

MEDIA INFORMATION

EMS Group: Annual results 2008

- **Expanded global market shares**
- **Worldwide economic slump affects course of business**
- **Freedom of entrepreneurial action due to a solid balance sheet and high liquidity**

1. Summary

With its companies combined in EMS-CHEMIE HOLDING AG and with global activities in the business areas **Performance Polymers** and **Fine Chemicals / Engineering**, the EMS Group achieved **net sales** of CHF 1,504 million (1,552) and a **net operating income (EBIT)** of CHF 220 million. (270).

Despite the worsening economy worldwide, consolidated **net sales** in local currencies closed at the same level as for the previous year (+0.8%). Weaker foreign currencies however, reduced net sales in Swiss Francs to CHF 1,504 million (1,552) which is 3.1% below the previous year.

Planned growth with new business in the main area of Performance Polymers was achieved successfully. Applications regarding metal replacement with new plastic materials developed in a particularly positive manner. The Business Unit EMS-EFTEC* gained a large amount of new automotive business and expanded market shares.

The slowing of the economy worldwide which lead to a literal economic slump in the 4th quarter of 2008, forced customers to extensive reductions of their production quantities and inventory stocks, which also resulted in a strong reduction of sales volumes for EMS.

* previously, Business Unit EMS-TOGO

The net operating income (**EBIT**) amounted to CHF 220 million (270). Due to the economic downturn and the unfavourable currency exchange rates, this was 18.7% lower than in the previous year. The **EBITDA** was CHF 278 million (324).

The **net financial income** amounted to CHF 38 million (64). (The high net financial income of the previous year was due to extraordinary sales of shareholdings.)

Net income after taxes came to a total of CHF 215 million (294). Earnings per share amounted to CHF 9.25 (12.14).

The **operative cash flow** was increased to CHF 275 million (181) and the **operative free cash flow** to CHF 212 million (110).

Equity ratio was a high 58.1% (56.1%) and the **return on equity** 22.1% (23.0%).

For the 2008 business year, EMS plans to distribute an **ordinary gross dividend** of CHF 5.00 per share (6.00).

For **2009** EMS is expecting the economy to show further significant deteriorations. Therefore, net sales and net operating income (EBIT) are expected to be below those of the previous year.

EMS will accelerate the current expansion strategy with speciality business in the main area of Performance Polymers.

Thanks to the innovative, high-margin speciality business, high liquidity and a strong equity ratio, EMS is in good condition to rapidly and flexibly recognise market opportunities and to further expand its own market shares.

2. Development of income 2008: Key figures EMS Group

CHF millions	2008	2007
Net sales	1,504	1,552
change	-3.1%	+11.2%
change in local currencies	+0.8%	+9.2%
EBITDA ¹⁾	278	324
change	-14.1%	+8.6%
in % of net sales	18.5%	20.8%
Net operating income (EBIT) ²⁾	220	270
change	-18.7%	+9.5%
in % of net sales	14.6%	17.4%
Net financial income	38	64
change	-41.1%	-46.1%
Income taxes	42	40
Net income ³⁾	215	294
change	-26.7%	-4.5%
in % of net sales	14.3%	18.9%
Earnings per share (in CHF) ⁴⁾	9.25	12.14
change	-23.8%	-6.5%
Operative cash flow ⁵⁾	275	181
change	+52.3%	-21.2%
Investments	64	72
in % of operative cash flow	23.2%	39.8%
Operative free cash flow ⁵⁾	212	110
change	+93.2%	-34.5%
in % of net sales	14.1%	7.1%
Equity	975	1,277
In % of balance sheet total	58.1%	56.1%
Return on equity	22.1%	23.0%
Equity per share (in CHF) ⁴⁾	42.61	54.71
Number of employees	2,165	2,231

¹⁾ EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

²⁾ EBIT = Earnings Before Interest and Taxes
= net operating income

³⁾ Net income = profit after taxes, including minority shareholders

⁴⁾ Average weighted number of registered shares as at 31.12.2008: 22,887,970 shares
(31.12.2007: 23,335,901 shares)

⁵⁾ Operative cash flow = EBITDA plus changes in net working capital less tax payments

Operative free cash flow = operative cash flow less investments in intangible assets, property, plants and equipment

3. Remarks on the development of net sales and income

3.1 Early measures regarding the economic slump

Already at an early stage, EMS expected a global economic slowdown and a difficult market environment for 2008. As a result, planning for costs and investments was cautious.

The enormously increased energy and food prices in the first half of the year accelerated the expected slowdown even more. In **April 2008** EMS reacted with a cost-reduction programme, recruitment freeze and postponement of investments. Production volumes and inventory stocks were reduced.

The financial crisis created an economic slump of historic proportions. In **October 2008**, EMS initiated restructuring programmes, prepared short working hours, tightened handling of accounts receivable and intensified management of liquidity.

At the **end of the year**, the dramatic drop in demand forced customers throughout the world to extensive reductions of their production quantities and inventory stocks, which also resulted in a strong reduction in sales volumes for EMS. As a result, EMS extended the Christmas break and introduced short-time work.

In the financial industry over past years practically only development of net sales and profit have been of importance. Too little attention was paid to profit margin, free cash flow and outstanding debts. The current situation with some important companies demonstrates, however, how relevant cash flow and equity ratio can be for survival of a company.

EMS has always generated a high free cash flow and puts great significance on equity. In 2008 the operative cash flow amounted to CHF 275 million (181) and allowed the investments to the amount of CHF 64 million to be financed without problem. In the year under review the operative free cash flow was a high CHF 212 million corresponding to 76.8% of the operative cash flow.

As a plan figure for the equity ratio, EMS has always strived for an amount between 40 - 60%. Last year, EMS' equity ratio even amounted to 58.1% and this despite a successful share repurchase amounting to CHF 300 million.

3.2 Net sales

Net sales in local currencies were at the same level as for the previous year (+0.8%). Weak foreign currencies compared to the Swiss Franc (Euro, US Dollar and Asian currencies) diminished net sales in Swiss Francs. Net sales in Swiss Francs amounted to CHF 1,504 million (1,552) and closed 3.1% below the previous year.

94.9% (95.0%) of net sales were generated outside Switzerland as follows: 59.3% (61.8%) in the European Union, 20.0% (20.2%) in Asia, 11.6% (8.7%) in North America* and 4.0% (4.3%) in other countries. In Switzerland, EMS realised 5.1% (5.0%) of total net sales.

Despite the low share of net sales achieved in Switzerland, EMS continues to manufacture the major share of products in Switzerland with 54.1% (58.5%). As a result, the strength of the Swiss Franc compared to foreign currencies in 2008 had a negative influence on manufacturing costs and result. 25.0% (24.0%) of products sold were manufactured in the European Union, 12.5% (12.4%) in Asia and 8.4% (5.1%) in the USA*.

3.3 Net operating income

The net operating income (EBIT) dropped to CHF 220 million (270). Due to early implementation of measures regarding costs and investments it was possible to avoid a further decrease in net operating income.

3.4 Net financial income

EMS pursues the strategy of concentrating on the operative business. Net financial income is of little significance.

Following this strategy and with an expected economic slump in mind, EMS successfully reduced significant shareholdings (primarily LONZA) and thus achieved exceptionally high net financial income in previous years. The net financial income in 2008 amounted to CHF 38 million (64).

* The increased share in net sales and production in North America is due to the new fully consolidated America business of the Business Unit EMS-EFTEC.

3.5 Equity

The share repurchase to the amount of CHF 300 million undertaken in 2008 resulted in equity being reduced to CHF 975 million (1,277). Despite this, the **equity ratio** was still increased to a high 58.1% (56.1%). The **return on equity** amounted to 22.1% (23.0%). Both the equity ratio and return on equity are well positioned in a sector comparison and are an expression of the above-average profitability of EMS.

3.6 Postponed investment

In expectation of a weak economy EMS already planned cautious investments for 2008. In the first half of the year, as energy and food prices increased significantly and an acceleration of the economic downturn became apparent, investments were cut back. Various expansion projects were postponed.

Investments totalled CHF 64 million (72). Of these, 51.7% (61.4%) were made in Switzerland, 21.9% (29.5%) in the European Union, 23.4% (6.8%) in Asia and 3.0% (2.3%) in the USA.

Due to the early adjustment of stock inventories and strict management of accounts receivable, the **operative cash flow** was increased to CHF 275 million (181). As in previous years, the investments were smoothly financed from own resources. The **operative free cash flow** amounted to CHF 212 million (110) which represents 76.8% of the operative cash flow.

4. Development of net sales and income in the business areas

CHF millions	2008	%-dev. prev. year	2007	%-dev. prev. year
Performance Polymers				
Net sales	1,392	-2.5%	1,428	+12.8%
- in local currencies		+1.6%		+10.7%
EBITDA	251	-13.0%	288	+13.3%
- in % of net sales	18.0%		20.2%	
EBIT	201	-17.2%	243	+13.7%
- in % of net sales	14.5%		17.0%	
Fine Chemicals / Engineering				
Net sales	112	-10.3%	125	-4.4%
- in local currencies		-9.5%		-5.4%
EBITDA	27	-23.5%	35	-19.3%
- in % of net sales	24.0%		28.1%	
EBIT	18	-32.3%	27	-18.1%
- in % of net sales	16.2%		21.5%	
EMS Group				
Net sales	1,504	-3.1%	1,552	+11.2%
- in local currencies		+0.8%		+9.2%
EBITDA ¹⁾	278	-14.1%	324	+8.6%
- in % of net sales	18.5%		20.8%	
EBIT ²⁾	220	-18.7%	270	+9.5%
- in % of net sales	14.6%		17.4%	

¹⁾ EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

²⁾ EBIT = Earnings Before Interest and Taxes
= net operating income

5. Remarks on the individual business areas

In the main area of **PERFORMANCE POLYMERS** EMS was successful in developing further applications with specialities and introducing new products. The Business Unit EMS-EFTEC was also successful in gaining significant new business. Market shares throughout the world were further expanded. Weak foreign currencies burdened the income statement in Swiss Francs.

The historic slump in consumer spending, particularly in the last quarter of 2008, forced customers (especially in the automotive industry, an important market for EMS), to extensive reductions of their production quantities and inventory stocks, which also resulted in a strong reduction of sales volumes for EMS.

As expected, the secondary area **FINE CHEMICALS / ENGINEERING** experienced a decline in the development of net sales and net operating income due to the difficult economic environment.

6. Payment of dividends

EMS consistently pursues a policy of result and liquidity-oriented profit distribution.

For this reason, at the annual general meeting 2009 an ordinary gross dividend of CHF 5.00 will be proposed (6.00).

7. Outlook / preview 2009

For 2009, EMS is expecting the economy to show further significant deteriorations. The rapid and strong economic slump in conjunction with the stricken state of the financial industry, will lead to more cases of bankruptcy and higher unemployment. The situation on the credit and consumer markets will worsen further.

How and when the considerable supportive measures and state intervention will have an effect remains unsure. It is conceivable that sudden, selective phases of growth will occur, accompanied by inflation and turbulences with currencies.

EMS will keep a close eye on the situation and, through corresponding preparation, will ensure rapid action is taken. Due to the innovative, high-margin business with speciality products, high liquidity and a strong equity ratio, EMS considers itself to be in a good position to make use of opportunities in an independent, rapid and flexible manner.

EMS will accelerate the current expansion strategy with speciality business in the main area of Performance Polymers. Market positions will be further expanded.

Due to the extremely difficult economic environment, however, net sales and net operating income (EBIT) are expected to be below those of the previous year.

8. Schedule

- | | |
|--|----------------|
| - First-quarter report 2009 | April 2009 |
| - Media conference / Half-year report 2009 | July 10, 2009 |
| - Annual General Meeting 2009 | August 8, 2009 |
| - Third-quarter report 2009 | October 2009 |
| - Media conference / Annual results 2009 | February 2010 |

* * * * *