

Zurich, 20 February 1998



## PRESS RELEASE

---

### Financial Statement 1997 for the EMS Group

**EMS: Improved operating income and extraordinary finance income thanks to a good general economic framework**

#### 1. Summary

With its companies combined within EMS-CHEMIE HOLDING AG, the EMS Group with its global operations reports an increase of **net income after taxes** by 31,0 % to CHF 300 million (229) for the 1997 financial year, the consequence of improved operating income and higher finance income. **Net income per share** was boosted by 44,0 % to CHF 549,80 (381,85). The **return on equity** amounts to 32,7 % (24,1%). These improved figures are primarily the result of a marked **economic recovery** in Europe and a **weaker Swiss franc**.

## 2. Development of income: key figures

	Business years, CHF millions		
	1997	1996	1995
<b>Net sales revenue</b>	<b>1'026</b>	945	924
change over previous year in %	<b>+ 8,5 %</b>	+ 2,3%	+ 7,8%
<b>Total income from production</b>	<b>1'116</b>	987	992
change over previous year in %	<b>+ 13,1 %</b>	- 0,5%	+ 9,0%
<b>Operating income *</b>	<b>188</b>	152	138
change over previous year in %	<b>+ 23,8 %</b>	+ 10.4%	+ 4.3%
in % of net sales	<b>18,4 %</b>	16.1%	14.9%
<b>Finance income</b>	<b>175</b>	126	112
change over previous year in %	<b>+ 38,8 %</b>	+ 12.8%	+ 141.4 %
<b>Net profit**</b>	<b>300</b>	229	204
change over previous year in %	<b>+ 31,0 %</b>	+12.2	+41.8%
in % of total income from production	<b>26,9 %</b>	23.2%	20.6%
per dividend-bearing bearer share, adjusted (in CHF)	<b>549,80</b>	381.85	325.40
change over previous year in %	<b>+ 44,0 %</b>	+ 17.3%	+ 43.1%
<b>Cash flow ***</b>		280	250
change over previous year in %		+ 11.7%	+ 35.0%
in % of total income from production		28.3%	25.2%
per dividend-bearing bearer share, adjusted (in CHF)		465.85	398.90
change over previous year in %		+ 16.8%	+ 36.2%
<b>Investments</b>		72	83
in % of cash flow		25.7%	33.1%
<b>Shareholders' equity</b>		951	952
return on equity		24.1%	21.4%
equity per dividend-bearing bearer share (in CHF)		1,585.35	1,517.15

\* income before interest and taxes (EBIT)

\*\* profit after taxes less minority interests

\*\*\* net profit plus depreciation

### 3. Remarks in brief

The **circle of consolidation** has changed slightly against the previous year: due to the joint venture between EMS-TOGO and H.B. Fuller (USA), EMS-TOGO's American business has no longer been consolidated since 1 April 1997. Using an identical circle of consolidation, net sales revenue would be up by 9,9 % over the previous year (as opposed to 8,5 % with the reduced circle of consolidation).

With regard to the distinct **improvement of operating income** of + 23,8 %, it must be noted that the increase was generated in the first eight months of the year (operating income January till August 1997: + 45,3 %), whilst the 3<sup>rd</sup> trimester, which must bear comparison with the corresponding strong months of the previous year, provided no further boost in sales or income. Up by 18,4 % (16,1 %) of net sales, operating income was boosted primarily thanks to a **significantly better general economic situation** in Europe and the **decline in value of the Swiss franc** against the dollar.

The **finance income**, which EMS invariably takes into account only in the annual financial statement and only if the gains have been realised, has reached the extraordinarily high level of CHF 175 million (+ 38,8 %) due to the fact that EMS sold its entire securities portfolio in 1997.

For the first time in its history EMS has achieved **sales** exceeding CHF 1 mia. As a consequence of targeted product range streamlining and a slightly changed circle of consolidation, the increase in **net sales revenues** 8,5 % or 2,6 % in local currency has been comparatively modest.

Although EMS returned CHF 326 million to the market through share repurchases over the previous year, shareholders' equity (CHF 917 million) is only slightly below the figure for the previous year (CHF 951 million). The **return on equity** amounted to 32,7 %; the average figure for the past 5 years is 23,4 %.

As a result of the higher net income and the share capital reduced by the share repurchase, the **profit per share** increased disproportionately by 44 % to CHF 549,80 (381,85).

As EMS-CHEMIE HOLDING AG does not close its financial year until 30 April 1998 (in contrast to the consolidated accounts), a definite motion on the appropriation of net income will not be decided on until after this date. However, an extraordinarily high dividend is envisaged, in particular thanks to the extraordinary income from securities.

At the end of 1997 ERESTA HOLDING AG, which is owned by Dr. Ch. Blocher, increased its voting share in EMS-CHEMIE HOLDING AG to 76,2 % and its capital share to 50,7 % through the purchase of 131'250 bearer shares.

#### **4. Outlook**

EMS has been able to exploit the good economic situation prevailing in 1997 to subject its own product and process programmes to a thorough examination in respect of their future earnings potential. This resulted in range streamlining measures being applied already in the course of 1997, an aspect reflected by the modest growth of sales. Comprehensive measures geared to the withdrawal of low-margin products and the boosting of high-margin new products will be implemented in 1998, for which purpose **investment** in new products and processes will be increased to CHF 120 million in the current year (1997: CHF 70 million). At the same time, application technologies and sales in the fields of Performance Polymers and Fine Chemicals will be developed further, which will initially generate higher costs.

EMS expects the general economic situation in Europe and the USA to remain favourable. In Asia, where EMS sells approximately 12 % of its products, sales have been faltering since December 1997, and severe slumps have been experienced in individual countries. This has led not only to a decrease in sales figures but also to price reductions. The situation will most probably continue through the coming months.

Consequently, for 1998 EMS anticipates only modest sales growth and operating income on the previous year's level.

## 5. Schedule

- Financial media conference 10 July 1998
- General meeting 22 August 1998
- 4-month report 1998 end of May 1998
- 8-month report 1998 end of September 1998
- Annual results 1998 March 1999