

Media Release concerning year-end closing 2009

Gratifying Net Result and a Very Good Operating Cash Flow Despite a Strong Decline in Sales

In 2009 sales declined strongly and simultaneously in all of the CPH Group's divisions. Despite a definite decrease in net sales by 15.5% to CHF 482 million, the EBITDA margin of 14.6% was virtually kept at last year's level. The operating result (EBIT) of CHF 8.5 million, however, was clearly below last year's figures.

Perlen, March 23, 2010 – The CPH Group faced enormous challenges during 2009. The massive economic collapse resulted in a strong, concurrent decrease in sales in all divisions. The expected balancing effect of the chemistry, paper and packaging industries' economic cycles failed to occur.

In comparison to the previous year, the CPH Group's net sales decreased by 15.5% to CHF 481.7 million. Even with cost reduction measures implemented immediately, the operating result (EBIT) sank by 73.5% to CHF 8.5 million. The euro's devaluation relative to the Swiss franc put a CHF 9.2 million burden on EBIT. The EBITDA margin of 14.6% was just about held at last year's level (16%) in spite of a clear deterioration of sales.

Narrowly sustained net result

Compared to last year (CHF –12.6 million), the financial result improved decidedly to CHF 1.9 million mainly because of the positive developments in the capital markets. Net earnings from securities amount to CHF 4.6 million (2008: net expenditure of CHF 7.1 million). The net result of CHF 29.5 million (–3.7%) benefitted not only from financial earnings but also from the sale of non-operating property.

In the current, very challenging market environment, a lot of attention must be paid to liquidity. Consistent management of current operating assets released a total of nearly CHF 43 million in tied-up capital in the individual divisions. Fixed capital in relation to net sales has, thereby, reduced itself disproportionately by about 21% (2008: 25%). More than CHF 113 million in liquid assets were created by operating activities in 2009 combined with EBITDA of CHF 70.5 million.

Investment in a new paper machine

In 2009, the CPH Group invested CHF 265.2 million in tangible assets (2008: CHF 55.3 million). The principal part of it (CHF 231 million) went into the construction of the new paper machine PM 7. Additionally, the completion of the third calender in Müllheim required CHF 14.4 million. Other than that, all investments were reduced to a minimum in all divisions.

The equity ratio in the CPH Group's consolidated balance sheet is 76% (2008: 78%), which is very healthy. As 40% of the large investment in the paper machine PM 7 will be financed externally, the high ratio will go down over the next years.

Accountable to society and environment

In the Annual Report 2009, the CPH Group publishes figures concerning sustainability for the first time. CO₂ emissions were reduced during the last years regardless of higher production outputs in Perlen. The Group's CO₂ emissions reached 65,400 tonnes (-19.1%) in 2009. A CO₂ emissions reduction of 10% per tonne of newsprint paper is expected once PM 7 goes online. Total energy consumption declined by 7.4% to 3,930 terajoules in 2009. One quarter of the energy used was produced in-house.

Proposed dividend of CHF 30

The Board of Directors' proposal to the Ordinary General Meeting on April 15, 2010, asks to pay out CHF 30 per share. This is a reduction of CHF 5 from last year's dividend putting the dividend payout ratio at 31% of the net result.

Chemistry Division: Sales collapse across the board

The Chemistry Division was confronted with a sweeping decrease in demand. In some market segments demand temporarily collapsed altogether. The Chemistry Division's sales declined by 29.1% to CHF 122.9 million.

The operating result dropped from CHF 12.8 million to CHF -6.6 million, even though measures to lower costs and to adjust capacities were taken immediately. Reduced working hours had to be introduced at the Uetikon, Louisville and Lahr sites. Silicate Chemistry's workforce had to be cut back by about 25%.

After a very good year for fine chemicals, the downturn, which had started in 2008, began to accelerate dramatically during 2009. The Fine Chemistry Division's sales declined by 26.8% to CHF 51.4 million. Specific cost management and impressive increases in efficiency slowed down the result's deterioration somewhat, but they were unable to compensate for it. A positive operating result was achieved for 2009 even though there was a significant decrease in volume.

2009 was an extraordinarily difficult year for the Silicate Chemistry Division. Consolidated sales dropped by 32.2% to CHF 64.7 million compared to 2008. Sales fell drastically in the main markets for molecular sieves and chromatography gels. For example, demand for molecular sieves used in ethanol, industrial gas and natural gas production sank between 40% and 50%. Austerity programs already launched at the beginning of 2009 began to show some effect during the second half of the year. However, the measures could not prevent the operating result from turning negative.

Paper Division: Gained market share in a negative environment

The Paper Division generated sales of CHF 260.9 million in 2009 corresponding to a decline of 8.3%. Newsprint and magazine papers attained a total production volume of 308,500 tonnes. The loss in volume was only 4.5%, despite market-induced utilization problems. An increased sales volume of 2.4% to over 154,900 tonnes in newsprint paper can be regarded as excellent in this kind of market environment. The magazine paper sales volume, however, sank by 12.4% to 152,900 tonnes. In light of the newsprint paper home market in Switzerland declining by 16%, Perlen managed extremely well and increased the market share by 2.5% to 26%.

The operating result for the Paper Division is CHF 13.7 million, which is equivalent to a decrease of 3.5%. It was mainly a consequence of substantially declining demand and an ensuing deterioration in price. The EBIT margin of 5.2% was slightly above last year's level. This continues to be a peak value compared to international industry standards. The same goes for the EBITDA margin attaining a high 19.6%.

In December 2008, the Board of Directors decided to invest a maximum of CHF 500 million in a new paper machine (PM 7). With the new machine, production capacity for newsprint papers rises by 230,000 tonnes to 360,000 tonnes per annum. The Paper Division's full attention focused on this plant replacement in 2009. Startup is scheduled for September 1, and continuous operation is planned by October 1, 2010. Negotiations for multi-year contracts with strategic, major customers in order to ensure the sale of PM 7's additional volume have already led to signing some agreements.

Packaging Division: Pharmaceutical related packaging in powerful decline

The Packaging Division attained sales of CHF 97.9 million and was 13.0% below last year. The drop in sales went hand-in-hand with a drop in volume of 7% demonstrating the enormous pressure on margins due to overcapacities in the market. Individual market segments behaved very differently. Mono film sales gained by 2%, while laminated film sales declined by 13%. Consumers switching to cheaper products with other kinds of packaging caused sales of pharmaceutical related products in particular to experience a strong decrease.

In addition, production output in Müllheim and Perlen dropped due to lower demand. Production capacities had to be adjusted accordingly. Müllheim, for example, had to return to a three-shift-system and reduced working hours were temporarily implemented in Perlen. The operating result of CHF 0.02 million (2008: CHF 4.1 million) was barely balanced. The EBIT margin dropped from 3.7% to 0 %.

Uncertain outlook for 2010

Currently, it is extremely difficult to make a prognosis for the immediate future. We have to assume that the challenging market conditions and pressures on selling prices will continue.

The situation is particularly difficult for the Paper Division. The paper machines were - and still are - poorly utilized because of a strong decline in demand. At the beginning of 2010, this led some major suppliers to drop their market prices for newsprint papers drastically in order to safeguard their production volume. As a small supplier, Perlen does not have any pricing clout and is forced to react appropriately. Additionally, power costs continue to rise in 2010 and are now the largest expenditure item apart from personnel. Even though great efforts have been made to curtail costs, a loss is anticipated for the current year. Measures to promote sales, reduce costs and adjust capacities continue to be implemented in all divisions. Unless a clear economic recuperation sets in, it will not be possible to attain a better result than last year - even more so, as an upswing has a delayed affect on the result.

Further information:

Balance sheet media conference on business year 2009

Today, March 23, 2010, 10:30 AM, Perlen

For additional information, please contact:

Dr. Franz-Josef Albrecht, Chairman of the Board of Directors of CPH Chemie + Papier Holding AG

Tel.: +41 52 232 97 94

Dr. Peter Schildknecht, CEO CPH Chemie + Papier Holding AG

Tel.: +41 41 455 87 57

Dr. Max Michel, CFO CPH Chemie + Papier Holding AG

Tel.: +41 41 455 87 52

Key figures

in CHF million. 2009 2008 Change in %

CPH Group

Net sales	481.7	570.4	-15.5
Earnings before depreciation (EBITDA)	70.5	91.0	-22.5
in % of sales	14.6	16.0	
Earnings (EBIT)	8.5	32.2	-73.5
in % of sales	1.8	5.6	
Financial earnings	1.9	-12.6	
Earnings before taxes	10.4	19.5	-46.7
Net result	29.5	30.6	-3.7
in % of sales	6.1	5.4	
in % of shareholders' equity	3.9	4.2	
in % total capital	3.0	3.3	
Cash flow	86.5	90.2	-4.1
without real estate	60.0	77.6	-22.6
Net investments in tangible assets	265.2	55.3	379.8
Free cash flow	-56.5	28.9	
Balance sheet total	994.6	934.8	6.4
Fixed assets	743.3	540.8	37.4
in % of balance sheet total	75	58	
Shareholders' equity	751.5	732.8	2.6
in % of balance sheet total	76	78	
Net financial balance	-26.4	114.2	
Number of employees at year-end	968	999	-3.1

Divisions

Chemistry

Net sales	122.9	173.3	-29.1
Earnings (EBIT)	-6.6	12.8	

Paper

Net sales	260.9	284.5	-8.3
Earnings (EBIT)	13.7	14.2	-3.5

Packaging

Net sales	97.9	112.5	-13.0
Earnings (EBIT)	0.0	4.1	-100.0

CPH Chemie + Papier Holding AG

Net earnings	57.0	40.4	41.2
Shareholders' equity	614.6	568.0	8.2

Per-share statistic

Shareholders' equity (consolidated) in CHF	2'506	2'444	
Net earnings (consolidated) in CHF	97	104	
Cash flow (consolidated) in CHF	200	259	
Dividend in CHF	30*	35	

*Board of Director's recommendation to the ordinary General Meeting