

A good result in a challenging market environment

Sales for the CPH Group in the first half of 2023 totalled CHF 332 million, a decline from the CHF 360 million of the prior-year period. While the Chemistry and Packaging divisions further raised their sales, the Paper Division reported a sales decline. First-half group EBIT remained broadly unchanged at CHF 53 million; and with income from land sales, the net result was raised from CHF 47 million to CHF 61 million.

Demand in the first six months of 2023 showed varying trends in the CPH Group's three business divisions. The production facilities of the Packaging Division were well utilized, while the Chemistry Division saw margin pressures increase and the Paper Division faced a steep decline in demand.

In the Chemistry Division the molecular sieves used in industrial and energy applications remained in strong demand, as did the division's deuterated products. By contrast, demand from the construction and medical sectors declined. Overall, the division was able to slightly raise its sales.

Demand for graphic paper products slumped in the first-half period. One reason for this is continuing digitalization, which is impacting the sizes and the print runs of newspapers and magazines. At the same time, customers reduced the paper stocks they had accumulated in fear of a possible energy shortage. With its machines less than fully utilized and paper prices under pressure, the Paper Division's first-half sales suffered a sizeable decline.

The Packaging Division, by contrast, achieved double-digit sales growth for the first-half period. Order volumes reached new highs: with the looming threat of supply shortages, numerous pharmaceuticals manufacturers increased their safety stocks of various raw materials, and also ordered their packaging films far in advance. Overall, the CPH Group's 2023 first-half sales of CHF 332 million were a 7.8 % decline on the prior-year period, or -3.9 % at constant currency.

Raw materials prices showed varying developments in the first-half period. Recovered paper prices eased, but remained at high levels. Weaker activity in the construction sector resulted in a lower demand for plastics such as PVC, and the prices thereof fell accordingly. Prices for lithium, however, remained high and very volatile. First-half energy costs were higher than in the prior-year period, despite energy price declines.

At CHF 53 million, the CPH Group maintained its first-half EBIT at its prior-year level, while raising its EBIT margin to 16.0 %. The net result for the period was improved from CHF 47 million to CHF 61 million. The increase is attributable to a large degree to the previously reported sales of industrial land at the Group's former Full-Reuenthal operating site.

With a balance sheet equity ratio of 63.2 %, the CPH Group remains in sound financial health, and holds net cash of CHF 76 million.

The corporate bond maturing in October 2023 should be correspondingly redeemed from the Group's own cash resources.

Outlook for 2023 – The economic prospects for the second half of 2023 are modest, with global full-year growth expected to amount to some 2.7% according to OECD projections. Increased interest rates are having a particularly dampening economic effect. On the expenditure front, the falling prices of raw materials are providing some relief. But with the steep decline in demand seen within the Paper Division, the CPH Group's sales for 2023 are likely to fall short of their prior-year level, and margins also look set to decline in the second-half period. The CPH Group still expects, however, to post both an EBIT and a net result for the year as a whole that are in the higher double-digit millions.

The predecessor to today's CPH Paper Division was founded in 1873. Its 150th anniversary this year will be duly celebrated with an Open Day at the division's Perlen site on 9 September which all interested parties are warmly invited to attend.

Peter Schaub
Chairman of the Board of Directors

Dr. Peter Schildknecht
Group CEO

01.01.–30.06., in CHF million	2023	2022	±
Sales	332	360	-7.8 %
EBITDA	62	62	+0.5 %
EBITDA margin	18.7 %	17.1 %	
EBIT	53	52	+2.1 %
EBIT margin	16.0 %	14.4 %	
Net result	61	47	+27.7 %
Earnings per share (in CHF)	10.10	7.90	+27.8 %
Cash flow	52	60	-13.1 %
Headcount (FTE)	1 184	1 126	+5.2 %

in CHF million	30.06.2023	31.12.2022	±
Total assets	678	666	+1.8 %
Shareholders' equity	429	400	+7.3 %
Equity ratio	63.2 %	60.0 %	
Net cash	76	45	+68.9 %

CHEMISTRY

At a solid prior-year level

The varying economic trends in certain business sectors had corresponding impacts on demand for the products of the Chemistry Division in the first-half period. Its facilities for manufacturing molecular sieves for purifying ethanol, natural gas and industrial gases and for concentrating industrial oxygen were well utilized. Demand for deuterated products for use in laboratory analyses and OLED displays also remained high. But demand for molecular sieves for use in medical applications fell short of the levels of corona times, while weaker economic activity in the construction sector reduced demand for the molecular sieve powders used in window manufacture. Passing the higher costs of procuring raw materials – lithium in particular – on to the market posed a further business challenge. The division's CHF 58 million first-half sales were 1.9 % up on the prior-year period (or +6.3 % at constant currency). The CHF 7 million EBIT for the period was broadly at its prior-year level, and EBIT margin amounted to 11.9 %.

Outlook for 2023 – The investments in infrastructure at the Chinese operating site and in further efficiency enhancements at the US operation are all under way. The Chemistry Division expects to report sales growth for 2023 as a whole, while the full-year EBIT result is likely to be broadly at its prior-year level.

01.01.–30.06., in CHF million	2023	2022	±
Sales	58	56	+1.9 %
EBITDA	9	10	-5.1 %
EBITDA margin	16.4 %	17.6 %	
EBIT	7	7	-6.2 %
EBIT margin	11.9 %	13.0 %	
Headcount (in FTE)	288	291	-1.0 %

PAPER

Capacities not fully utilized

The demand in Western Europe for newsprint and magazine paper suffered declines of 25% and up to 30% respectively in the first-half period. The structural change prompted by growing digitalization further intensified, with fewer and fewer newspapers and magazines printed. At the same time, customers reduced the paper stocks they had accumulated last autumn in view of possible energy shortages. The capacities of the region's paper manufacturers were correspondingly underused in the first-half period. Some of the Paper Division's competitors announced the closure of some of their facilities. But these will not be sufficient to bring supply and demand back to a more favourable balance. In Perlen, too, the utilization of the paper machines was below its prior-year level. And with the lower paper sales volumes accompanied by pressure on sales prices, the Paper Division's sales of CHF 142 million were a 24.5 % decline on the prior-year period (or -21.1 % at constant currency). Recovered paper prices were lower, energy costs were above their prior-year level, and EBIT for the period declined 24.9 % to CHF 26 million.

Outlook for 2023 – The growing overcapacities in the paper segment are likely to intensify the pressure on paper prices and further accelerate the consolidation within the industry. The Paper Division expects to see substantial declines in both its sales and its EBIT margin in the second-half period.

01.01.–30.06., in CHF million	2023	2022	±
Sales	142	188	-24.5 %
EBITDA	29	37	-22.4 %
EBITDA margin	20.2 %	19.6 %	
EBIT	26	34	-24.9 %
EBIT margin	18.0 %	18.1 %	
Headcount (in FTE)	364	355	+2.5 %

PACKAGING

Sales and EBIT margin raised

In response to uncertainties over their availability, many pharmaceuticals manufacturers had increased their stocks of raw materials – including packaging films – in 2022, and had also secured their deliveries months (instead of weeks) in advance. As a result, the Packaging Division experienced record levels of order volumes in the first half of 2023. Its facilities were correspondingly busy, operating at the limits of their capacities. The division is also investing worldwide in expanding its slitting capabilities and further automating production processes. The first such slitting facilities should come into service at the end of this year. The first coated films from the new plant in Brazil were delivered to customers, and utilization of the new coating facility is being steadily increased. With its higher sales volumes, the division achieved first-half sales of CHF 133 million, up 14.4 % on the prior-year period (or +19.1 % at constant currency). The high capacity utilization and a very favourable product mix both impacted positively on EBIT margin, which was raised to 15.6 %.

Outlook for 2023 – With a normalization of pharmaceuticals manufacturers' procurement activities, the division's order volumes should also return to pre-corona levels. Sales for 2023 as a whole are expected to exceed their prior-year levels, while full-year EBIT margin is likely to be slightly below that achieved in the first-half period.

01.01.–30.06., in CHF million	2023	2022	±
Sales	133	116	+14.4 %
EBITDA	24	16	+54.5 %
EBITDA margin	18.2 %	13.5 %	
EBIT	21	11	+84.5 %
EBIT margin	15.6 %	9.7 %	
Headcount (in FTE)	525	472	+11.2 %

Consolidated 2023 interim financial statements

Income statement

01.01.–30.06., in CHF thousand	2023	2022
Net sales	331 755	359 854
Other operating income	6 123	3 663
Change in inventories	-106	5 627
Total income	337 772	369 144
Cost of materials	-162 824	-196 295
Cost of energy	-33 641	-32 642
Personnel expense	-51 956	-50 340
Maintenance and repairs	-11 073	-11 095
Other operating expense	-16 300	-17 080
Operating result before depreciation and amortization EBITDA	61 978	61 692
Depreciation	-9 017	-9 811
Operating result EBIT	52 961	51 881
Financial result	-959	-1 449
Ordinary result	52 002	50 432
Non-operating result	17 096	-1 610
Result before income taxes	69 098	48 822
Income taxes	-8 445	-1 337
Net result	60 653	47 485
Thereof:		
- Shareholders of the company	60 580	47 407
- Minority shareholders	73	78
Earnings per share (in CHF)	10.10	7.90

Cash flow statement

01.01.–30.06., in CHF thousand	2023	2022
Net result	60 653	47 485
Depreciation	9 017	9 811
Other non-cash items	-17 500	2 744
Cash flow before change in non-financial net working capital	52 170	60 040
Change in net working capital	-1 247	-10 789
Cash flow from operating activities	50 923	49 251
Capital expenditures for fixed assets	-15 218	-16 931
Disposal of fixed assets	22 834	2 560
Cash flow from investing activities	7 616	-14 371
Free cash flow	58 539	34 880
Change in current financial liabilities	686	-102
Repayment of bond	-17 190	-
Repayment of non-current financial liabilities	-	-1 500
Purchase and sale of treasury shares	-180	-210
Distribution to shareholders	-27 000	-7 800
Cash flow from financing activities	-43 684	-9 612
Currency translation on cash and cash equivalents	-573	420
Net change in cash and cash equivalents	14 282	25 688
Cash and cash equivalents as at 1 January	143 614	95 084
Cash and cash equivalents as at 30 June	157 896	120 772

Balance sheet

in CHF thousand	30.06.2023	31.12.2022
Cash and cash equivalents	157 896	143 614
Trade receivables	88 721	93 931
Inventories	117 508	113 097
Other current assets	28 462	31 524
Total current assets	392 587	382 166
Total fixed assets	285 370	284 025
Total assets	677 957	666 191
Financial liabilities	82 297	98 851
Other liabilities	127 055	134 621
Total current liabilities	209 352	233 472
Other liabilities	39 919	33 152
Total non-current liabilities	39 919	33 152
Total liabilities	249 271	266 624
Shareholders' equity without minorities	427 359	398 210
Minorities	1 327	1 357
Total shareholders' equity	428 686	399 567
Total liabilities and equity	677 957	666 191

Statement of changes in shareholders' equity

01.01.–30.06., in CHF thousand	2023	2022
Shareholders' equity as at 1 January	399 567	310 494
Distribution to shareholders	-27 000	-7 800
Net result	60 653	47 485
Purchase and sale of treasury shares	-180	-210
Share-based remuneration	189	210
Currency translation	-4 543	566
Shareholders' equity as at 30 June	428 686	350 745

Notes to the interim financial statements

1. Accounting principles

These unaudited consolidated 2023 interim financial statements have been prepared in accordance with the Swiss GAAP FER 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 disclosures provided by consolidated annual financial statements, and should therefore be read and interpreted in conjunc-

tion with the 2022 consolidated annual financial statements. The accounting principles used are identical to those used in the 2022 consolidated annual financial statements (as described on Pages 60 to 65 of the 2022 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		Other/ Consolidation		CPH Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	57 536	56 438	141 712	187 615	132 507	115 801	-	-	331 755	359 854
EBITDA	9 422	9 931	28 578	36 806	24 062	15 578	-84	-623	61 978	61 692
EBITDA margin	16.4%	17.6%	20.2%	19.6%	18.2%	13.5%			18.7%	17.1%
EBIT	6 870	7 325	25 562	34 038	20 679	11 207	-150	-689	52 961	51 881
EBIT margin	11.9%	13.0%	18.0%	18.1%	15.6%	9.7%			16.0%	14.4%
Headcount (in FTE)	288	291	364	355	525	472	7	8	1 184	1 126

3. Explanatory notes

Total assets as at 30 June 2023 amounted to CHF 678 million, some CHF 12 million above their 2022 year-end level. The increase is primarily attributable to the higher level of cash. As part of overall cash management, CHF 17 million of the outstanding corporate bond was repurchased, leaving CHF 82 million thereof still outstanding as at 30 June 2023. Net cash increased to CHF 76 million as a result of the high free cash flow.

As at the end of the prior year, other intangible assets include 98 000 carbon credits intended for sale. 96 000 such credits for 2021 were issued to the Paper Division by the Swiss Federal Office for the Environment in the first half of 2022. No such credits were issued in the first half of 2023. A further issue of some 70 000 carbon credits is expected for the 2022 business year. These credits are capitalized under intangible assets at their zero acquisition price. No income was generated by the sale of such credits in either the present reporting period or the prior-year period.

Shareholders' equity rose CHF 29 million to CHF 429 million in view of the encouraging net result. The balance sheet equity ratio remains correspondingly sound at 63.2% (prior year: 60.0%).

The CHF 17 million non-operating result derives primarily from the sale of industrial land at the former production site in Full-Reuenthal, Switzerland. With use again made of non-capitalized tax loss carry forwards as in the prior-year period, income tax expense remained low at 12.2% of earnings before taxes (prior-year period: 2.7%).

4. Currency translation rates

	Average, 01.01.–30.06.		Closing	
	2023	2022	30.06.2023	31.12.2022
1 EUR	0.9860	1.0320	0.9760	0.9870
1 USD	0.9120	0.9440	0.8950	0.9250
1 CNY	0.1317	0.1457	0.1234	0.1331
1 BAM	0.5041	0.5277	0.4990	0.5113
1 BRL	0.1800	0.1870	0.1850	0.1830

5. Events after the balance sheet date

No events occurred between 30 June 2023 and 18 July 2023, the date of the approval and release for publication of these interim financial statements, which would require adjustments to the Group's assets, equity and liabilities or would need to be disclosed here.

Agenda

19 September 2023	Baader Investment Conference, Munich
26 September 2023	CPH Group Investors' Day, Zurich
1 November 2023	ZKB Swiss Equity Conference, Zurich
10 January 2024	Baader Helvea Swiss Equities Conference, Bad Ragaz
20 February 2024	2023 Annual Report; Media & Investors' Conference
20 March 2024	Annual General Meeting, Lucerne

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