

MEDIA INFORMATION

Financial Statement 1999 of the EMS Group

- **1999 - a year of restructuring**
- **Higher operating income and higher net profit**
- **Puzzling Swiss monetary policy**

1. Summary

With its companies combined in EMS-CHEMIE HOLDING AG, the EMS Group with global activities in the fields of **Performance Polymers, Fine Chemicals** and **Engineering** reports an increase for the financial year 1999 of **net sales revenues by 2,2 %** to CHF 1'087 million (CHF 1,064 million), of **operating income (EBIT) by 5,1%** to CHF 199 million (CHF 189 million), and a boosting of **net profit after taxes by 30,5 %** to CHF 210 million (CHF 161 million).

Finance income improved rose from CHF 5 million to CHF 59 million primarily thanks to profits from securities.

Net sales revenues **in local currencies** increased by **1,1 %**.

The **circle of consolidation** has changed. On the one hand the EMS-SYNTECH GmbH company was sold retroactively per 1 January 1999, on the other hand the two companies INVENTA-FISCHER GmbH, Berlin, and DINOL-PYRMO GmbH, Bad Pyrmont (both acquired in 1998), were fully consolidated for the first time as of 1 January 1999.

Net sales revenues would have **dropped by 0,9 %** in an **identical scope of consolidation**.

2. Development of income 1999: key figures

Business years, CHF millions	1999	1998	1997
Net sales revenues	1'087	1'064	1'026
change	+ 2,2 %	+ 3,7 %	+ 8,5 %
Perational cash flow (EBITDA) ¹⁾	262	243	242
change	+ 7,8 %	+ 0,6 %	+ 19,3 %
in % of net sales revenues	24,1 %	22,8 %	23,6 %
Operating income (EBIT) ²⁾	199	189	188
change	+ 5,1 %	+ 0,5 %	+ 23,8 %
in % of net sales revenues	18,3 %	17,8 %	18,4 %
Finance income	59	5	175
Net profit ³⁾	210	161	300
change	+ 30,5 %	- 46,5 %	+ 31,0 %
in % of total income from production	18,8 %	14,6 %	26,9 %
per div.-bearing bearer share in CHF	401,50	307,74	549,75
change	+ 30,5 %	- 44,0 %	+ 44,0 %
Investments	100	103	70
in % of cash flow ⁴⁾	36,7 %	47,8 %	19,8 %
Shareholder's equity	921	703	917
return of equity	22,8 %	22,8 %	32,7 %
shareholder's equity per div.-bearing bearer share in CHF	1'764,50	1'347,30	1'680,10

- 1) EBITDA = earnings before interest, taxes, depreciation and amortization
= operational cash flow
- 2) EBIT = earnings before interest and taxes
- 3) Net profit = profit after taxes less minority interests
- 4) Cash flow = net profit plus write-downs

3. Development of sales and income in the individual business fields

Business years, CHF millions	1999	% dev. prev. yr	1998	% dev. prev. yr
Net sales revenues				
EMS Group	1'087	+ 2,2 %	1'064	+ 3,7 %
- Performance Polymers	844	+ 3,2 %	817	+ 3,8 %
- Fine Chemicals	145	- 12,3 %	165	+ 7,9 %
- Engineering	98	+ 20,4 %	82	- 4,9 %
EBITDA *				
EMS Group	262	+ 7,8 %	243	+ 0,6 %
in % of net sales revenues	24,0 %		22,8 %	
- Performance Polymers	180	+ 12,1 %	160	- 0,8 %
in % of net sales revenues	21,3 %		19,6 %	
- Fine Chemicals	51	- 21,3 %	64	+ 13,1 %
in % of net sales revenues	35,0 %		39,0 %	
- Engineering	31	+ 71,9 %	19	- 20,9 %
in % of net sales revenues	32,2 %		22,5 %	
EBIT **				
EMS Group	199	+ 5,1 %	189	+ 0,5 %
in % of net sales revenues	18,2 %		17,8 %	
- Performance Polymers	140	+ 11,3 %	126	- 0,0 %
in % of net sales revenues	16,6 %		15,4 %	
- Fine Chemicals	40	- 23,2 %	52	+ 14,6 %
in % of net sales revenues	27,8 %		31,6 %	
- Engineering	19	+ 67,4 %	11	- 34,0 %
in % of net sales revenues	19,0 %		13,7 %	

* EBITDA = Earnings before interest, taxes, depreciation and amortization
= operational cash flow

** EBIT = Earnings before interest and taxes
= operating income

4. Brief remarks on the 1999 financial statement

Better results than expected are reported for 1999, a year marked by **comprehensive restructuring activities** within the EMS Group. These restructuring measures (integration of the newly acquired companies, creation of a new business unit EMS-PRIMID, discontinuation of low-yield products and major investments in new products – predominantly in high-temperature resistant plastics) proceeded as planned. In particular in business unit Performance Polymers, low-margin products corresponding to annual sales of CHF 59 million were discontinued; these measures caused a **decline in sales revenues** of CHF 39 million already in 1999. The high **extraordinary restructuring costs** are not posted separately; they have been charged in full to ordinary operating expenditure and thus affect operating income.

Contrary to expectations, **operating income** has been boosted in spite of these restructuring costs. This can be attributed on the one hand to the consistently favourable economic situation in the USA, the improved business environment in Europe and the powerful upswing in Asia, but also to the **substantially weaker Swiss franc** which in turn is a consequence of a questionable monetary policy pursued by the Swiss central bank. EMS is aware of the dangers inherent in this weak currency policy, and hence anticipates higher inflation, higher costs, higher interest rates and a recessive trend over the coming years. In response, EMS will therefore initiate a **far-reaching cost cutting programme** already in the year 2000, and will increase the **income targets per product**, to achieve a level of preparedness for a recession which could emerge in the years to come.

An unexpected **drop in sales is reported for Fine Chemicals**, the consequence of delivery shortfalls caused by the unsuccessful launch of pharma products by two EMS customers. The shortfalls were to some extent compensated by replacement orders.

Thanks to the improved economic situation in Asia, business unit **INVENTA-FISCHER** – which suffered a significant decline of sales and income in 1998 as a result of the Asian crisis – reports a strong upswing with the correspondingly positive impact on sales and income.

The **improved finance income** is essentially the consequence of the sale of algroup shares. EMS thus currently holds a 5,57 % interest in algroup. The share held by EMS in the Lonza group remains unchanged at 8,24 %.

The Board of Directors of EMS-CHEMIE HOLDING AG will decide on allocation of distributable profit after conclusion of the financial year on 30 April 2000.

A **detailed reporting** on the consolidated financial results per **31 December 1999** and the annual financial statement of EMS-CHEMIE HOLDING AG will be provided on the occasion of the financial media conference on 14 July 2000.

5. Outlook

EMS does not expect the global economic situation to change in the course of 2000: Asia will continue on an upward trend, and EMS anticipates a continuingly good economic framework in Europe and the USA in general, and in the automobile industry in particular, where EMS generates over 30% of its sales.

Although the discontinuation of low-margin products in the Performance Polymers unit was concluded in 1999, these measures will have a further negative impact on the development of sales in 2000. Overall, however, EMS nevertheless expects a small increase in sales and overproportional growth of operating income.

6. Schedule

- Operating results of the 1 st quarter 2000	end of April 2000
- Financial media conference	14 July 2000
- General meeting	19 August 2000
- Half-yearly results 2000	end of August 2000
- Operating results of the 3 rd quarter 2000	end of October 2000
- Annual financial statement 2000	March 2001