

Letter to the Shareholders

Dear Shareholders

The global economic crisis set the tone for the CPH Group's business year 2008. However, sales (based on continued activities) could be maintained at the previous year's level. Increasing raw materials and energy costs intensified pressure on margins during the second half of the year. The drastic revaluation of the Swiss franc's exchange rate to the euro had an additional, strong negative impact. Finally, an actual collapse in orders followed during the fourth quarter, especially in the Chemicals and Packaging Divisions. Therefore, it comes as no surprise that the operating result is clearly below last year's. The weak stock markets and the already mentioned unfavorable development in currency exchange rates led to a severely negative financial result.

Slightly positive increase in sales for continued activities

Last year, the CPH Group attained consolidated net sales of CHF 569.9 million – a minus of 4% compared to the previous year. Disregarding the sale of the fertilizer business on January 1, 2008, there was a slight increase in sales of 1.5%. The divisions responsible are Paper and Silicate Chemistry mainly.

Net Sales	2008	2007	Change	
	MCHF	MCHF	MCHF	%
Chemicals Division	173.5	202.6	-29.1	-14.4
Paper Division	284.5	278.0	6.5	2.3
Packaging Division	111.9	112.9	-1.0	-0.9
Consolidated net sales for CPH Group	569.9	593.5	-23.6	-4.0

Chemicals: Distinctive decline in the fourth quarter

The Chemicals Division achieved sales of CHF 173.5 million (-14.4%, +1.8% excluding the fertilizer business). Margins came under pressure as a consequence of weak demand and rising costs during the second half of the year. The operating result is, therefore, clearly below the previous year's result.

After a promising first half of the year, demand for chemical agents in the **Fine Chemistry** Division declined particularly in the fourth quarter. As a result, the previous year's result of CHF 70.2 million was only barely reached (-0.9%). As a rule, margins could be retained despite high raw materials and energy costs. The new P3 plant to produce fine chemicals at GMP standards went into operation in spring. Capacity utilization was good. Entering the biochemical agents market, however, is proving itself to be challenging. BioUETIKON, the subsidiary in Ireland, was able to obtain a few small orders; the breakthrough, however, still needs to be worked on. First customer audits were passed successfully.

The **Silicate Chemistry** Division was able to increase sales by 3.6% to CHF 95.7 million despite the difficult economic environment. During the second six months a drastic decline in orders followed though. Furthermore, orders already placed were cancelled or delayed due to the global economic crisis. Molecular sieves used in ethanol dehydration, for industrial gases in steel production and for automotive catalytic converters were particularly hard hit. Concurrently, raw materials and energy prices rose to completely unexpected levels – principally in the US – causing the margins to collapse. The operating result decreased noticeably. While facilities in Louisville were well utilized, the Uetikon site was lacking the necessary volume during the last quarter. Action to improve earnings has been introduced.

Paper: New sales record despite negative currency effects

The weakening economy also left its trace on the paper market. In Europe newsprint paper consumption dropped by 5.2% to 10.9 million tonnes. Consumption of magazine paper dropped a little less by only -3.4%. Switzerland was still able to escape this trend during the past year: consumption of newsprint paper rose by 2.8% and that of magazine paper by 0.7%. In such an environment, price increases were only possible in a very limited fashion. Margins declined clearly as raw materials and energy costs increased once again. This led to a further consolidation in the paper industry: during the last two years about 2.7 million tonnes of production capacities for newsprint and magazine paper were shut down for good in Western Europe.

Despite a difficult market situation, Perlen Papier was able to increase sales volume by 3.9% to a new record level of 325,856 tonnes. A further positive note is that for the first time over 100,000 tonnes, or nearly one third of production volume, were sold on the Swiss home market. Total sales increased by 2.3% to CHF 284.5 million.

Unfortunately, this good effort does not manifest itself in the result. Prices for the raw materials recovered paper and wood as well as oil climbed to new heights and led to declining margins. Additionally, the increased value of the Swiss franc versus the euro by about 11% had a massive negative effect. The operating result is, thus, clearly below last year's figure.

Packaging: Continued pressure on margins

The integration of Perlen Converting and ac-Folien GmbH was completed during the last year. Both companies now appear in the market under the brand name of Perlen Packaging. While ac-Folien is focused on the production of mono films, Perlen Converting positions itself as expert in the field of laminated films. Construction of a third calender was begun in Müllheim, and finishing was completely automated at the Perlen plant. Positive feedback from the market was received for the new highest barrier protection film as well as for a film with an anti-microbial surface.

Even the Packaging Division was not able to escape the recession as growth in the pharmaceuticals industry has sagged markedly. Following a good first semester, demand for mono as well as laminated films decreased distinctly. Sales sank by 0.9% to CHF 111.9 million. Strongly increasing raw materials costs also led to declining margins in the Packaging Division. Combined with an unfavorable currency exchange rate situation, the conclusion is a poorer result than last year.

CPH Group: Markedly lower result

The effects of the global economic crisis left their mark on CPH's operating result **EBIT**. To blame are pressure on prices based on declining demand, lower margins due to continued increases in costs and the strong revaluation of the Swiss franc. Consequently, a result clearly below last year's is anticipated.

Moreover, the collapse of the stock markets and the unfavorable development in currency exchange rates led to a negative financial result. This is offset by non-operating income from the sale of properties and the interest in Agroline AG. However, the **net result** will also be significantly below the previous year's figures.

Due to the expected result, the Board of Directors feels impelled to propose a reduced **dividend of probable CHF 30** per share to the Ordinary General Meeting. A decision on this proposal will only be taken after the final figures become available at the spring meeting.

Outlook 2009: Difficult prognosis

It is exceptionally difficult to make a prognosis for the current business year under the existing market circumstances. In the **Paper** Division, newsprint paper prices could be slightly raised at the beginning of the year. Furthermore, raw materials costs are sinking and the price hike in electric energy did not turn out to be as massive as initially expected. We, therefore, anticipate a result above last year's, provided the value of the Swiss franc does not increase any further. In the **Chemicals** and **Packaging** Divisions the outlook is very uncertain due to the global recession. The current level of unfilled orders is significantly lower than at the same time last year. However, the Chemicals Divisions have a pipeline filled with promising products with the necessary marketability in times of an economic downturn. Based on the uncertain prospects for the future, measures have been taken to improve the result. They will have a positive effect on the current year.

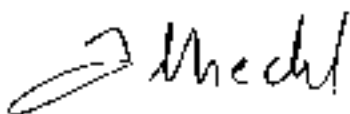
Despite the difficult market environment, the Board of Directors has decided to begin with the **construction of a new paper machine for newsprint papers** in spring. With this countercyclical investment of about CHF 500 million, the Board gives strength to its belief in Switzerland's future as an industrial location and Perlen as a production site. Thus, Perlen is given the opportunity to fully profit from the upswing right from the start once the economy strengthens.

I thank you for your support, especially during the difficult economic times still ahead of us. We will do our utmost to make sure that the CPH Group will come out this crisis strengthened.

You will receive detailed information about business year 2008 at the end of March with the Annual Report and at the **Ordinary General Meeting on Thursday, April 23, 2009 in the KKL Lucerne**. The media conference will be held on March 31, 2009.

Perlen, January 2009

On behalf of the Board of Directors



Dr. Franz-Josef Albrecht
Chairman