

MEDIA INFORMATION

EMS Group: annual results for 2004

- **Higher net sales, significantly boosted net income**
- **Profitable growth for Performance Polymers**
- **Spin-off of EMS-DOTTIKON**

1. Summary

With its companies combined in EMS-CHEMIE HOLDING AG and with global activities in the fields of **Performance Polymers** and **Fine Chemicals / Engineering**, the EMS Group reports significantly increased net sales and operating income and has thus exceeded expectations. Higher net sales volumes and the successfully implemented cost-cutting program had a positive impact. **Net income** increased over the previous year by 71.6%.

Net sales in Swiss francs rose by 3.8% over the previous year to CHF 1'267 million (1'221). The increase in local currencies amounted to 4.3%. In an identical scope of consolidation* the net sales increase in Swiss francs would be 6.7% (7.3% in local currencies).

Operating income (**EBIT**) was boosted by 10.4% over the previous year to CHF 218 million (197). **EBITDA** grew by 8.3% to CHF 288 million (266). Both the EBIT and the EBITDA margins recorded gains, the EBIT margin to 17.2% (16.2%) and the EBITDA margin to 22.7% (21.8%).

Financial income amounted to CHF 16 million (-58).

Net income for the year after taxes and minority interests increased by 71.6% to CHF 183 million (107). Income per dividend-ranking registered share thus amounts to CHF 7.33 (4.10). EMS plans to distribute a **dividend** of CHF 4.-- per share for the 2004 business year.

* Changes to the scope of consolidation against the previous year: sale of business unit INVENTA-FISCHER on July 14, 2004.

EMS is proceeding with the current **strategy** of consistent concentration on operational growth through speciality products, with specific focus on Performance Polymers. In 2005 and within the scope of this strategy, significant resources have been earmarked for the expansion of world-wide sales and development capacities.

Within the process of concentration on Performance Polymers, exclusive-synthesis specialist **EMS-DOTTIKON** is to be spun off and listed on the stock exchange during 2005.

In a comparable scope of consolidation, EMS expects slightly higher net sales and operating income (EBIT) for 2005.

2. Development of income 2004: key figures

Business years, CHF millions	2004	2003
Net sales	1'267	1'221
change	+3.8%	-0.0%
change in local currencies	+4.3%	+1.7%
Operational cash flow (EBITDA) ¹⁾	288	266
change	+8.3%	+1.6%
in % of net sales	22.7%	21.8%
Operating income (EBIT) ²⁾	218	197
change	+10.4%	+1.3%
in % of net sales	17.2%	16.2%
Financial income	16	-58
change	+127.3%	-406.0%
Income taxes	44	26
Minority interests	6	6
Net income ³⁾	183	107
change	+71.6%	-33.6%
in % of net sales	14.5%	8.8%
per div.-ranking registered share in CHF	7.33	4.10
change	+78.8%	-33.6%
Free cash flow ⁴⁾	210	334
in % of net sales	16.6%	27.4%
Investments	53	71
in % of cash flow	20.1%	17.4%
Shareholders' equity	1'081	1'441
in % of balance-sheet total	41.7%	46.2%
balance-sheet equity ratio	17.0%	7.4%
equity per div.-ranking reg. share in CHF	43.22	55.23
change	-21.7%	+11.8%
Number of employees on 31.12.	2'459	2'637

¹⁾ EBITDA = earnings before interest, taxes, depreciation and amortization

= operational cash flow

²⁾ EBIT = earnings before interest and taxes

= operating income

³⁾ Net income = profit after taxes less minority interests

⁴⁾ Free cash flow = net income plus write-downs plus value adjustments on securities and financial investments less investments in intangible/tangible fixed assets

3. Capsule remarks on the development of net sales and income

3.1 Net sales

EMS achieved a 3.8% increase in net sales in Swiss francs over the previous year of CHF 1'267 million (1'221), a 4.3% increase in local currencies. In an identical consolidation scope* net sales in Swiss francs would have been boosted by 6.7% (7.3% in local currencies). This positive development can primarily be attributed to higher Performance Polymers sales volumes.

Exports contributed 93.9% (94.5%) to net sales: 63.4% (64.4%) to the EU, 9.7% (9.4%) to North America, 17.6% (17.1%) to the Far East and 3.2% (3.6%) to other countries. EMS net sales within Switzerland amounted to 6.1% (5.5%) of net sales.

EMS continues to produce the bulk of its products in Switzerland: 65.3% (64.4%). 20.7% (22.1%) were made in the EU, 4.1% (4.4%) in the USA and 9.9% (9.1%) in Asia.

3.2 Operating income

Operating income (EBIT) rose by 10.4% over the previous year to CHF 218 million (197). This disproportionate growth of the operating income must primarily be attributed to the success of the cost-cutting program. Moreover, EMS benefited from favourable raw materials purchases in the first half of the year.

3.3 Financial income

Financial income totalled CHF 16 million (-58). The financial income reported by EMS shows the gains **realised** during the fiscal year on securities and financial investments.

3.4 Shareholders' equity

As a consequence of the executed share repurchase, the extraordinarily high dividend 2004 and the value adjustment applied to securities in equity (in particular to the LONZA investment) per December 31, 2004, shareholders' equity decreased to CHF 1'081 million (1'441). The equity ratio now stands at 41.7% (46.2%) and return on equity is a high 17.0% (7.4%).

* Changes to the scope of consolidation against the previous year: sale of business unit INVENTA-FISCHER on July 14, 2004.

3.5 Investments

Capital expenditure on fixed assets amounted to CHF 53 million in 2004 (71). 66.2% (75.3%) of this total was invested in Switzerland, 16.1% (10.5%) in the EU, 6.9% (2.6%) in the USA and 10.8% (11.6%) in Asia. Funds deployed in the report year served the following purposes: capacity increases 35.2% (52.8%), replacement and rationalisation 24.1% (10.3%), qualitative technical improvements 34.5% (30.9%), environmental protection and safety 6.2% (6.0%).

As in the previous years, the investment volume of CHF 53 million was smoothly financed from own resources with the **cash flow** 2004 of CHF 263 million (405). The fact that a high free cash flow is invariably generated, in good as well as in difficult years, may be seen as one of the enduring strengths of the EMS Group. In the past year this **free cash flow** amounted to CHF 210 million (334), corresponding to 79.9% (82.6%) of the overall cash flow.

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

Business year, in CHF millions	2004	% change on prev. year	2003	% change on prev. year
Net sales				
EMS Group	1'267	+3.8%	1'221	-0.0%
<i>In local currencies</i>		+4.3%		+1.7%
- Performance Polymers	1'007	+8.3%	929	+5.6%
<i>In local currencies</i>		+9.0%		+8.0%
- Fine Chemicals / Engineering	260	-10.6%	291	-14.6%
<i>In local currencies</i>		-10.7%		-14.5%
EBITDA ¹⁾				
EMS Group	288	+8.3%	266	+1.6%
In % of net sales	22.7%		21.8%	
- Performance Polymers	204	+8.8%	187	+5.8%
In % of net sales	20.2%		20.1%	
- Fine Chemicals / Engineering	84	+6.9%	79	-7.1%
In % of net sales	32.3%		27.0%	
EBIT ²⁾				
EMS Group	218	+10.4%	197	+1.3%
In % of net sales	17.2%		16.2%	
- Performance Polymers	162	+9.5%	148	+6.8%
In % of net sales	16.1%		16.0%	
- Fine Chemicals / Engineering	55	+13.2%	49	-12.4%
In % of net sales	21.3%		16.8%	

1) EBITDA = earnings before interest, taxes, depreciation and amortization
= operational cash flow

2) EBIT = earnings before interest and taxes
= operating income

5. Capsule remarks on the individual business areas

Growth target attainment is reported in all fields of the **Performance Polymers business area**. Volume development was positive in spite of the slack business environment experienced by customer industries in general and the automobile industry in particular. Principal applications metal substitution and high-temperature polymers continued to generate very satisfactory growth.

The decrease in net sales in the **Fine Chemicals / Engineering business area** must be attributed mainly to the sale of INVENTA-FISCHER. EMS-PRIMID (the leading producer of weather-resistant powder coating hardeners) developed as planned. Exclusive synthesis specialist EMS-DOTTIKON successfully defended its position in spite of ongoing excess capacities on the market. EMS-PATVAG (airbag ignition systems) encountered increasingly feeble market growth and intensifying price pressures.

6. Distribution policy for business year 2004

EMS pursues a consequent result and liquidity oriented distribution policy. EMS plans a dividend of CHF 4.-- per share for the business year 2004.

7. Concentration on Performance Polymers — Spin-off of business unit EMS-DOTTIKON

The EMS Group strategy is tailored to provide scope for a consistent focus on operational growth fuelled by speciality products, in particular in the Performance Polymers field. Last year EMS applied measures designed to promote specialities on a Group-wide level. In 2005 this program will provide significant resources for the expansion of sales and development capacities all over the world. Resources for development, application technologies and sales will thus be boosted by a further 59 employees. EMS is convinced that this measure will create an additional basis for profitable growth.

As a further step in the process of focusing on Performance Polymers, EMS has decided to spin-off its EMS-DOTTIKON business unit. EMS-DOTTIKON as a provider of exclusive-synthesis services is a specialist for hazardous reactions. The company supplies the global pharmaceutical industry with a product range that includes customer-specific active pharmaceutical ingredients and pharma intermediates as well as self-developed high-grade industrial chemicals. EMS-DOTTIKON reported net sales of CHF 118 million for 2004, EBITDA of CHF 27 million and EBIT of CHF 14 million. At the end of 2004 EMS-DOTTIKON had 417 employees.

The business of the EMS-DOTTIKON unit will be combined within the independent and stock exchange-listed DOTTIKON ES HOLDING AG. The shareholders of EMS-CHEMIE HOLDING AG will receive negotiable subscription rights for the new shares of DOTTIKON ES HOLDING AG.

The board of directors of DOTTIKON ES HOLDING AG is made up of three members with many years of experience in the field of fine and pharma chemicals:

- Heinz Boller, chairman; previously head of NOVARTIS SWITZERLAND
- Dr. h.c. Peter Grogg, deputy chairman; founder, majority shareholder and chairman of the board of directors of BACHEM HOLDING AG
- Dr. Robert Hofer, member; former global head of technical operations / business operations of a number of divisions of CIBA SPEZIALITÄTEN-CHEMIE AG

Currently head of the EMS-DOTTIKON business unit, Dr. Markus Blocher is appointed CEO and president of the executive board of the DOTTIKON group. Roland Germann, formerly CFO of medical technology group HMT, is appointed CFO.

Further information on the DOTTIKON group and the spin-off will be provided in a separate media announcement.

8. Outlook / Preview 2005

For 2005 EMS expects an ongoing positive general economic trend driven by Asia and the USA. The situation in main market Europe and in the automobile industry in particular is still characterised by reticence. Overall, however, EMS expects volumes to develop positively. The currently unfavourable currency situation in Asia and the USA as well as the significantly higher raw material prices will however inhibit translation of the planned volume increases into boosted net sales and income figures.

Assuming a comparable scope of consolidation, EMS expects the business year 2005 to generate net sales and operating income (EBIT) slightly over the previous year's results.

9. Schedule

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|--|-----------------|
| - First-quarter report 2005 | April 2005 |
| - Media conference / first-half year results | July 8, 2005 |
| - General meeting 2005 | August 13, 2005 |
| - Third-quarter report 2005 | October 2005 |
| - Full-year results 2005 | February 2006 |

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