

PRESS RELEASE

Financial Statement 1996 for the EMS Group

EMS: Solid growth, strong earning power, robust financial position

1. General information and summary

With its companies combined within EMS-CHEMIE HOLDING AG and operating worldwide in the fields of performance polymers, fine chemicals and engineering, the **EMS Group** was able to boost **net sales** by 2,3 % to CHF 945 (924) and **net income after taxes** by 12,2 % to CHF 229 (204) in an unchanged scope of consolidation, whereby operating income and financial income also improved (+ 10,4 % and + 12,8 % respectively). The **yield per share** rose by 17,3 % to CHF 381,85 (325.40) which is a proportionately high level.

This repeat and better-than-expected improvement in results is due to the **active efforts made to concentrate on high-yield products** that have a strong market position, to an excellent **cost discipline** and to high standards applied in the **management of cash assets**.

Although EMS paid out CHF 956 million to shareholders between 1993 to 1996, shareholders' equity was unchanged compared to the prior year at CHF 951 million, corresponding to a high 67,2 % of the balance sheet total.

With a cash-flow margin of 28,3 %, a profit margin of 23,2 %, operating income of 16,1 % on turnover and return on equity of 24,1 %, the Group has reached record levels. The average return on equity over the last five years is 21,2 %.

The Group's earning capacity is strong and its financial health robust. It is well prepared for the challenges of the future.

2. Outlook

EMS is expecting a further rise in sales in 1997, primarily in the performance polymers and fine chemicals divisions. Provided the currency situation does not significantly deteriorate, then operating income should also continue to improve. In 1997, financial income, which is earned outside of ordinary activities and only stated at year-end if realised, should at least remain at 1996 levels. Planned investments for 1997 of approx CHF 95 million will be financed in full out of cash-flow.

3. Development of income: key figures

	Business years, CHF millions		
	1996	1995	1994
Net sales	945,2	923,7	856,5
change over previous year in %	+ 2,3 %	+ 7,8 %	+ 3,1 %
Total income from production	986,9	992,0	910,5
change over previous year in %	- 0,5 %	+ 9,0 %	+ 6,3 %
Operating income *	152,1	137,0	132,1
change over previous year in %	+ 10,4 %	+ 4,3 %	+ 8,4 %
in % of net sales	16,1 %	14,9 %	15,4 %
Finance income	126,1	111,0	46,3
change over previous year in %	+ 12,8 %	+141,4 %	- 62,8 %
Net income **	229,1	204,0	144,0
change over previous year in %	+ 12,2 %	+ 41,8 %	- 28,6 %
in % of total income from production	23,2 %	20,6 %	15,8 %
per div.-bearing bearer share, adj. (in CHF)	381,85	325,40	227,35
change over previous year in %	+ 17,3 %	+ 43,1 %	- 22,9 %
Cash-flow ***	279,5	250,0	185,4
change over previous year in %	+ 11,7 %	+ 35,0 %	- 23,0 %
in % of total income from production	28,3 %	25,2 %	20,4 %
per div.-bearing bearer share, adj. (in CHF)	465,85	398,90	292,80
change over previous year in %	+ 16,8 %	+ 36,2 %	- 16,3 %
Investments	71,8	82,0	107,6
in % of cash-flow	25,7 %	33,1 %	58,0 %
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 bearer share (in CHF)	1585,35	1517,10	1336,90
No. of employees on 31.12.	2658	2662	2666

* income before interest and taxes (EBIT)

** profit after taxes less minority interests

*** net income plus depreciation

4. 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 taxes	278	250	+ 11,5 %
Taxes	49	45	+ 8,2 %
Group income	229	205	+ 12,2 %
Minority interests	0	0	--
Net income	229	204	+ 12,2 %

5. Sales performance by division

Sales revenue by division was as follows for 1996:

	1996 in CHF millions	1995 in CHF millions	Change 96 to 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 %
Total sales revenue	945	924	+ 2,3 %	+ 1,2 %

In addition to a flagging economy throughout Europe, global high overcapacity in textiles, which is now also gripping the Far East, and the investment restrictions in China in particular, caused problems for the EMS Group. This was felt primarily by EMS-INVENTA, the engineering company, whose turnover in the construction of synthetic fibre installations fell sharply. With the exception of EMS-INVENTA, all divisions were able to improve their results. With exports accounting for more than 90 % of total sales, the Swiss Franc also made a contribution in weakening in the second half of the year.

Due to the delay in a major investment, **investments** of CHF million were lower than planned, but in 1997 they should once again be higher, at the planned level of 95 CHF million.

6. Schedule

- | | |
|----------------------------------|-----------------------|
| - Balance sheet press conference | 11 July 1997 |
| - Annual general meeting | 23 August 1997 |
| - 4-months report 1997 | end of May 1997 |
| - 8-months report 1997 | end of September 1997 |
| - Financial results 1997 | March 1998 |