

Press information

Financial media conference of the EMS Group

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1. Consolidated results of the EMS Group 1996

1.1. Summary

With its companies combined in EMS-CHEMIE HOLDING AG, the **EMS Group** with its world-wide activities in the fields of Performance Polymers, Fine Chemicals and Engineering increased **net sales revenue** by 2.3% to CHF 945 million (924) and **net income after taxes** by 12.2% to CHF 229 million (204), within an unchanged scope of consolidation. A disproportional **increase of net income per share by 17.3%** to CHF 381.85 (325.40) is reported.

This further improvement of results - which exceeds expectations - can be attributed to the determined **concentration on high-yield products** holding a strong position on the markets, to excellent **cost discipline**, and to **careful cultivation of the liquid assets**.

Although EMS returned capital totalling CHF 956 million to shareholders over the 1993 to 1996 period, **equity** (CHF 951 million) remains on the level of the previous year and covers a high 67.2% of the balance-sheet total. In 1997 the company acquired a further 54,140 bearer shares (bs) for the purpose of **share repurchase**, to provide for the return of additional CHF 326.3 million to the market.

With a **cash flow margin** of 28.3%, a **profit margin** of 23.2%, **operating income** of 16.1% of sales and a **return on equity** of 24.1% the Group has been performing to highest standards. The average return on equity of the past 5 years is 21.2%.

Due to the temporary postponement of a major project, the **investment volume** of CHF 72 million (83) is slightly lower than planned. The financing of investments from cash flow posed no problems (25.7% of cash flow). 89.7% of total investment was applied in Switzerland (91.4%), 8.2% in the rest of Europe (6.2%), 1.0% in the USA (2.4%) and 1.1% in Taiwan (0%).

At the end of 1996 a total of 2,658 (2,662) **employees** worked within the EMS Group, plus 137 (131) apprentices, of which 1,919 (1,902) in Switzerland, 477 (486) in the rest of Europe, 200 (216) in America, and 62 (58) in the Far East. Of the 1,919 persons employed in Switzerland, 1,345 (1,363) work in the canton Grisons, 433 (406) in the canton Aargau, 121 (112) in the canton Thurgau and 20 (21) in the canton Zurich.

The EMS Group **exported** 90.3% (91.2%) of overall sales, 60.5% (60.5%) to EU customers, 13.9% (13.5%) to the USA and Canada, 9.8% (12.3%) to the Far East and 6.1% (4.9%) to other countries. Domestic sales amounted to 9.7% (8.8%). 75.8% (74.4%) of overall sales is **produced in Switzerland**.

The earning capacity of the Group may be termed high, the financial situation is solid. The Group is well prepared for the challenges of the future.

1.2 Key figures 1996 in comparison with the previous years

	Business years, CHF millions		
	1996	1995	1994
Net sales revenue	945,2	923,7	856,5
change in % against previous year	+ 2,3 %	+ 7,8 %	+ 3,1 %
Total income (from production)	986,9	992,0	910,5
change in % against previous year	- 0,5 %	+ 9,0 %	+ 6,3 %
Operating income *	152,1	137,0	132,1
change in % against previous year	+ 10,4 %	+ 4,3 %	+ 8,4 %
in % of net sales revenue	16,1 %	14,9 %	15,4 %
Finance income	126,1	111,0	46,3
change in % against previous year	+ 12,8 %	+141,4 %	- 62,8 %
Net income **	229,1	204,0	144,0
change in % against previous year	+ 12,2 %	+ 41,8 %	- 28,6 %
in % of total income from production	23,2 %	20,6 %	15,8 %
per div.-bearing bs, adjusted (in CHF)	381,85	325,40	227,35
change in % against previous year	+ 17,3 %	+ 43,1 %	- 22,9 %
Cash flow ***	279,5	250,0	185,4
change in % against previous year	+ 11,7 %	+ 35,0 %	- 23,0 %
in % of total income from production	28,3 %	25,2 %	20,4 %
per div.-bearing bs, adjusted (in CHF)	465,85	398,90	292,80
change in % against previous year	+ 16,8 %	+ 36,2 %	- 16,3 %
Investments	71,8	82,0	107,6
in % of cash flow	25,7 %	33,1 %	58,0 %
Shareholders' equity	951,2	951,0	846,7
in % of balance-sheet total	67,2 %	65,0 %	52,6 %
return on equity	24,1 %	21,4 %	17,0 %
equity per div.-bearing bs (in CHF)	1585,35	1517,10	1336,90
Number of employees on 31.12.	2658	2662	2666

* income before interest and taxes (EBIT)

** net income after taxes and after deduction of minority interests

*** net income plus depreciation

1.3 Consolidated statement of income (IAS method)
(in CHF millions)

	1996	1995	Change
Net sales revenue			
from goods and services	945	924	+ 2,3 %
Inventory changes, semifinished and finished goods	-10	22	- 147,8 %
Own work and other operating income	52	46	+ 12,4 %
Total income from production	987	992	- 0,5 %
Material and warehouse expenses	445	485	-8,2 %
Personnel expenses	227	223	+ 2,0 %
Depreciation and amortisation	50	46	+ 9,4 %
Other operating expenses	112	100	+ 11,6 %
Total operating expenses	835	854	- 2,3 %
Operating income	152	138	+ 10,4 %
Finance income	172	148	+ 15,7 %
Finance expense	46	37	+ 24,4 %
Net finance income	126	112	+ 12,8 %
Income before earnings taxes	278	250	+ 11,5 %
Earnings taxes	49	45	+ 8,2 %
Group income	229	205	+ 12,2 %
Minority interests	0	0	--
Net income	229	204	+ 12,2 %

1.4 Development of the divisions

Net sales revenues of the divisions for 1996 are as follows:

	1996 CHF mil.	1995 CHF mil.	Change 96 zu 95 in CHF	in local currency
Performance Polymers	718	694	+ 3,5 %	+ 2,1 %
Fine Chemicals	137	122	+ 12,2 %	+ 11,4 %
Engineering	76	94	- 18,9 %	- 18,8 %
Others	14	14	+ 0,2 %	+ 0,2 %
Net sales revenue	945	924	+ 2,3 %	+ 1,2 %

In Europe, 1996 was characterised by an enduringly sluggish general economic situation providing few impulses for the development of business. However, as of the second half of the year in particular, a notably weaker Swiss franc contributed significantly to the boosting of results.

The **Performance Polymers** division covers the business units **EMS-CHEMIE** and **EMS-TOGO**.

The **Fine Chemicals** division comprises the **EMS-DOTTIKON** business unit.

The **Engineering** division is made up of the plant construction activities of business unit **EMS-INVENTA** and the **EMS-PATVAG** business unit with its triggering devices.

1.5 Development of the individual business units

Business unit **EMS-CHEMIE**, which specialises in technical thermoplasts, technical fibres and adhesives as well as duroplasts (sales 1996: CHF 546 million), reports improvements in all fields. The growth of income can be attributed to the concentration of all forces on future-oriented products, and is even more pronounced in 1997:

- In the core field **technical thermoplasts**, the key products developed better than expected; within a very short time, EMS has hence become the clear-cut market leader in the subcontracting business for companies manufacturing frames for sports and sun glasses. The products in the metal substitutes segment now enjoy acceptance on such a high level in Europe that co-operation with customers in the automobile industry is currently under way to apply plastics in chassis design for the production of stress-bearing safety components. Sales of technologically sophisticated multi-layer fuel line systems also continue to develop outstandingly well; EMS is the dominant supplier in this segment.
- Income from **technical fibres and adhesives** increased significantly, primarily thanks to a weaker Swiss franc, and has reached a highly satisfactory level in 1997. New and longer-lasting products for paper machine coverings are creating high growth; here again, EMS holds a dominant position on the market. The hot-melt adhesives for textile inserts are also benefiting from a recovery in the textiles sector which commenced in mid-1996.
- In the field of **duroplasts**, a novel hardener for environmentally gentle coating powders is proving to be successful beyond expectations. The hardening agent - PRIMID - is far superior to competitor products, in particular with regard to work hygiene, and will become the clear number one in this growth market over the coming years. Principal fields of application are aluminium façades and automobile priming.

Business unit **EMS-TOGO** (sales 1996: CHF 171 million), leader in the field of adhesive, protective and sealing agents for the automobile and aviation industries, was able to substantially boost sales and income in 1996, and thus secure additional market shares. The positive development of sales and income continues in 1997. The new products, in particular those which offer additional noise protection properties and create additional value for the customer, have met with very good acceptance on the market. The past year was marked also by co-operation negotiations with H.B. Fuller Automotive, USA, as a result of which EMS-TOGO has been able to further improve its position as a global high-performance

supplier to the automobile industry. Operative since 1 April 1997, the new structure in which EMS-TOGO holds management responsibility for Europe and Asia is developing as planned.

Business unit **EMS-DOTTIKON**, manufacturer of intermediates and active agents for the world's pharmaceutical and chemical industry (sales 1996: CHF 137 million), reports a highly satisfactory upward trend in sales and income which is continuing undiminished in 1997. EMS-DOTTIKON is profiting in particular from the fact that the pharmaceutical industry is focusing on its core fields of competency whilst seeking outside sources for the supply of the necessary intermediates and active substances. For EMS-DOTTIKON as a manufacturer of the corresponding intermediates and active agents, it is of advantage that the chief areas of application for the drugs produced in this manner are situated in the sectors heart/circulation, antibiotics, Aids, asthma and migraine, i.e. in fields in which EMS-DOTTIKON has long been active and which promise above-average growth. By applying an investment programme (CHF 120 million) that exceeds the customary scope, EMS-DOTTIKON intends to fully exploit these opportunities over the coming 3 years.

Business unit **EMS-PATVAG** (1996 sales: CHF 29 million) was able to boost sales of airbag triggering devices in 1996; sales and income remained constant in spite of increasingly stiff competition. This trend is progressing through 1997.

Business unit **EMS-INVENTA**, leaders in the construction of production plants for synthetic fibres and yarns (1996 sales: CHF 47 million) reports a drop in sales and income for 1996, the consequence of reduced investment activities in China. No significant improvement of the situation is anticipated for 1997.

2. EMS-CHEMIE HOLDING AG

Income 1996/1997 and appropriation of net income

EMS-CHEMIE HOLDING AG reports net income of CHF 317.2 million (165.6) for the 96/97 financial year. This rise in net income is primarily the consequence of substantially higher income from the sale of securities.

The sum of CHF 240 million of the total balance-sheet net income of CHF 328.1 million is reserved for 40,000 purchased own shares (refer to 3. below). A disposable balance-sheet net income of CHF 88.1 million hence remains. The board of directors of EMS-CHEMIE HOLDING AG proposes to the general meeting that this amount be carried forward to new account.

3. Share repurchases 1997

At the end of 1996 the EMS Group was once again operating on a high equity base totalling CHF 951 million (952), corresponding to 67% (65%) of the balance-sheet total. Acting on the knowledge that the generated free cash flow will remain high in the years to come, the board of directors of EMS-CHEMIE HOLDING AG on 25 March 1997 bought back 40,000 bearer shares for CHF 240 million, and on 20 May 1997 - i.e. in the new financial year 97/98 of EMS-CHEMIE HOLDING AG - 14,140 bearer shares for CHF 86.3 million, a total of 54,140 own bearer shares at a total price of CHF 326.3 million, by way of public invitation and for the purpose of capital reduction through destruction.

The planned capital reduction is in the best interest of all shareholders: capital that is not required for operational purposes is returned to the market; all shareholders will benefit from this compression of net income.

4. General meeting on 23 August 1997

In addition to the customary agenda, the following items will be dealt with at the general meeting of EMS-CHEMIE HOLDING AG on 23 August 1997:

- Renewal of the **board mandates** of Mr M. Kühne (for three years) and of Dr G. Illing (for one year);
- Election of Mr Robert Brüttsch, certified accountant, Zurich, and STG-Coopers & Lybrand AG as **auditing agency** for a further term of office of one year;
- Election of STG-Coopers & Lybrand AG as **group auditors** for a further term of office of one year;
- Carryforward of the **balance-sheet net income** of CHF 88,069,348.38 to new account;
- Reduction of the **share capital** from CHF 30,000,000 to CHF 27,293,000 through destruction of 54,140 bearer shares each with a par value of CHF 50.

5. Course of business and outlook 1997

Sales and income developed as follows over the **first four months of 1997**:

	1997	1996	1995
Consolidated net sales revenue	349	308	321
- change against previous year	+ 13,3%	-- 4,0 %	+ 11,5 %
Cash flow (from operations) *)	83,0	57,9	66,2
- change against previous year	+43,4 %	-- 12,5 %	+ 20,5 %
- in % of sales	23,8 %	18,8 %	20,6 %
income from operations **)	65,0	40,9	50,9
change against previous year	+58,9 %	-- 19,7 %	+ 30,5 %
- in % of sales	18,6 %	13,3 %	15,9 %

*) cash flow from operations = income from operations plus depreciation (EBDIT)

***) income from operations = net income before finance income and taxes (EBIT)

Income from operations shows a **significant improvement** to CHF 65 million; this can primarily be attributed to a **better general economic situation** in Europe and to **favourable currency exchange rates**. The greatest contribution to this increase was provided by business unit EMS-CHEMIE within the Performance Polymers division, to no small extent thanks to **new and high-yield products** developed over the past years and launched on the markets with good success.

The rise in sales and income over the initial months of the year cannot be extrapolated over the entire year, although it can be assumed that the previous year's **income from operations** (CHF 152 million) will be surpassed.

As in the previous years, **finance income** is only posted in the annual financial statements and only if and when actually realised. Sales of securities effected in the first months have generated an extraordinary volume of finance income; the high finance income of the previous year (CHF 126 million) should be exceeded.

EMS assumes that the high **income** of the previous year will be bettered by the corresponding 1997 figure, whereby net income per share will rise disproportionately.

6. Schedule

- General meeting: 23 August 1997, Domat/Ems
- 8-month report 1997: end of September 1997
- Annual results 1997: March 1998