

Zurich, 26 February 1999



PRESS INFORMATION

Financial Statement 1998 for the EMS-Group

- EMS:**
- **Net operating income remains firm**
 - **Negative influence of Asia crisis**
 - **Adjustment of Group structure**

1. Summary

With its companies combined within EMS-CHEMIE HOLDING AG, the EMS Group with its global operations reports an increase of **net sales revenue** by 3,7 % to SFr. 1'064 million for the 1998 financial year (previous year: SFr. 1'026 million). Growth in local currencies amounted to 7,2 %. **Net operating income** is reported at SFr. 189 million and is hence a slight improvement over the previous year's figure of SFr. 188 million.

In contrast to 1997, in which all securities were sold, no profits from securities were realised by EMS in 1998. The **net financial income** of SFr. 5 million is therefore significantly lower than for the previous year (SFr. 175 million). **Net income after taxes** totals SFr. 161 million, 46,5 % below the previous year's showing of SFr. 300 million.

2. Development of income 1998: key figures

| | Business years, SFr. millions | | |
|---|-------------------------------|---------------|-------------|
| | 1998 1'064 | 1997 1'026 | 1996 945 |
| Net sales revenue | | | |
| change over previous year in % | + 3,7 % | + 8,5 % | + 2,3 % |
| Total operating income | 1'101 | 1'116 | 987 |
| change over previous year in % | - 1,3 % | + 13,1 % | - 0,5 % |
| Net operating income ¹⁾ | 189 | 188 | 152 |
| change over previous year in % | + 0,5 % | + 23,8 % | + 10,4 % |
| in % of net sales revenue | 17,8 % | 18,4 % | 16,1 % |
| Net financial income | | 175 | 126 |
| change over previous year in % | - 97,4 % | + 38,8 % | + 12,8 % |
| Net income ²⁾ | 161 | 300 | 229 |
| change over previous year in % | - 46,5 % | + 31,0 % | + 12,2 % |
| in % of total operating income | 14,6 % | 26,9 % | 23,2 % |
| per dividend-bearing bearer share, adjusted in (SFr.) | 307,7 | 549,75 | 381,85 |
| change over previous year in % | - 44,0 % | + 44,0 % | + 17,3 % |
| Cash-flow ³⁾ | 214 | 353 | 280 |
| change over previous year in % | - 39,3 % | + 26,5 % | + 11,7 % |
| in % of total operating income | 19,5 % | 31,7 % | 28,3 % |
| per dividend-bearing bearer share, adjusted (in SFr.) | 410,9 | 647,55 | 465,85 |
| change over previous year in % | - 36,5 % | + 39,0 % | + 16,8 % |
| Investments | 103 | 70 | 72 |
| in % of cash-flow | 47,9 % | 19,8 % | 25,7 % |
| Shareholders' equity ⁴⁾ | 703 | 917 | 951 |
| return on equity ⁴⁾ | 22,8 % | 32,7 % | 24,1 % |
| equity per dividend-bearing bearer share (in SFr.) ⁴⁾ | 1'347,30 | 1'680,10 | 1'585,35 |

1) income before interest and taxes (EBIT)

2) profit after taxes less minority interests

3) net profit plus write-downs

4) see remarks in brief, "shareholders' equity", page 3

3. Remarks in brief

As a result of the joint venture with H.B. Fuller (USA), effective as of April 1997, a slightly changed **circle of consolidation** against the previous year is reported; **net sales revenue** would have risen by 4,3 % in an identical scope of consolidation.

The fact that the **net operating income** (+ 0,5 %) was not able to reflect the growth of sales (+ 3,7 %) is the consequence of the income slump experienced in the Far East. Hardest hit in this context: the plant construction business of EMS-INVENTA with its over 90 % focus on Asia, and to a lesser extent the performance polymers of business unit EMS-CHEMIE. The corresponding decline in income amounts to approximately SFr. 20 million. However, net operating income in Europe and the USA shows significant improvement compared with the previous year.

Two reasons are responsible for the reduction of **shareholders' equity** to SFr. 703 million: on the one hand the share repurchase of SFr. 202 million in 1998, and on the other hand the fact that deferred taxes are posted according to IAS 12 for the first time this year (previously: partial-liability method), which necessitated SFr. 170 million additional provisions for taxes and caused a corresponding reduction of shareholders' equity. As a result, figures for shareholders' equity and return on equity are not fully comparable with those of the previous year.

The **return on equity** amounted to 22,8 %; the average figure for the past 5 years is 23,8 %.

As a consequence of the share capital reduction brought about by the share repurchase, **net income per share** was reduced underproportionally by - 44,0 % to SFr. 307,75 (549,75).

A **detailed report** on the consolidated results per 31 December 1998 and on the annual financial statement of EMS-CHEMIE HOLDING AG, which closes its business year on 30 April 1999, will be issued for the financial media conference on 9 July 1999.

4. Adjustment of Group structures

Over the past business year, structural adjustment measures aimed at achieving enduring improvement of the income quality of the EMS-Group were defined. These measures – to be implemented in 1999 – will initially occasion lower sales, higher costs and increased investment. As of 2000 in particular, however, they are expected to have a positive impact. The measures essentially cover the following aspects:

- **Disinvestment**

In the course of 1999, low-margin product lines in the Performance Polymers and Fine Chemicals fields will be discontinued; corresponding production facilities will be shut down.

- **Investment in new high-margin products**

At the same time, significant investments will be applied in these two business fields to the production of new, high-margin products for which the market has been consistently developed over the past years and which can now be sold in major volumes. The high investment volume of SFr. 103 million for 1998 will hence be maintained in 1999. These investments will be financed in full from cash-flow.

- **Establishment of a new profit centre**

The EMS-Group – which operates consistently within decentral structures, and which to date broke down into nine operationally independent business units (profit centres) – has now been expanded to include a tenth business unit: on 1 January 1999 “Coating Resins & Additives” was extracted from business unit EMS-CHEMIE and restructured into the new business unit EMS-PRIMID. This follows the comprehensive reshaping of Coating Resins & Additives and its gearing to the new product PRIMID, which is an important ingredient in solvent-free exterior paints. The product enjoys good market acceptance and promises high growth in its markets.

- **Market reinforcement through acquisitions**

At the close of 1998 EMS strengthened its market position with two targeted acquisitions in the fields of Performance Polymers and Engineering: the PYRMO-CHEMIE GMBH & CO KG company, Bad Pyrmont, reinforces the automobile repair business, and Berlin-based Karl Fischer Industrieanlagen GmbH the plant construction sector. These companies must be integrated in the course of the current year, a process which requires range streamlining as well as production and cost optimisation measures. A tangible positive impact on bottom-line income is expected already for 1999.

- **Minority stake in algroup**

To date, the EMS-Group has held exclusively majority interests in the operative field. However, in view of the limited scope for expansion enjoyed by the existing business units, EMS decided to transform the original 6,89 % portfolio investment in **algroup** into an operative participation. If the planned merger of algroup and the VIAG company can be realised, EMS will participate also in the management of the new company by taking up membership on the supervisory board.

5. Outlook

For 1999, EMS does not anticipate any significant change in general global economic circumstances. Although the sales situation in Asia has improved slightly, no substantial betterment can be expected before 2000. In respect of Europe and the USA, EMS looks forward to continuing strong economic development.

Overall for 1999, and taking into account also the costs which will be incurred as a consequence of the structural adjustments decided on, EMS expects sales to be boosted marginally and net operating income to remain on the previous year's level. The initiated measures will enduringly improve the income quality enjoyed by EMS.

6. Schedule

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|-----------------------------------|-----------------------|
| - Financial media conference | 9 July 1999 |
| - General meeting | 21 August 1999 |
| - 4-month report 1999 | end of May 1999 |
| - 8-month report 1999 | end of September 1999 |
| - Annual financial statement 1999 | March 2000 |