

## MEDIA INFORMATION

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### EMS Group: annual results 2005

- **Higher net sales**
- **Higher operating income**
- **Production expansions for Performance Polymers**

#### 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 net sales boosted by 9.1% and operating income up by 6.4%. This result corresponds to the expectations communicated at the beginning of the year.

**Net sales** in Swiss francs rose by 9.1% to CHF 1'253 million (1'149). The gain in local currencies amounted to 8.4%. The very satisfactory development of volumes in the Performance Polymers business area combined with higher sales prices had a positive effect on net sales revenues.

Operating income (**EBIT**) was boosted by 6.4% over the previous year to CHF 216 million (203), **EBITDA** by 3.9% to CHF 270 million (260). The consistent concentration on growth through speciality products resulted in a 10.3% rise in operating income (**EBIT**) in the **Performance Polymers** business area.

**Financial income** amounted to CHF 11 million (18).

**Net income** after taxes increased to CHF 182 million (180). Income per share is thus CHF 7.27 (6.96). EMS plans to distribute a **dividend** of CHF 5.-- per share for the 2005 business year.

\* All information provided in the following refers to the current scope of consolidation (so-called "continued activities"), i.e. without the EMS-DOTTIKON business unit (spun off on March 31, 2005) and the INVENTA-FISCHER business unit (sold on July 14, 2004).

EMS will continue with the current **strategy** of consistent concentration on operational growth through speciality products, with specific focus on Performance Polymers. Therefore, significant investment in production capacity expansion is planned for 2006.

EMS expects slightly higher net sales and operating income (EBIT) for 2006.

## 2. Development of income 2005: key figures EMS Group Continued activities

CHF millions	2005	2004
<b>Net sales</b>	<b>1'253</b>	1'149
change	<b>+9.1%</b>	+7.7%
change in local currencies	<b>+8.4%</b>	+8.2%
<b>Operational cash flow (EBITDA) <sup>1)</sup></b>	<b>270</b>	260
change	<b>+3.9%</b>	+10.1%
in % of net sales	<b>21.6%</b>	22.6%
<b>Operating income (EBIT) <sup>2)</sup></b>	<b>216</b>	203
change	<b>+6.4%</b>	+7.6%
in % of net sales	<b>17.3%</b>	17.7%
<b>Financial income</b>	<b>11</b>	18
change	<b>-40.2%</b>	+133.2%
<b>Income taxes</b>	<b>45</b>	41
<b>Net income <sup>3)</sup></b>	<b>182</b>	180
change	<b>+0.8%</b>	+64.7%
in % of net sales	<b>14.5%</b>	15.7%
<b>Income per share (in CHF) <sup>4)</sup></b>	<b>7.27</b>	6.96
change	<b>+4.4%</b>	+76.1%
<b>Free cash flow <sup>5)</sup></b>	<b>190</b>	201
in % of net sales	<b>15.2%</b>	17.5%
<b>Investments</b>	<b>49</b>	46
in % of cash flow	<b>20.4%</b>	18.4%
<b>Shareholders' equity</b>	<b>1'083</b>	912
in % of balance-sheet total	<b>46.1%</b>	39.3%
balance-sheet equity ratio	<b>16.8%</b>	19.8%
per share (in CHF) <sup>4)</sup>	<b>44.64</b>	36.48
<b>Number of employees</b>	<b>2'055</b>	2'078

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, including minority interests

4) Average weighted number of registered shares 31.12.2005: 24'258'804 shares  
(31.12.2004: 25'008'089 shares)

5) Free cash flow = net income plus depreciation and amortisation plus value adjustments on securities and financial investments less investments in intangible assets, property, plants and equipment

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

#### 3.1 Net sales

Net sales in Swiss francs increased by 9.1% over the previous year to CHF 1'253 million (1'149). The rise in local currencies was 8.4%. This positive development of net sales can be attributed primarily to higher sales volumes in the Performance Polymers business area and to higher average sales prices.

Exports contributed 95.6% (95.5%) to net sales: 63.6% (64.1%) to the EU, 18.5% (18.7%) to Asia, 9.1% (9.2%) to North America and 4.4% (3.5%) to other countries. EMS net sales within Switzerland amounted to 4.4% (4.5%) of overall net sales.

EMS continues to produce the bulk of its products in Switzerland: 59.6% (61.7%). 24.1% (22.8%) were manufactured in the EU, 10.7% (11.0%) in Asia and 5.6% (4.5%) in the USA.

#### 3.2 Operating income

Operating income (EBIT) increased to CHF 216 million (203), a 6.4% rise over the previous year. This increase is the consequence of boosted sales volumes in the Performance Polymers business area.

#### 3.3 Financial income

Financial income for the continued activities totalled CHF 11 million (18). The financial income reported by EMS shows the gains **realised** during the fiscal year on securities and financial investments.

#### 3.4 Shareholders' equity

Shareholders' equity increased to CHF 1'083 million (912), mainly due to a higher market valuation of securities (in particular LONZA). The 46.1% (39.3%) equity ratio is hence situated in the upper target zone. The return on equity is a high 16.8% (19.8%).

### 3.5 Investments

Capital expenditure on fixed assets amounted to CHF 49 million (46) in 2005. 62.6% (60.7%) of this total was invested in Switzerland, 19.8% (18.7%) in the EU, 13.6% (12.6%) in Asia and 4.0% (8.0%) in the USA. The funds deployed in the report year were applied as follows: capacity increases 41.7% (39.3%), replacement and rationalisation 37.0% (27.3%), qualitative technical improvements 18.9% (32.0%), environmental protection and safety 2.4% (1.4%). The fact that the biomass power station installed at the Domat/Ems location was realised by an external company means that no own investment was required for the project.

As in the previous years, the investment volume was smoothly financed from own resources with the **cash flow** 2005 of CHF 239 million (247). 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 190 million (201), corresponding to 79.6% (81.6%) of the overall cash flow.

#### 4. Development of net sales and income in the business areas (continued activities)

(CHF millions)	2005	% - dev. prev. year	2004	% - dev. prev. year
<b>Performance Polymers</b>				
Net sales	1'118	+11.0%	1'007	+8.3%
- in local currencies		+10.3%		+9.0%
EBITDA	222	+9.2%	204	+8.8%
- in % of net sales	19.9%		20.2%	
EBIT	179	+10.3%	162	+9.5%
- in % of net sales	16.0%		16.1%	
<b>Fine Chemicals / Engineering</b>				
Net sales	136	-4.8%	142	+3.3%
- in local currencies		-4.9%		+2.8%
EBITDA	48	-15.3%	57	+15.0%
- in % of net sales	35.4%		39.8%	
EBIT	37	-9.2%	41	+0.8%
- in % of net sales	27.4%		28.8%	
<b>EMS Group</b>				
<b>Net sales</b>	<b>1'253</b>	<b>+9.1%</b>	1'149	+7.7%
- in local currencies		<b>+8.4%</b>		+8.2%
<b>EBITDA <sup>1)</sup></b>	<b>270</b>	<b>+3.9%</b>	260	+10.1%
- in % of net sales	<b>21.6%</b>		22.6%	
<b>EBIT <sup>2)</sup></b>	<b>216</b>	<b>+6.4%</b>	203	+7.6%
- in % of net sales	<b>17.3%</b>		17.7%	

1) EBITDA = earnings before interest, taxes, depreciation and amortization  
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## 5. Capsule remarks on the individual business areas

The business area **PERFORMANCE POLYMERS** achieved its growth targets for 2005. In particular the applications for high-temperature polymers and metal substitution developed highly satisfactorily. In main market Europe, higher sales volumes were generated in spite of the sluggish trend of business experienced by the customer industries in general and the automotive industry in particular. A very satisfactory increase in demand for speciality products was recorded in the Asian market. The globally higher raw material costs required repeated sales price increases.

The decrease in net sales in the **FINE CHEMICALS / ENGINEERING** business area must be attributed chiefly to EMS-PATVAG (airbag ignition systems): the rising pressure on prices brought about by the decelerating market growth rate had the expected negative influence. EMS-PRIMID, the leading producer of weather-resistant powder coating hardeners, developed according to plan.

## 6. Distribution policy for business year 2005

EMS consistently pursues a policy of result and liquidity oriented profit distribution and plans to distribute a dividend of CHF 5.-- (4.--) per share for the 2005 business year.

## 7. Outlook / preview 2006

EMS generally expects a positive economic trend for 2006. Economic growth will continue in all regions. Excess capacities in the automotive industry will further lead to rising cost pressures. EMS intends to exploit the market opportunities with high-yield speciality products, in particular in the Performance Polymers business area.

In the course of the current year significantly higher investment volumes will be applied in this field to expand the production capacities. The new large-scale polymerisation plants are specially geared to high-temperature materials and the production of high-barrier materials. As usual, the planned investments will be smoothly financed from cash flow.

Related to the production expansion plans, boosted cost efficiency will be afforded special priority within the production expansion project, and the Domat/Ems facility as the EMS Group's largest manufacturing site will play a key role in this process.

The increase of the weekly working time to 43 hours and the commissioning of the biomass power station at the beginning of 2006 will make significant contributions to this increased cost efficiency.

Overall, EMS expects slightly higher net sales and operating income (EBIT) for 2006.

## 8. Schedule

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|--|-----------------|
| - First-quarter report 2006                  | April 2006      |
| - Media conference / first-half results 2006 | July 7, 2006    |
| - General meeting 2006                       | August 12, 2006 |
| - Third-quarter report 2006                  | October 2006    |
| - Media conference / year-end results 2006   | February 2007   |

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