

Zurich, 15 March 1996



PRESS INFORMATION

Financial Statement 1995 for the EMS Group

Improved sales and net income in spite of troublesome market conditions

1. General information and summary

With its companies combined within EMS-CHEMIE HOLDING AG, and operating world-wide with an unchanged scope of consolidation in the fields of **performance polymers, fine chemicals and engineering**, the **EMS Group** was able to boost net sales by 7,8% to 924 million Swiss francs (857) and net income after taxes by 41,8% to 204 million Swiss francs (144), whereby this increase in net income is the result of a further improvement of operating income (+ 4,3%) and, in particular, of higher finance income (+ 141,4%).

Although the EMS-Group - which exports more than 90% of its products - experienced 1995 as its best year ever, the unexpectedly substantial strengthening of the Swiss franc as well as the general economic downturn in Europe in the second half of the year and the significantly higher raw material prices had quite some impact on Group results.

In spite of these unfavorable market conditions, the excellent **cost discipline**, the enduring efforts to **concentrate on high-yield products** as well as the measures successfully applied to the **management of cash assets** generated a very satisfactory overall result. Net income after taxes amounted to 20,6% and cash flow to 25,2% of total income from production. **Yield per bearer share** was hence boosted from 227.35 Swiss francs to 325.40 Swiss francs. Return on equity amounted to 21,4% in 1995, with an average of 20,3% over the past 4 years.

Although EMS bought back own shares with a total value of 624 million Swiss francs in 1993 and 1994, and despite the fact that in 1995 the sum of 94 million Swiss francs was paid out to shareholders as par value reduction and dividend, a further **equity increase** was experienced, from 847 million to 952 million Swiss francs, corresponding to a high 65,0% of the balance-sheet total.

The earning capacity of the Group is high, its financial health robust.

2. Development of income

Net sales increased by 7,8% in Swiss francs. In local currencies, sales were boosted by 14,5%.

Operating income is up for the 5th year in succession; primarily as a consequence of the unfavorable currency situation, however, this + 4,3% increase is lower than the corresponding figure for sales growth (+ 7,8%).

As a result of the significant price increases for raw materials, which could not be passed on to the market in full, **material expenses** rose to 49% of total income from production (45%).

As EMS takes only realized gains into account in **finance income**, the individual sums are of aperiodic nature. Finance income (112 million Swiss francs) is hence 141,4% higher for 1995 than for the poor stock market year 1994 (46 million Swiss francs) in which gains remained insignificant.

After the high **investments** of the two previous years the figure for 1995 (83 million Swiss francs; previous year 108 million Swiss francs) is again within the normal framework. In relation to net sales (9%), however, EMS still invests more heavily than the industry average. Investments were fully covered by the **cash flow** of 250 million Swiss francs (+35%). The **free cash flow** (cash flow less investments and acquisitions) for 1995 totals 167 million Swiss francs or 16,9% of total income from production. The free cash flow figure for the years 1992-95 (536 million Swiss francs) reflects the high earning capacity of the EMS Group.

Development of income: key figures

	Business years, CHF millions		
	1995	1994	1993
Net sales	923,7	856,5	830,5
change over previous year in %	+ 7,8%	+ 3,1%	- 1,7%
Total income from production	992,0	910,5	856,6
change over previous year in %	+ 9,0%	+ 6,3%	- 0,8%
Operating income *	137,8	132,1	121,9
change over previous year in %	+ 4,3%	+ 8,4%	+ 31,2%
in % of net sales	14,9%	15,4%	14,7%
Finance income	111,8	46,3	124,6
change over previous year in %	+141,4%	- 62,8%	+ 17,8%
Net income **	204,2	144,0	201,6
change over previous year in %	+ 41,8%	- 28,6%	+ 14,4%
in % of total income of production	20,6%	15,8%	23,5%
per dividend-bearing bearer share, adjusted (in CHF)	325,40	227,35	294,85
Cash flow ***	250,3	185,4	241,0
change over previous year in %	+ 35,0%	- 23,1%	+ 12,5%
in % of total income from production	25,2%	20,4%	28,1%
per dividend-bearing bearer share, adjusted (in CHF)	398,90	292,80	352,50
Investments	82,8	107,6	101,1
in % of cash flow	33,1%	58,0%	42,0%
Equity	951,8	846,7	944,4
in % of balance-sheet total	65,0%	52,6%	67,5%
return on equity	21,4%	17,0%	21,3%
equity per dividend-bearing bearer share (in CHF)	1517,15	1336,90	1381,10
No. of employees on 31.12.	2662	2666	2644

* income before interest and taxes (EBIT)

** profit after taxes less minority interests

*** net income plus depreciation

3. Consolidated statement of income (IAS method)
(in CHF millions)

	1995	1994	Change
Net sales revenue from goods and services	924	857	+ 7,8%
Inventory changes, semi finished and finished goods	22	14	+ 62,1%
Own work and other operating income	46	40	+ 14,6%
Total income from production	992	911	+ 9,0%
Material and warehouse expenses	485	409	+18,6%
Personnel expenses	223	220	+ 1,3%
Depreciation and amortization	46	41	+ 11,1%
Other operating expenses	100	108	- 7,1%
Total operating expenses	854	778	+ 9,7%
Operating income	138	132	+ 4,3%
Finance income	148	87	+ 69,6%
Finance expense	37	41	- 11,1%
Net finance income	112	46	+ 141,4%
Income before taxes	250	178	+ 39,9%
Taxes	45	34	+ 31,9%
Group income	205	144	+ 41,7%
Minority interests	0	0	--
Net income	204	144	+ 41,8%

The substantial rise in **material and warehouse expenses** over the previous year (+ 18,6%) is primarily the consequence of massively higher prices for chemical raw materials. Development of raw material prices did not return to normal until the last quarter of 1995 and in particular from the beginning of 1996 onwards. The increase in **depreciation and amortization** (+ 11,1%) reflects the high investments of the previous year; the significantly higher **taxes** (+ 31,9%) are the consequence of the improved net income situation.

4. Development of the business units

The business units are operated as independent profit centers; their sales revenue for business year 1995 is as follows:

	1995 in CHF millions	1994 in CHF millions	Change 95 to 94 in CHF	Change 95 to 94 in local currency
Performance Polymers				
business unit EMS-CHEMIE	531	507	+ 4,7%	+ 12,2%
business unit EMS-TOGO	163	142	+ 14,6%	+ 21,5%
Fine Chemicals				
business unit EMS-DOTTIKON	122	112	+ 9,4%	+ 15,5%
Engineering				
business unit EMS-INVENTA	63	65	- 3,2%	- 0,7%
business unit EMS-PATVAG	31	17	+ 81,0%	+ 84,3%
Others	14	14	+ 0,9%	+ 0,9%
Total sales revenue	924	857	+ 7,8%	+ 14,5%

In its principal field of specialization - technical thermoplastics - business unit **EMS-CHEMIE** again reports boosted sales and income, in particular with the high-yield and future-oriented products. In the field of technical fibres and bonding agents as well as duroplastics, however, only the volume and market share targets were achieved. Due to the strong Swiss franc, the objectives set to sales and income were not met.

Business unit **EMS-TOGO**, leader in the field of adhesive, protective and sealing agents for the automobile and aviation industries, recorded a sharp drop in income despite increased sales (+ 15%), caused primarily by the unexpectedly erratic and sharp upward trend in raw material prices experienced in the first half of the year, and by the continuingly stiff competition in this field. The implementation of fundamental income-boosting measures brought about a marked improvement of income in the second half of the year.

Business unit **EMS-DOTTIKON**, manufacturer of intermediates and active agents for the world-wide pharmaceutical and chemical industry, recorded a most satisfactory boosting of sales and income, based mainly on those products which must meet the higher requirements set by the so-called current Good Manufacturing Practices (cGMP) of the pharmaceutical industry.

Business unit **EMS-INVENTA**, leading contractors in the field of production plants for synthetic fibres and yarns, reports a decline in sales and income as a result of the restrictive foreign exchange practices in its main market China. The unit nevertheless performed better than expected.

Business unit **EMS-PATVAG** achieved very good results in the air bag triggering device sector. Sales and income exceeded expectations accordingly.

5. Outlook

No significant improvement of the market situation can be expected for 1996. EMS anticipates an ongoing unsatisfactory general economic environment in Europe for the current year; the situation should remain positive in the USA, and brisk development is expected in the Far East.

With regard to income, the exchange rates will remain the greatest question mark. If exchange rate stability should actually prevail, EMS expects to generate relatively minor sales growth and an over-proportional increase in operating income.

Investments will remain on the previous year's level. They will be applied primarily to rationalization and expansion projects, and will again be covered in full from cash flow.

In view of the extensive cash assets and the large silent reserves on the securities holdings, finance income should develop positively, whereby the exact extent will depend on the scope of realization.

6. Schedule

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| - 4-month report 1996: | end of May 1996 |
| - Balance-sheet press conference: | 12 July 1996 |
| - General Meeting: | 21 August 1996 |
| - 8-month report: | end of September 1996 |
| - Financial results 1996: | middle of March 1997 |