

Zurich, 14 July 2000



## **MEDIA INFORMATION**

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### **On the EMS Group financial media conference Friday, 14 July 2000**

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## I. Summary

With its companies combined in **EMS-CHEMIE HOLDING AG**, the EMS Group with activities in the fields of **Performance Polymers**, **Fine Chemicals** and **Engineering** presents its Group accounts as in the previous years according to the International Accounting Standards IAS.

In the course of the business year, the **scope of consolidation** experienced slight change against the previous year: on the one hand, EMS-SYNTECH GmbH was sold retroactively per 01.01.1999, on the other hand KARL FISCHER Industrieanlagen GmbH, Berlin, and Pyrmo Chemie GmbH + Co. KG, Lügde, were fully consolidated for the first time as of 01.01.1999.

### Higher sales

**Net sales revenues** were boosted by 2,2 % over the previous year to CHF 1'087 million (CHF 1'064 million). If the scope of consolidation had remained unchanged, net sales revenues would have declined by 0,9 % against the previous year. Growth in local currencies amounted to 1,1 %. Taking into account all the factors that influence sales as well as the reduction in sales of CHF 39 million resulting from the discontinuation of low-margin products, sales growth of 1,9 % has been achieved.

### Disproportionately higher operating income

**Operating income** experienced disproportionate growth of 5,1 %, despite the fact that the high **extraordinary restructuring costs** are not posted separately; they are charged in full to ordinary operating expenditure and hence affect operating income.

On the one hand, this boosted earning power can be attributed to the enduringly good economic climate in the USA, the improved situation in Europe and the strong recovery in Asia, on the other hand to the **significantly weaker Swiss franc**. As a result of this weak-currency policy, first dark clouds in form of higher interest rates are gathering on the horizon; in the less distant future, therefore, we must expect higher inflation and higher costs and thus recessive tendencies. In the current year EMS has therefore initiated a **far-reaching cost cutting programme** designed to **boost the income targets per product over the coming years**, and to be prepared for a possible recession.

## Higher finance income

Finance income has been boosted essentially as a result of the sale of algroup shares. EMS held 4,39 % of algroup, the share in Lonza Group AG amounted to 9,01 %.

## Higher net income

As a consequence of improved operating income and the sharp rise in finance income, net income also shows a substantial increase by 30,5 % to CHF 210 million (CHF 161 million).

## Strengthened shareholders' equity

Two circumstances are responsible for the significant boosting of shareholders' equity to CHF 921 million (CHF 703 million): the high annual net income on the one hand, and on the other hand the fact that no profit distribution was effected in form of share repurchases or dividends. In spite of a marked increase of the balance-sheet total to roughly CHF 2,2 billion (CHF 1,9 billion), the equity ratio was boosted by 15,8 % to 42,6 % (36,8 %).

## High export share

The share of net sales revenues generated by exports amounted to 93,0 % overall (89,1 %), with 62,6 % (60,7 %) going to EU countries, 13,1 % (11,8 %) to North America, 12,9 % (10,4 %) to the Far East and 4,4 % (6,2 %) to other countries. EMS realised 7,0 % (10,9 %) of net sales revenues in Switzerland itself.

## Production centred on Switzerland

On the other hand, 72,9 % (76,8 %) of overall **EMS sales** was **produced** in Switzerland, 20,4 % (16,8 %) in the rest of Europe, 5,1 % (5,0 %) in the USA and 1,6 % (1,4 %) in Asia.

The decline of the percentage share of Switzerland from 76,8 % to 72,9 % must be attributed to the acquisition of the PYRMO-CHEMIE group and KARL FISCHER Industrieanlagenbau GmbH as well as to the sales drop suffered by business unit EMS-DOTTIKON with its Swiss-based production activities.

## **Enduringly high investments**

**Investments** totalled CHF 100 million (CHF 103 million) and were hence on the same level as the previous year, with 79,6 % applied in Switzerland, 9,7 % in other European countries, 9,6 % in the USA and 1,1 % in Asia. The investments made in the report year served the following purposes: capacity expansion 46,7 %, renewal/rationalisation 21,6 %, technical quality improvements 25,1 % and environmental protection/safety 6,6 %. As the cash flow of CHF 273 million (CHF 214 million) again exceeds investments by a substantial margin, covering investments in full from own resources was, as in the previous years, no problem whatsoever for EMS.

## **Personnel establishment**

At the close of 1999 the EMS Group employed a total of 2'713 (2'633) persons, of which 1'886 (1'922) in Switzerland, 551 (442) in the rest of Europe, 114 (115) in the USA and 162 (154) in the Far East.

The increase in the number of employees in the rest of Europe is mainly the result of the acquisition of the PYRMO-CHEMIE group and KARL FISCHER Industrieanlagen GmbH, and the reduction of the personnel establishment in Switzerland was brought about by the sale of EMS-SYNTECH GmbH.

## II. Consolidated results of the EMS Group for 1999

### 1. Key figures 1999 compared with previous years

Business years, CHF millions	1999	1998	1997
<b>Net sales revenues</b>	<b>1'087</b>	1'064	1'026
change	+ 2,2 %	+ 3,7 %	+ 8,5 %
<b>Perational cash flow (EBITDA) <sup>1)</sup></b>	<b>262</b>	243	242
change	+ 7,8 %	+ 0,6 %	+ 19,3 %
in % of net sales revenues	<b>24,1 %</b>	22,8 %	23,6 %
<b>Operating income (EBIT) <sup>2)</sup></b>	<b>199</b>	189	188
change	+ 5,1 %	+ 0,5 %	+ 23,8 %
in % of net sales revenues	<b>18,3 %</b>	17,8 %	18,4 %
<b>Finance income</b>	<b>59</b>	5	175
<b>Net profit <sup>3)</sup></b>	<b>210</b>	161	300
change	+ 30,5 %	- 46,5 %	+ 31,0 %
in % of total income from production	<b>18,8 %</b>	14,6 %	26,9 %
per div.-bearing bearer share in CHF	<b>401,50</b>	307,74	549,75
change	+ 30,5 %	- 44,0 %	+ 44,0 %
<b>Investments</b>	<b>100</b>	103	70
in % of cash flow <sup>4)</sup>	<b>36,7 %</b>	47,8 %	19,8 %
<b>Shareholder's equity</b>	<b>921</b>	703	917
return of equity	<b>22,8 %</b>	22,8 %	32,7 %
shareholder's equity per div.-bearing IA in CHF	<b>1'764,50</b>	1'347,30	1'680,10
<b>Number of employees on 31.12.</b> (without apprentices)	<b>2'713</b>	2'633	2'565

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

## 2. Development of sales and income for the individual divisions

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

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= operational cash flow

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= income from operations

## Remarks

**Performance Polymers** benefited from the enduringly positive situation on the motor vehicle market in Europe in particular. The Asian market as a whole experienced significant recovery, which additionally boosted the development of business. The EMS-CHEMIE business unit achieved highly satisfactory results with its thrust products, and, thanks to the favourable market situation, marked improvements are reported also for the standard products. The acquisition of German PYRMO-CHEMIE group is having a positive impact on business unit EMS-TOGO. Growth in all market segments meant that the market position was again able to be strengthened. Established on 01.01.1999, new business unit EMS-PRIMID performed beyond expectations, and has contributed to the good development of results of the Performance Polymers division already in its initial year of operations.

The **Fine Chemicals** division had to deal with a sharp decline in sales caused by unsuccessful pharma product launches of two of its customers. The resultant shortfalls could not be fully offset by short-term effective replacement orders; this situation will have an impact also on the current year's results.

In the **Engineering** division, business unit INVENTA-FISCHER, which had suffered substantial losses of sales and income as a consequence of the crisis in Asia, reports notable improvements and is now performing on a satisfactory level. This was achieved primarily thanks to technologically cutting-edge products and more efficient market processing. Business unit EMS-PATVAG was again able to boost production of airbag triggering devices, and reports higher income in spite of enduring price and margin pressures.

### III. First-half report 2000

According to IAS, in CHF millions	<b>2000</b> (Jan-Jun)	<b>1999</b> (Jan-Jun)	<b>% deviation prev. year</b>
<b>Net sales revenues</b>			
<b>EMS-Group</b>	<b>576</b>	<b>531</b>	<b>+ 8.4 %</b>
- Performance Polymers	473	415	+ 13.8 %
- Fine Chemicals	57	67	- 15.2 %
- Engineering	46	49	- 5.1 %
<b>EBITDA <sup>1)</sup></b>			
<b>EMS-Group</b>	<b>132</b>	<b>121</b>	<b>+ 8.8 %</b>
in % of net sales revenues	<b>22.9 %</b>	<b>22.8 %</b>	
- <b>Performance Polymers</b>	100	87	+ 14.7 %
in % of net sales revenues	21.1 %	20.9 %	
- <b>Fine Chemicals</b>	19	22	- 14.5 %
in % of net sales revenues	33.2 %	32.9 %	
- <b>Engineering</b>	13	12	+ 9.2 %
in % of net sales revenues	28.3 %	24.6 %	
<b>EBIT <sup>2)</sup></b>			
<b>EMS-Group</b>	<b>101</b>	<b>92</b>	<b>+ 10.1 %</b>
in % of net sales revenues	<b>17.6 %</b>	<b>17.3 %</b>	
- <b>Performance Polymers</b>	79	68	+ 17.1 %
in % of net sales revenues	16.8 %	16.4 %	
- <b>Fine Chemicals</b>	13	17	- 22.9 %
in % of net sales revenues	23.1 %	25.4 %	
- <b>Engineering</b>	9	7	+ 22.9 %
in % of net sales revenues	18.6 %	14.3 %	

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The **Performance Polymers** division is developing according to plan and reports a performance significantly over the previous year's figures. This can be attributed to the increasing weight of high-margin products as well as to very positive market developments in Asia and the USA. A sharp rise in raw material costs is the only obstacle to even better results.

As expected, results of the **Fine Chemicals** division remain below the those of the previous year. This is the consequence of the non-materialisation in the second half of 1999 of expected orders for intermediate products, caused by the unsuccessful launch of pharma products by EMS customers. This shortfall has not yet been fully compensated.

The **Engineering** division is also profiting from the improved situation on the Asian markets. The polyester and polyamide fibre production plant business in Asia is developing in a positive direction.

As usual, **finance income** is only posted in the annual statement per December and, in respect of income from the sale of securities, only if and when realised. In view of stock already sold and on the current valuation basis for holdings and securities, EMS expects to report further positive finance income for the current year.

#### IV. **General meeting of EMS-CHEMIE HOLDING AG on 19 August 2000 / appropriation of net earnings**

##### **Appropriation of net earnings**

The board of directors of EMS-CHEMIE HOLDING AG proposes to the general meeting that net earnings shall be carried forward to new account. The general meeting of EMS-CHEMIE HOLDING AG will hence be asked to approve the following appropriation of net earnings:

	<b>1999/2000</b>
Annual net income	224'607'441.04
Miscellaneous	178.75
<u>Carryforward from previous year</u>	<u>111'490'263.01</u>
<u>Balance-sheet profit</u>	<u>336'097'882.80</u>
To be used as follows:	
<u>Carryforward to new account</u>	<u>336'097'882.80</u>
<u>Balance-sheet profit</u>	<u>336'097'882.80</u>

## **Board of directors**

As already announced a year ago, the board of directors of EMS-CHEMIE HOLDING AG is to be newly appointed. Alfred Gilgen, Karl Imhof, Karl Janjóri and Max Kühne will resign on the occasion of the general meeting. Christoph Blocher will be standing for a further term of office.

Peter Matter, Albert Sommerauer and Ulrich Widmer will be proposed as **new members of the board of directors** for 1-year terms of office.

Peter Matter, 59, worked for the Roche group for a total of 27 years, most recently as head of portfolio management and treasurer. P. Matter will perform his duties as a director and capital market expert on a part-time basis.

Dr. Albert Sommerauer, 63, Dr. sc. techn., has been working for the EMS Group as head of the EMS-PATVAG business unit since 1988. In the preceding years he was executive director of the Swiss Federal Munitions Factors in Altdorf. He will join the board of directors as a full-time member.

Ulrich Widmer, 39, trained as a construction engineer and spent a total of nine years with an engineering firm, latterly in a management position. From 1992 to 1998 he was a member of the government of the Swiss canton Appenzell Outer-Rhodes in a capacity as head of the department for building, environmental protection and energy. In February 1998 the Swiss federal government elected him director of the federal office for area planning. Ulrich Widmer joined the EMS Group in March 2000 and will be a full-time member of the board of directors.

## **V. Outlook 2000**

EMS expects slightly boosted net sales revenues for the whole of 2000. Provided no unexpected market problems emerge, the operating income (EBIT) of the previous year (CHF 199 million) will be surpassed.

## **VI. Schedule**

- General meeting of EMS-CHEMIE HOLDING AG:  
19 August 2000 in Domat/Ems
- 8-month report 2000: end of September 2000
- Report on the annual results 2000 for the EMS Group: March 2001