

## Focus on the international pharmaceuticals sector delivers further success



The Packaging Division, which serves the growing blister-pack segment, achieved an above-market-average increase in its net sales for the year to CHF 116.4 million. Annual EBIT was raised 41.8% to CHF 7.1 million.

### Market environment

The pharmaceuticals sector experienced a global increase in 2013 in its demand for blister packs. In Europe, which is the prime sales market for CPH's Packaging Division, the growth amounted to 3%, with above-average increases seen in Eastern Europe. Growth rates were slightly lower in North America, while Asia reported double-digit growth. The strongest drivers of these trends in the emerging economies are urbanization, rising incomes and increasing longevity. China in particular is urging its pharmaceuticals sector to produce higher-quality products that are suitable for export, with correspondingly high demands on the packagings concerned.

We are also witnessing a general trend within the pharmaceuticals sector towards medications with increasingly complex molecular structures that are intended for distribution worldwide. And this in turn is raising the requirements of the barrier qualities of the packagings used. CPH's Packaging Division is well positioned in the high-barrier-film packaging segment: the only supplier to devote itself clearly to the pharmaceuticals industry, Perlen Packaging is one of Europe's three leading manufacturers of the products concerned.

The prices of the division's raw materials rose slightly in 2013. But the extra costs were successfully offset by adopting a stronger focus on high-barrier-film products.

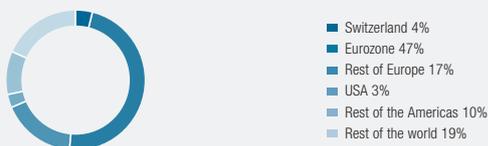
### Business development

The Packaging Division achieved a 4.8% increase in its sales volumes for the year. Growth in Europe was well above general market trends; in North America the growth was in line with overall market development; growth in Asia fell just short of the market as a whole; and in South America Perlen Packaging sustained declines in both sales volumes and net sales, as a result of the substantial devaluation of the Brazilian real.

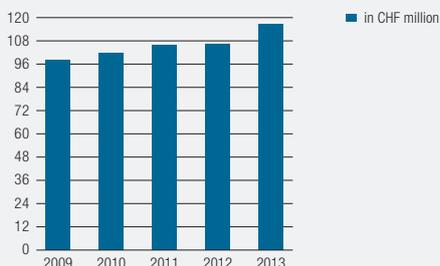
Net sales for 2013 totalled CHF 116.4 million, a 9.3% improvement on the previous year. The division gained market share in Europe, whose contribution to total net sales increased from the 62% of 2012 to 64%. The focus on higher-value products also improved margins, and EBITDA rose a corresponding 1.5% to CHF 12.9 million.

EBIT for the year was improved 41.8% to CHF 7.1 million, and EBIT margin rose accordingly from 4.7% to 6.1%. The division invested CHF 3.1 million in the course of the year (compared to CHF 3.0 million in 2012), with the spending devoted to tangible fixed assets designed to improve processes and procedures. To cope with its further business growth, the division also expanded its workforce from 279 to 304 personnel.

### Packaging net sales by region



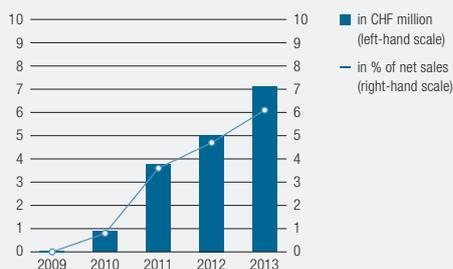
### Packaging net sales trends



### Packaging EBITDA trends



### Packaging EBIT trends



### Strategy

Perlen Packaging is an integrated supplier that offers the full range of packaging products from PVC monofilms to coated PVdC films with the strongest barrier credentials. The films, which are largely used in blister packs, protect the contents of such packs (such as medicinal agents) from oxygen, hydrogen and other gaseous and liquid substances.

Perlen Packaging is currently focused on expanding its higher-margin high-barrier film business. To this end, the division is developing innovative new products such as Perlalux® Ultra Protect, a complex sandwich composite that offers double the protective qualities of today's high-barrier films. The division is also developing Steriplus, a sterilizable packaging that can be used wherever medical equipment needs to be packaged under sterile conditions, such as for use in hospital operating theatres.

The division's focus on new developments is reaping its rewards. Over 15% of its 2013 net sales derived from high-margin products that had been brought to market in the previous five years. Perlen Packaging's strong innovative credentials have been recognized by outside parties, too: the company's PERLAZID® product earned a prestigious packaging award in the "new materials" category in 2013 from the French-based Groupe Industrie Services Info S.A.S. (GISI).

In geographical terms, the Packaging Division will be striving both to further expand within its main European market and to consolidate its position in Asia and Latin America, to derive greater benefit from the above-average growth rates currently being seen in the markets concerned.

### Outlook

Given today's demographic trends, the healthcare market is sure to witness further growth in the next few years. The proportion of the population aged over 65 is currently rising by some two percentage points a year; and this age group accounts for about two-thirds of all healthcare products and services.

Demand for medication, and thus also for the blister packs it comes in, is projected to increase by about 4% in 2014. Growth rates will vary, however, from region to region. The USA, the world's biggest pharmaceuticals market, will show below-average growth in demand for blister packagings because the medications there are still largely packaged in containers. Double-digit growth rates are projected for Asia and Latin America, while Europe is expected to see year-on-year growth of around 3%. With intensifying competition from generic medication manufacturers, pricing pressures are likely to further increase.

The Packaging Division expects to report improved net sales for 2014. Thanks to its strong focus on higher-margin products, the division is also confident of achieving a further increase in its EBIT for the year.