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PRESS INFORMATION

Financial media conference of the EMS Group

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I. Summary

With its companies combined in **EMS-CHEMIE HOLDING AG**, the **EMS Group** with its activities in the fields of **Performance Polymers, Fine Chemicals and Engineering** presents its Group accounts as in the previous years according to the International Accounting Standards IAS. The **scope of consolidation** has experienced a small change against the previous year as a result of the joint venture with H.B. Fuller (USA) which came into effect in April 1997.

Boosted sales

In comparison with the previous year, EMS increased **net sales revenues** by 3,7 % to CHF 1'064 million (1'026). If the scope of consolidation had remained unchanged, net sales revenues would have increased by 4,3 % over the previous year. Growth in local currencies amounted to 7,2 %.

Steady operating income

Operating income was unable to keep up with the growth of sales, and increased by 0,5 % to CHF 189 million (188). This disproportionately small improvement is primarily the result of declining income in Asia, which had a significant impact on the plant construction business of EMS-INVENTA and, to a lesser extent, on the Performance Polymers of the EMS-CHEMIE business unit. This drop in income totalling approximately CHF 20 million was however offset by the very satisfactory course of business experienced in Europe and the USA.

Lower net income

In contrast to 1997 when all securities were sold off at a substantial profit, income from securities for the report year remained, as expected, insignificant. **Net income** is hence 46,5 % below the previous year's figure and amounts to CHF 161 million (300).

Reduction of shareholders' equity

Two reasons can be given for the reduction of **shareholders' equity** to CHF 703 million: on the one hand the CHF 202 million share repurchase effected in 1998, and on the other hand the **deferred taxes**, which for the first time are posted according to IAS 12 (revised), and which necessitated additional provisions for taxes amounting to CHF 170 million, causing a corresponding non-recurrent reduction of shareholders' equity.

High export portion

The overall export share of **net sales revenues** amounted to 89,1 % (89,2 %), with 60,7 % going to the EU (59,2 %), 11,8 % to the USA (12,2 %), 10,4 % to the Far East (11,9 %) and 6,2 % to other countries (5,9 %). EMS realised 10,9 % (10,8 %) of total sales in Switzerland itself.

Switzerland as the focus of production activities

On the other hand, 76,8 % (78,1 %) of overall EMS production was effected in Switzerland, 16,0 % (14,5 %) in the rest of Europe, 5,0 % (5,5 %) in the USA and 2,2 % (1,9 %) in Asia.

Higher investments

Investments totalling CHF 103 million (70) were significantly higher than in the previous year, with 82,2 % applied in Switzerland, 11,0 % in other European countries, 5,7 % in the USA and 1,1 % in Asia. The investments made in the report year were applied as follows: capacity expansion 66,3 %, renewal/rationalisation 21,1 %, improvements 10,5 % and environmental protection/safety 2,1 %. As the cash flow of CHF 214 million (354) remained above the investment sum, EMS was once again able to finance investment in full from own resources.

Personnel establishment

At the close of 1998 the EMS Group employed a total of 2'633 (2'565) persons, of which 1'922 (1'918) in Switzerland, 442 (449) in the EU, 115 (114) in the USA, 154 (79) in the Far East and 0 (5) in other countries. The significant increase in the Far East is the consequence of a joint venture pursued by the business unit EMS-TOGO with a local Chinese partner.

II. Consolidated results of the EMS Group for 1998

1. Key figures 1998 in comparison with the previous years

	Business years, CHF millions		
	1998	1997	1996
Net sales revenues	1'063,8	1'025,9	945,2
change in % against previous year	+ 3,7 %	+ 8,5 %	+ 2,3 %
Total income (from production)	1'101,0	1'115,8	986,9
change in % against previous year	- 1,3 %	+ 13,1 %	- 0,5 %
Operating income*	189,2	188,3	152,1
change in % against previous year	+ 0,5 %	+ 23,8 %	+ 10,4 %
in % of net sales revenue	17,8 %	18,4 %	16,1 %
Finance income	4,6	175,0	126,1
change in % against previous year	- 97,4 %	+ 38,8 %	+ 12,8 %
Net income**	160,6	300,1	229,1
change in % against previous year	- 46,5 %	+ 31,0 %	+ 12,2 %
in % of total from production	14,6 %	26,9 %	23,2 %
per div.-bearings bs. adjusted (CHF)	307,75	549,75	381,85
change in % against previous year	- 44,0 %	+ 44,0 %	+ 17,3 %
Cash-flow ***	214,4	353,5	279,5
change in % against previous year	- 39,4 %	+ 26,5 %	+ 11,7 %
in % of total income from production	19,5 %	31,7 %	28,3 %
per div.-bearing bs, adjusted (CHF)	410,90	647,55	465,85
change in % against previous year	- 36,5 %	+ 39,0 %	- 36,5 %
Investments	102,6	70,1	71,8
in % of cash-flow	47,8 %	19,8 %	25,7 %
Shareholders' equity	703,1	917,1	951,2
in % of balance-sheet total	36,8 %	57,5 %	67,2 %
return on equity	22,8 %	32,7 %	24,1 %
equity per div.-bearing bs (CHF)	1'347,30	1'680,10	1'585,35
Number of employeés on 31.12. (without apprentices)	2'633	2'565	2'658

* income before interest and taxes (EBIT)

** net income after taxes and after deduction of minority interests

*** net income plus depreciation

2. Development of the business areas

The development of sales and operating income for the various business areas is as follows for the 1998 business year:

	1998
Performance Polymers	
- Sales in CHF millions	817
- change in % against previous year	+ 3.8 %
- change in % against previous year in local currency	+ 7.0 %
- Operating income (EBIT) in CHF millions	126
- change in % against previous year	0.0 %
- in % of net sales revenue	15.4 %
Fine Chemicals	
- Sales in CHF millions	165
- change in % against previous year	+ 7,9 %
- change in % against previous year in local currency	+11,6 %
- Operating income (EBIT) in CHF millions	52
- change in % against previous year	+14,6 %
- in % of net sales revenue	31,6 %
Engineering and misc.	
- Sales in CHF millions	82
- change in % against previous year	- 4,7 %
- change in % against previous year in local currency	+ 1,5 %
- Operating income (EBIT) in CHF millions	11
- change in % against previous year	- 34,1 %
- in % of net sales revenue	13,7 %
EMS Group	
- Sales in CHF millions	1064
- change in % against previous year	+ 3,7 %
- change in % against previous year in local currency	+ 7,2 %
- Operating income (EBIT) in CHF millions	189
- change in % against previous year	+ 0,5 %
- in % of net sales revenue	17,8 %

Remarks

The business unit EMS-DOTTIKON (business area **Fine Chemicals**) reports the best development of sales and income, the result of consistent promotion of high-yield products and determined cost discipline. For a manufacturer of intermediate products, it is important to reduce dependence on just a few customers so that the unsuccessful product launches of such customers can be offset. It must be noted in this context that two failed drug launches at the end of 1998 and the beginning of 1999 have had an impact also on EMS-DOTTIKON; this will have a correspondingly negative influence on the 1999 growth of sales and income.

Performance Polymers benefited from the favourable development of the automobile market in Europe in particular, which was especially positive for the business unit EMS-TOGO. In addition to the establishment of bases in China and Thailand, the acquisition of the German Pyrho group has contributed significantly to strengthening our position in the downstream automobile market for the coming years. The business unit EMS-CHEMIE reports very satisfactory success with its core products; however, the anticipated results were not achieved as a consequence of the Asian crisis.

In the **Engineering** business area, the business unit EMS-INVENTA suffered a further decline in sales which must be attributed to the shrinkage of investment volumes in the Far East. The business area hence experienced a substantial drop in income. The business unit EMS-PATVAG with its activities predominantly in the market for airbag triggering devices reports improved results in the face of severe competitive and price pressure.

III. General meeting of EMS-CHEMIE HOLDING AG on 21 August 1999 / appropriation of net earnings

Board of directors

The terms of office of the current BoD members Christoph Blocher, Karl Imhof and Karl Janjóri expire on the date of the coming general meeting. A motion for their re-election as board members for just one year will be submitted to the general meeting; this procedure shall ensure freedom of action in respect of appointment of BoD members at the general meeting in 2000.

Appropriation of net earnings

Since 1992 EMS-CHEMIE HOLDING AG has returned 1.54 billion Swiss francs to the market in form of dividends, nominal value reductions and in particular share repurchases. This became necessary due to the fact that no acquisition opportunities offering a yield similar to that of EMS were able to be found, and because EMS did not wish to hold the surplus funds itself.

Since the beginning of 1998 EMS has consistently increased its interest in algroup. The sum of approximately CHF 846 million is currently committed to this operative investment. As this interest was acquired through outside finance, long-term opportunities are on hand. (The book profit as per July 6, 1999 amounts to CHF 134 million). To retain balance-sheet strength, EMS has decided not to pay a dividend in 1999, and will carry net income forward to new account. The following appropriation of net earnings will be applied for at the general meeting of EMS-CHEMIE HOLDING AG:

	1998/99
Annual net income	98'093 209.28
Miscellaneous	359.45
Reserves for own shares	0.00
Transfer for share repurchase	(200'400'000.00)
Carryforward from previous year	213'796'694.28
<u>Balance-sheet profit</u>	<u>111'490'263.01</u>

to be appropriated as follows:

<u>Carryforward to new account</u>	<u>111'490'263.01</u>
<u>Balance-sheet profit</u>	<u>111'490'263.01</u>

IV. Securing future income

A number of measures have been decided to ensure the ongoing high yield quality of the EMS Group. These measures will initially generate lower sales, higher costs and increased investments. A positive impact will be felt already from 2000 onwards. Measures in this context include in particular:

- **Disinvestment**
Discontinuation of low-margin product lines and shut-down of the plants, in particular in the Performance Polymers product field of the business unit EMS-CHEMIE.

- **Investment**
For new high-margin products of the future, especially in the business units EMS-CHEMIE and EMS-DOTTIKON.
- **Establishment of a new profit centre**
Consistently decentralised management with the foundation of the business unit EMS-PRIMID, which originally formed the Coating Resins & Additives division in the business unit EMS-CHEMIE, and which has a new environment-friendly product for solvent-free coating powders.
- **Market reinforcement through acquisitions**
The car repair business has been reinforced by the acquisition of PYRMO-CHEMIE GmbH & Co. KG, and the plant construction business has been strengthened with the purchase of Karl Fischer Industrieanlagen GmbH.
- **Minority interest in algroup**
On June 30, 1999 EMS held an operative interest of 8,43 % in algroup.

V. Course of business / outlook 1999

The current year began sluggishly and below expectations. Over the initial four months net sales revenues decreased by 0,8 % to CHF 362 million and the operating income by 8,2 % to CHF 64 million. A significantly improved situation in respect of Engineering subsidiary INVENTA-FISCHER is contrasted by a drop in sales and income in the Fine Chemicals field, which must be attributed to the unsuccessful launch of pharmaceutical products by EMS customers for which EMS-DOTTIKON supplies the intermediate products. Thanks to better results in the other business units, however, EMS will repeat the previous year's performance in respect of operating income.

VI. Schedule

- General meeting of EMS-CHEMIE HOLDING AG:
21 August 1999 in Domat/Ems
- 8-month report 1999: end of September 1999
- Report on the annual results 1999 for the EMS Group: March 2000