its sales markets, the Chemistry Division expects to report increased net sales for 2018 as a whole and, if the present EBIT margin is maintained, a full-year EBIT result that is a substantial improvement on the prior-year period.

in CHF thousand	First half 2018	First half 2017	Change (%)
Net sales	37 320	38 044	–1.9
EBITDA	5 503	3 605	52.6
in % of net sales	14.7	9.5	
EBIT	3 437	1 855	85.3
in % of net sales	9.2	4.9	
Number of employees	286	272	5.1

PAPER Sizeable sales and earnings improvements

The first half of 2018 brought further declines in demand in Europe for newsprint and magazine paper. The 8% fall in newsprint demand was particularly steep. In previous years, the resulting production overcapacities have tended to prompt sizeable slumps in paper prices. And the resulting predatory competition has led numerous manufacturers to mothball their capacities or even close production sites. These capacity reductions brought supply and demand into broadly equal balance – for the first time in years – in the first half of 2018. And paper prices recovered somewhat accordingly. The higher paper prices translated into higher net first-half sales for CPH's Paper Division. The division also benefited from an increase in the strength of the euro against the Swiss franc. All in all, the division saw its net first-half sales rise 15.6% to CHF 148.1 million. The successful assimilation of the paper recovery activities of Papierfabrik Utzenstorf with effect from 1 January 2018 also eased the division's costs, since more recovered paper can now be sourced from within Switzerland, with corresponding savings in transport costs. All these factors combined to raise divisional EBIT for the first-half period to CHF 14.8 million, an improvement of CHF 20.8 million. EBIT margin amounted to 10.0%.

Full-year outlook – Despite further declines in the demand for newsprint and magazine paper, supplies are likely to remain tight in the markets concerned in the second half of 2018, keeping paper prices at their presently high levels. In view of this, the Paper Division expects to report higher net sales for 2018 as a whole and an annual EBIT margin that is in line with that of the first-half period. The actions to further enhance efficiency will continue undiminished.

in CHF thousand	First half 2018	First half 2017	Change (%)
Net sales	148 088	128 106	15.6
EBITDA	25 255	4 752	431.5
in % of net sales	17.1	3.7	
EBIT	14 821	–6 013	n.a.
in % of net sales	10.0	–4.7	
Number of employees	360	345	4.3

PACKAGING Profitability further increased

The pharmaceuticals markets underwent further growth in the first-half period. Their expansion in Europe, the prime sales market for CPH's Packaging Division, was well above expectations at over 3%. Demand for films for medicinal blister packs was correspondingly high, and European production facilities ran at full capacity. The division's strongest sales growth, however, was seen in Asia, where the capacities of the Suzhou plant were further expanded and new staff were employed. The rise in personnel numbers was additionally buoyed by the acquisition of a 60% holding in distribution partner Sekoya Indústria e Comércio Ltda. of Brazil, which has since been renamed Perlen Packaging Ltda. Anápolis. The new Brazilian production facility will permit even swifter service of the local markets. The division achieved a new net sales record in the 2018 first-half period: CHF 78.7 million, an increase of 20.1%. With fixed costs rising less in percentage terms, the division further improved its profitability, too: EBIT rose 75.7% to a record new level of CHF 9.6 million, and EBIT margin increased almost four percentage points to 12.3%.

Full-year outlook – The Packaging Division's order book volumes reached a new high in the first-half period, and more orders are now being transferred to its Chinese production facility to handle the continuing growth. The division expects to report favourable business trends for the current year as a whole and an annual EBIT result that is well above its 2017 level.

in CHF thousand	First half 2018	First half 2017	Change (%)
Net sales	78 663	65 514	20.1
EBITDA	12 626	8 380	50.7
in % of net sales	16.1	12.8	
EBIT	9 639	5 485	75.7
in % of net sales	12.3	8.4	
Number of employees	402	352	14.2

Consolidated income statement

in CHF thousand	First half 2018	First half 2017
Net sales	264 071	231 664
Changes to semi-finished and finished inventories/ other operating income/goods and services on own account	10 052	−5 438
Total income	274 123	226 226
Operating expense	−230 797	−209 690
Earnings before interest, taxes, depreciation and amortization (EBITDA)	43 326	16 536
Depreciation and value adjustments	−15 505	−15 429
Earnings before interest and taxes (EBIT)	27 821	1 107
Financial result	−2 336	−2 106
Earnings before taxes and non-operating items	25 485	−999
Non-operating result	−153	604
Extraordinary result	0	0
Earnings before taxes	25 332	−395
Income tax	−2 692	−1 825
Net result	22 640	−2 220
– attributable to shareholders of CPH AG	22 776	−2 325
– attributable to minorities	−136	105
Earnings per share (CHF)	3.80	−0.39

Consolidated cash flow statement

in CHF thousand	First half 2018	First half 2017
Net result for the period (including minorities)	22 640	−2 220
Depreciation and changes in provisions	10 785	14 860
Cash flow	33 425	12 640
Changes in net current assets	−5 723	9 140
Cash flow from operating activities	27 702	21 780
Cash flow from investment activities	−26 835	−11 565
Free cash flow	867	10 215
Financial liabilities/other long-term liabilities	−3 145	590
Dividends to shareholders	−3 899	−3 900
Cash flow from financing activities	−7 044	−3 310
Currency translation effects	550	−248
Net change in cash and cash equivalents	−5 627	6 657

Income statement by division

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
Financial result					−2 336
Earnings before taxes and non-operating items					25 485

2017 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	First half 2017 Group
Net sales	38 044	128 106	65 514		231 664
EBITDA	3 605	4 752	8 380	−201	16 536
in % of net sales	9.5	3.7	12.8		7.1
EBIT	1 855	−6 013	5 485	−220	1 107
in % of net sales	4.9	−4.7	8.4		0.5
Financial result					−2 106
Earnings before taxes and non-operating items					−999

Consolidated balance sheet

in CHF thousand	30.06.2018	31.12.2017
Cash and cash equivalents	74 556	80 183
Other current assets	170 829	162 062
Fixed assets	451 684	455 307
Total assets	697 069	697 552
Current liabilities	108 569	105 397
Long-term liabilities	194 334	195 910
Total equity including minorities	394 166	396 245
Total equity and liabilities	697 069	697 552

Consolidated equity

in CHF thousand	30.06.2018	31.12.2017
Share capital	12 000	30 000
Capital reserves	14 945	845
Treasury shares	–35	–96
Goodwill	–59 898	–37 903
Profit reserves	423 822	400 429
Group equity excluding minorities	390 834	393 275
Minorities	3 332	2 970
Group equity including minorities	394 166	396 245

Notes

Foreign currency translation

Positions in foreign currencies were translated at the following rates:

Balance sheet: EUR 1.159 (31.12.17: EUR 1.170)
USD 0.993 (31.12.17: USD 0.975)
CNY 15.00 (31.12.17: CNY 14.96) CHF per 100 CNY

Income statement: EUR 1.170 (30.06.17: EUR 1.076)
USD 0.96 (30.06.17: USD 0.994)
CNY 15.18 (30.06.17: CNY 14.47) CHF per 100 CNY

Acquisitions of business activities

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. Zeochem AG acquired the business activities of Armar AG, Döttingen AG/CH under an asset deal as of 1 March 2018.

As a result of these acquisitions, the following total balance sheet amounts, provisionally estimated at market value, were capitalized upon the date of acquisition in the course of the first half of 2018: cash and cash equivalents CHF 0.0 million, other current assets CHF 3.5 million, fixed assets CHF 3.1 million, current liabilities CHF 3.4 million, long-term liabilities CHF 0.2 million, minorities CHF 0.5 million, total net assets acquired CHF 2.5 million, goodwill (including directly attributable costs) CHF 22.0 million. The acquisitions of business activities led to a net cash outflow of CHF 24.5 million, the majority of which was for the acquisition of APS Altpapier Service Schweiz AG.

In addition, the molecular sieve distribution activities of Shanghai Yusheng Chemical Co. Ltd. were acquired, and were integrated into Jiangsu Zeochem Technology Co. Ltd. as of 1 March 2018.

Non-operating result

The CHF –0.2 million (prior year: CHF 0.6 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 2018 or in the prior-year period.

Valuation of production facilities

The calculations for possible impairments as of 30 June 2018 confirmed the present valuations of the assets concerned.

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 terms and conditions and future developments and events, 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

13 September 2018

Investors' Meeting in Perlen

26 February 2019

Annual Results Media Conference and Investors' Meeting in Perlen

19 March 2019

Annual General Meeting in Lucerne

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