

Media release

CPH Group looks back on a difficult 2010

The CPH Group saw its consolidated net sales decline 13.3% last year to CHF 417.4 million. The Group will post a net loss for the year. The new PM 7 paper machine, which represents an investment of some CHF 500 million, entered operation in September.

Perlen, 25 January 2011 – The CPH Group faced adverse market conditions in 2010. The substantial strengthening of the Swiss franc against the euro and the US dollar, lower prices in the paper sector and steep rises in raw materials and energy costs combined to significantly depress results for the export-oriented Group. The CHF 417.4 million net sales for the year were a 13.3% decline on 2009 results. Group earnings before interest and taxes (EBIT) will be negative, and the Group will report a net loss for the year.

Sizeable sales declines in the Chemistry Division

Net sales for the Chemistry Division saw a substantial 20.8% decline to CHF 97.3 million. But thanks to a comprehensive cost-reduction programme and actions taken to enhance efficiency, the division was able to reduce its operating loss from the level sustained in 2009. Part of the sales decline can be attributed to currency factors: the division generates most of its revenues in euros and US dollars.

The falling sales in the division's fine chemistry sector were due partly to the deferral or termination of a number of pharmaceuticals customers' projects in the customer synthesis field that had previously been incorporated into the unit's planning. Outside pharmaceuticals, results from electronics fell particularly short of the high levels they had achieved before the recent financial crisis. On an encouraging note, sales of the unit's own fine chemicals remained broadly stable.

In the silicate chemistry sector, numerous customers of molecular sieve products deferred planned investments in new facilities. The downward sales trend did ease somewhat in 2010; but workforce numbers still had to be further reduced in the fourth-quarter period.

Lower newsprint prices

The Paper Division raised its volumes of publication paper sold by 7.8% to a record 332 000 tonnes last year. At the same time, however, newsprint prices were substantially below their 2009 levels, while increases were seen in raw materials and energy prices. With some 70% of its production exported outside Switzerland, the division was also hit particularly hard by the strength of the Swiss franc. The combination of these adverse factors prompted a 16.3% decline in net sales to CHF 218.5 million. The division will also post a negative EBIT result for the year.

The CPH Group has invested some CHF 500 million in its new PM 7 paper machine. In doing so, the Group is making a clear commitment to its Swiss operating location and to retaining jobs in Central Switzerland. The PM 7 has been in operation since September 2010, and will ensure that the CPH Group remains well able to compete within the publication paper segment in the longer term.

Encouraging developments in Packaging

The Packaging Division raised its volumes sold by 14% and its net sales by 3.8% to CHF 101.6 million. The division also increased its market share, benefiting from the global growth within the pharmaceuticals segment. The pressure on margins remains high, owing to currency exchange rate trends and increases in raw materials prices. But thanks to numerous cost economies and productivity enhancements, the division will post an EBIT result for the year that is a slight improvement on 2009.

No brighter prospects yet

The Group's Chemistry and Packaging Divisions are showing signs of progress on the operational front, while the Paper Division has been able to raise its prices this year. With the present strength of the Swiss franc, however, these positive developments are unlikely to translate into improved results any time soon.

Net sales	2010	2009	Change	
	CHF million	CHF million	CHF million	%
Chemistry Division	97.3	122.9	- 25.6	- 20.8
Paper Division	218.5	260.9	- 42.4	- 16.3
Packaging Division	101.6	97.9	3.7	3.8
CPH Group	417.4	481.7	- 64.3	- 13.3

Detailed information on the CPH Group's 2010 business year will be provided at the Annual Results Media Conference on Friday 25 March.

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