

Media release

CPH's 2013 sales depressed by persistent pricing pressures

Despite increasing its product volumes sold, the CPH Group saw its net annual sales decline to CHF 481.1 million for 2013, 1.6% down from the previous year. In view of the significant changes in the market environment over the past few years (particularly in the Paper and Silicate Chemistry Divisions), CPH is to reassess – with a view to possible impairments – the values of its tangible fixed assets in Switzerland.

Net sales by division (unaudited)	2013 CHF million	2012 CHF million	in CHF million	Change in %
• Chemistry	59.2	67.1	- 7.9	- 11.8%
• Paper	305.5	314.3	- 8.8	- 2.8%
• Packaging	116.4	106.5	+ 9.9	+ 9.3%
Consolidated net sales for the CPH Group	481.1	488.7*	- 7.6	- 1.6%

* Group net sales for 2012 include CHF 0.8 million in sales from since-discontinued fine chemistry operations.

Perlen, 17 January 2014 – While the economic climate did show signs of slow improvement in 2013 in the broader industrialized world, the European recovery was only hesitant and only began in the second half of the year. For 2013 as a whole, the economy stagnated in Europe, and thus in the CPH Group's prime sales markets. Asia remained on its current strong growth track. So far only the CPH Group's Packaging Division, which is geared consistently to the pharmaceuticals market, has benefited from the improved economic conditions. The Paper Division did raise product volumes, despite a loss of production following a fire; but continuing price erosion depressed its annual sales results. In the Chemistry Division, higher sales were recorded in the USA, but these improvements could not offset the sales decline in Switzerland. With the Paper Division accounting for around two-thirds of total Group sales, the CHF 481.1 million net annual sales for the CPH Group represented a 1.6% decline on the previous year.

Annual earnings before interest and taxes (EBIT) for 2013 will be in line with previously-communicated expectations. Including the financial impact of the loss of production by the paper machine PM 4 following a fire in its winder, EBIT for the year is expected to range between CHF -27 and -29 million.

Packaging stands out positively

The Chemistry Division delivered a favourable performance in North and South America, which generate over one-third of sales. The division maintains its own US production facilities. The North American market saw stronger demand for molecular sieves in response to increased shale gas production, while the South American market witnessed a similar trend for ethanol production purposes.

Within Europe the Chemistry Division's business in Switzerland suffered from customers' decisions to defer certain projects and from sluggish demand in the markets served by its

Uetikon operations. Overall the division sustained an 11.8% decline in its net sales for the year, which stood at CHF 59.2 million.

The Paper Division sold 514,398 tonnes of newsprint and magazine paper in 2013 – a slight 1.1% increase on the previous year that was achieved despite the reduced production capacities following the PM 4 winder fire. The increase also enabled the division to gain further market share. But with paper prices continuing to fall, net sales for the year were 2.8% below previous year at CHF 305.5 million.

The Packaging Division, which is well established as a provider of premium packaging films to the pharmaceuticals sector, was able to further enlarge its share of its European market. The range of films produced with differing barrier and protection credentials are used primarily for medicine blister packs. The division posted net sales for 2013 of CHF 116.4 million, a 9.3% year-on-year improvement.

Tangible fixed assets to be tested for impairment

The market environments in the chemistry and paper segments have undergone major and permanent changes over the last few years. CPH's Uetikon operations are now under growing competitive pressure from suppliers based in Asia; and on the European paper market the structural decline in demand has led to fierce predatory competition, which in turn has resulted in steady price declines. The continued strength of the Swiss franc is further eroding profitability, as Switzerland accounts for a high proportion of the Group's production activities. With present projections strongly suggesting that these market trends will continue, the CPH Group will be testing its tangible fixed assets for impairment as part of the process of compiling and auditing its accounts and financial statements for 2013. These actions may result in impairments of between CHF 240 and 270 million, which would further downwardly affect EBIT for the year. The findings of the corresponding assessments will be communicated at this year's annual results media conference.

Even after impairments of the extent envisaged above, CPH Chemie + Papier Holding AG would still have a high balance sheet equity ratio of around 60% and an ongoing positive cash flow. The impairment testing planned will also entail no further restructuring actions, and will in particular have no impact on present personnel numbers. Perlen Papier AG is also well positioned in its markets, and the decision to invest in the new PM 7 paper machine was still vital to its ability to remain competitive in today's fiercely-contested markets.

Personnel changes

After 25 years of service on the CPH Board of Directors, Dr. Franz-Josef Albrecht will not be standing for re-election for a further term of office at the Annual General Meeting of 10 April 2014. Details of his proposed successor will be communicated in due course. Michel Segesser, the Group's Head of HR & Communications and a member of Group Executive Management, will also be leaving CPH to take on a new professional challenge. CPH thanks Franz-Josef Albrecht and Michel Segesser for all their work, service and commitment to the CPH Group's development, and offers them every good wish for the future.

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About CPH

CPH is an internationally active and diversified industrial group which is headquartered in Switzerland. The CPH Group develops, manufactures and distributes chemical products, wood-based paper and pharmaceutical packaging films. The Group and its subsidiaries maintain production facilities at five locations in Switzerland, Germany and the USA, and have a total workforce of 850 employees. The shares of its holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange (SIX: CPHN).