

MEDIA INFORMATION

EMS Group: Annual results 2009

- **Exceptionally high result in the second half of 2009**
- **Annual result slightly above last year with clearly lower net sales**
- **Recovery of the worldwide economy is expected**

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**, in 2009 the EMS Group achieved **net sales** of CHF 1,198 million (1,504) and a **net operating income (EBIT)** of CHF 222 million (220). After a weak first half year due to the poor economy, the result increased to an exceptionally high level during the second half year. Annual net sales were clearly lower than in the previous year, while the net operating income was even slightly higher.

Consolidated **net sales** amounted to CHF 1,198 million (1,504) which is 20.4% lower than in the previous year. In local currencies this decrease was 17.6%. During the year the business situation improved continuously and, correspondingly, so did net sales which exceeded the figure for the previous year by 13.6% in the fourth quarter.

Worldwide demand for consumer and investment goods, which dropped to historically low values in the first half year, recovered clearly during the second half year. Consumers and companies regained their trust: Consumer decisions were made and strongly reduced inventory stocks were built up again slightly. Especially the hard-hit automotive industry, which is particularly important for EMS, profited from the state incentives worldwide.

EMS was able to successfully achieve planned growth with new business in the main area of Performance Polymers. Apart from the low number of vehicles manufactured, the automotive industry developed in a pleasing way, with new

applications for replacement of metal, and the automotive supplier EMS-EFTEC gained further market shares worldwide. Construction of new production sites in the growth markets China, India and Brazil was carried out as per plan.

Net operating income (**EBIT**) amounted to CHF 222 million (220) and, due to a very strong second half year, closed 1.0% above the previous year. Along with the improved business situation, typically delayed positive cost effects had a particularly positive influence on the second half year result. The **EBITDA** amounted to CHF 280 million (278). The **EBIT margin** could be increased to a high 18.5% (14.6%) and the **EBITDA margin** to 23.3% (18.5%).

The **net financial income** amounted to CHF 28 million (38).

Net income after taxes was increased by 2.8% to reach CHF 221 million (215). Earnings per share amounted to CHF 9.66 (9.25).

The **cash flow** reached CHF 279 million (273) and the **free cash flow** CHF 241 million (210).

Equity ratio remained at a high level with 59.7% (58.1%).

For the 2009 business year EMS plans to distribute an **ordinary gross dividend** of CHF 5.00 per share (5.00) again.

For **2010** EMS is expecting further sustained recovery of the worldwide economy. Based on this, EMS is expecting clearly higher net sales and a slightly higher net operating income (EBIT) than in the previous year.

2. Development of income 2009: Key figures EMS Group

in million CHF	2009	2008
Net sales	1,198	1,504
Change	-20.4%	
Change in local currencies	-17.6%	
EBITDA ¹⁾	280	278
Change	+0.7%	
In % of net sales	23.3%	18.5%
Net operating income (EBIT) ²⁾	222	220
Change	+1.0%	
In % of net sales	18.5%	14.6%
Net financial income	28	38
Change	-25.5%	
Income taxes	29	42
Net income ³⁾	221	215
Change	+2.8%	
In % of net sales	18.5%	14.3%
Earnings per share (in CHF) ⁴⁾	9.66	9.25
Change	+4.4%	
Cash flow ⁵⁾	279	273
Change	+2.1%	
Investments	38	64
Change	-41.0%	
Free cash flow ⁵⁾	241	210
Change	+15.1%	
In % of net sales	20.2%	13.9%
Equity	1,022	975
In % of balance sheet total	59.7%	58.1%
Return on equity	21.7%	22.1%
Equity per share (in CHF) ⁴⁾	45.67	42.61
Number of employees	2,106	2,165

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

²⁾ EBIT = Earnings Before Interest and Taxes

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

⁴⁾ Average weighted number of registered shares as at 31.12.2009: 22,373,911 shares
(31.12.2008: 22,887,970 shares)

⁵⁾ Cash flow = Net income plus depreciation and amortisation of intangible assets, property, plant and equipment

Free cash flow = Cash flow less investments in intangible assets, property, plant and equipment

3. Remarks on the development of net sales and income

3.1 Net sales

Compared to the previous year, net sales decreased by 20.4% due to the economic slump and amounted to CHF 1,198 million (1,504). Net sales in Swiss Francs were additionally cut by the effects of the weak Euro in relation to the Swiss Franc. In local currencies net sales were 17.6% below the figure for the previous year.

Worldwide demand for consumer and investment goods dropped to historically low values in the first half year. The automotive industry, which is of significant importance to EMS, showed a strong decline. In the main regions USA, Europe and Japan the number of vehicles produced in the first half year was 37% below the figure for the previous year. Reductions in inventory stocks, perceived at all preceding levels of the supply chain, reduced demand even further. As a result, a strong reduction in sales volumes also occurred for EMS and, compared to the previous year, net sales dropped by 35.3%.

In the second half year, worldwide demand recovered increasingly. An improved situation in the financial and capital markets as well as the considerable state finance programmes (specifically for the automotive industry) created renewed trust and incentives for companies and consumers leading to higher consumer spending and increased investments. As a result the number of vehicles manufactured also increased again, although in the second half year the number of vehicles manufactured in the main regions USA, Europe and Japan remained clearly below the previous year's figures with -11%. An improved course of business and a more optimistic assessment of the future allowed companies to slightly rebuild their massively reduced stocks. Sales volumes increased for EMS and in the second half year net sales reached a figure nearly that of the previous year (-1.6%), while in the fourth quarter net sales were clearly up on the previous year with +13.6%.

EMS will continue without change to follow its successful strategy of expansion of speciality business in the main area of Performance Polymers. Demand from customers for innovative products increased strongly and as a result of this, EMS introduced at the beginning of 2009 a programme for accelerated generation of new business. Planned new business was realised successfully. The automotive industry with new applications for replacement of metal, developed very positively. The Business Unit EMS-EFTEC gained further market shares worldwide.

Construction of new production sites in the growth markets China, India and Brazil was carried out as per plan.

EMS generated 95.3% (94.9%) of net sales outside of Switzerland with 58.6% (59.3%) in the EU, 20.3% (20.0%) in Asia, 10.7% (11.6%) in North America and 5.7% (4.0%) in other countries. In Switzerland, EMS realised 4.7% (5.1%) of total net sales.

Despite the low share of net sales achieved in Switzerland and despite having 23 production sites outside of Switzerland, EMS continues to manufacture the major share of products in Switzerland with 53.4% (54.1%) and is, therefore, a typical Swiss export company. 26.5% (25.0%) of products sold were manufactured in the EU, 11.8% (12.5%) in Asia and 8.3% (8.4%) in the USA.

3.2 Net operating income

Net operating income (**EBIT**) amounted to CHF 222 million (220) and, due to a very strong second half year, closed even slightly above the previous year's figure. The **EBITDA** amounted to CHF 280 million (278). Along with the improved business situation, typically delayed positive cost effects had a particularly positive influence on the second half year result. (All measures associated with the economic slump were already completed by EMS at the beginning of 2009.)

The **EBIT margin** amounted to 18.5% (14.6%) and the **EBITDA margin** 23.3% (18.5%). These, in a sector comparison sustained high margins, are an expression of the innovative, high-margin speciality business of EMS.

3.3 Net Financial income

Since 2004 EMS has pursued the strategy of concentrating on the operative business. Net financial income is of little significance. Net financial income 2009 amounted to CHF 28 million. (38).

3.4 Equity

Equity was increased to CHF 1,022 million (975). The **equity ratio** amounted to a high 59.7% (58.1%). **Return on equity** was 21.7% (22.1%). In a sector comparison both the equity ratio and the return on

equity are high and are an expression of the sustained, above-average profitability of EMS.

3.5 Postponed investment / cash flow

In expectation of an economic slump, EMS had already limited investment greatly at an early stage. Therefore, investments for 2009 were planned at a low level. Investments made in 2009 totalled CHF 38 million (64). While in Switzerland priority was given to rationalisation and replacement investments, in the growth markets capacity was further increased. Construction of new production sites in China, India and Brazil was carried out as per plan.

40.7% (51.7%) of the investments were carried out in Switzerland, 19.1% (23.4%) in Asia, 18.6% (0.0%) in Brazil, 13.5% (3.0%) in the USA and 8.1% (21.9%) in the European Union.

With a **cash flow** of CHF 279 million (273), the investments to the amount of CHF 38 million were - as in previous years - smoothly financed from own resources. EMS is characterised by the fact that in both good and difficult years, a high free cash flow is generated. In the reporting year the **free cash flow** amounted to CHF 241 million (210), which corresponds to 86.5% (76.7%) of the total cash flow.

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

in million CHF	2009	%-dev. prev. Year	2008
Performance Polymers			
Net sales	986	-20.5%	1,241
- In local currencies		-17.3%	
EBITDA	239	+1.1%	236
- In % of net sales	24.2%		19.0%
EBIT	192	+0.2%	192
- In % of net sales	19.5%		15.5%
Fine Chemicals / Engineering ^{*)}			
Net sales	212	-19.6%	263
- In local currencies		-19.0%	
EBITDA	41	-2.0%	41
- In % of net sales	19.2%		15.8%
EBIT	30	+6.6%	28
- In % of net sales	14.0%		10.5%
EMS Group			
Net sales	1,198	-20.4%	1,504
- In local currencies		-17.6%	
EBITDA ¹⁾	280	+0.7%	278
- In % of net sales	23.3%		18.5%
EBIT ²⁾	222	+1.0%	220
- In % of net sales	18.5%		14.6%

^{*)} From January 1, 2009 the Business Unit EMS-GRILTECH has been included in the business area "Fine Chemicals / Engineering". Figures shown for previous periods have been adjusted accordingly.

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

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

5. Remarks on the individual business areas

The worldwide economic slump caused a clear drop in net sales for both business areas. During the year, however, business recovered considerably.

In the main area of **PERFORMANCE POLYMERS** the Business Unit EMS-GRIVORY was successful in realising the planned applications with speciality products. New applications in the field of metal replacement developed in a particularly positive manner and new products were introduced. The Business Unit EMS-EFTEC was again successful in gaining new business and market shares.

The secondary area **FINE CHEMICALS / ENGINEERING** developed as expected.

6. Payment of dividends

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

For this reason, at the Annual General Meeting 2010 the board of directors intends to propose the distribution of an ordinary gross dividend of CHF 5.00 (5.00) again.

7. Outlook / preview 2010

For 2010, EMS is expecting sustained recovery of the economy worldwide, whereby the new growth markets, in particular China, may continue to develop very strongly.

The first half year 2010 will still be characterised by a general increase in inventory stocks and figures will therefore - taking into account the extremely poor period in the previous year - be considerably above those of the previous year.

The high political and financial pressure on industrial nations to take action, due to high national debt, may have a damping effect on further economic development. Foreign currency developments, unfavourable for an export company such as EMS, cannot be excluded.

In the reporting year large capacities for basic raw materials were taken out of the market. Immediately increased demand will cause supply shortages and price increases. EMS is therefore expecting higher raw material costs.

EMS will continue without change to follow its successful strategy of expansion of speciality business in the main area of Performance Polymers. Worldwide market positions will be further strengthened. In the new growth markets China, India and Brazil this will be achieved with the newly established sales and production sites.

For 2010 EMS is expecting clearly higher net sales and a slightly higher net operating income (EBIT) than in the previous year.

8. Schedule

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| - First-quarter report 2010 | April 2010 |
| - Media conference / Half-year report 2010 | July 9, 2010 |
| - Annual General Meeting 2010 | August 14, 2010 |
| - Third-quarter report 2010 | October 2010 |
| - Media conference / Annual results 2010 | February 2011 |

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