

MEDIA INFORMATION

1. First-half results 2002 of the EMS Group

Business development slightly exceeds expectations.

1.1 Summary

For the EMS Group with its activities in the fields of **Performance Polymers, Fine Chemicals** and **Engineering** and companies amalgamated within EMS-CHEMIE HOLDING AG, development of sales and income in the first six months of 2002 slightly exceeded expectations, but remained clearly below the strong first half of the previous year. This can be attributed to the weaker economy on the one hand and to the stronger Swiss franc on the other.

With an unchanged consolidation scope, consolidated **net sales revenue** dropped by 3.7% over the equivalent period last year to CHF 620 million (644 million). In local currencies it increased by 0.4%.

Operating income (EBIT) amounting to CHF 98 million was 6.7% lower than last year (105), while **financial income** – despite difficult conditions on the financial markets – is once again positive at CHF 37 million (52).

Therefore, **net income** is down – after taxes and minority interests – by 12.2% to CHF 108 million (123).

The slight revival of business seen in the first quarter of 2002 continued in the second quarter. Development is, however, marked by great uncertainties so that business trends in the second half of the year still have to be judged sceptically. The strength of the Swiss franc and higher raw material prices are negatively impacting on income. Assessments of economic trends in the USA and Japan seem positive, although the effects of volatility on the financial markets cannot yet be conclusively assessed. Economic development in Europe is still muted; a boom in Europe is not expected this year.

EMS expects a slight increase in turnover for the whole of 2002 compared to last year and operating income at last year's level (2001: CHF 163 million). From a current viewpoint, financial income at last year's level should be attainable (2001: CHF 66 million). Despite signs of improvement of the general economic situation in the latter half of 2002 – especially in the USA and Japan – EMS will not yet revise its net income forecast.

1.2 EMS Group key figures January – June 2002

in CHF million	2002 (Jan – Jun)	2001 (Jan – Jun)
Net sales revenue	620	644
- change	-3.7%	+11.8%
Operating income (EBIT) ¹⁾	98	105
- change	-6.7%	+4.0%
- in % of net sales revenues	15.8%	16.3%
Financial income	37	52
- change	-28.8%	+30.0%
Net income ²⁾	108	123
- change	-12.2%	+18.3%
- in % of net sales revenues	17.4%	19.1%
- per dividend-bearing bearer share in CHF	206.95	235.70
- change	-12.2%	+18.3%
	<u>30.06.2002</u>	<u>31.12.2001</u>
Shareholders' equity	1'498	1'437
- in % of the balance sheet total	46.8%	53.3%
- per dividend-bearing bearer share in CHF	2'870.50	2'754.15
- increase in % against 31 Dec 2001	+4.2%	---

1) EBIT = Earnings Before Interest and Taxes

= operating income

2) Net income = profit after taxes less minority interests

1.3 Capsule commentary on development of sales and income in first half of 2002

- **Sales revenues slightly lower**

With an unchanged consolidation scope, **net sales revenue** dropped by 3.7% to CHF 620 million (644); in local currencies it increased by 0.4%. Slightly better development of sales and income on the American market was mostly offset by restrained business in Europe. Asia also developed slightly better than last year. The significant increase in the strength of the Swiss franc had a negative impact on sales and, particularly, on revenues, thereby impeding a more positive development.

- **Operating income –6.7%**

The disproportionate drop in the **operating income (EBIT)** by 6.7% to CHF 98 million (105) is attributable to lower sales revenue but also to the strong Swiss franc which always has an adverse effect on EMS, a strongly export-orientated company.

- **Reduced net income**

The first six months of the year were marked by great uncertainties and sometimes irrational fluctuations. Despite a difficult business environment, EMS achieved a positive financial income of CHF 37 million. Last year, the sale of our share in Alcan resulted in a high **financial income** of CHF 52 million. The lower operating income and decrease in financial income led to a decrease in **net income** by 12.2% to CHF 108 million (123).

- **Shareholders' equity strengthened further**

Satisfactorily, **shareholders' equity** increased further by CHF 61 million to CHF 1'498 million (1'437 as on 31 Dec 2001) in the first six months. The equity ratio lies within the forecast range at 46.8%. Shareholders' equity per bearer share increased by 4.2% from CHF 2'754.15 on 31.12.2001 to CHF 2'870.50 on 30.06.2002.

- **Investments**

With a view to a better economic situation in the future, EMS increased its investment budget for the entire year 2002 to CHF 100 million (previous year 82). This year, too, investments will be financed entirely through generated revenue.

1.4 Development of sales and income by business areas in the first half year of 2002

in CHF million	2002 (Jan-Jun)	% change previous year	2001 (Jan-Jun)	% change previous year
Net sales revenue				
EMS Group	620	-3.7%	644	+11.8%
- Performance Polymers	458	-4.8%	481	+10.8%
- Fine Chemicals	102	+4.1%	98	+2.1%
- Engineering	60	-7.7%	65	+41.3%
EBITDA ¹⁾				
EMS Group	132	-2.9%	136	+3.0%
in % of net sales revenue	21.3%		21.1%	
- Performance Polymers	91	+2.2%	89	+3.5%
in % of net sales revenue	19.9%		18.5%	
- Fine Chemicals	27	-18.2%	33	+0.0%
in % of net sales revenue	26.5%		33.7%	
- Engineering	14	+0.0%	14	+7.7%
in % of net sales revenue	23.3%		21.5%	
EBIT ²⁾				
EMS Group	98	-6.7%	105	+4.0%
in % of net sales revenue	15.8%		16.3%	
- Performance Polymers	70	+1.4%	69	+3.0%
in % of net sales revenue	15.3%		14.3%	
- Fine Chemicals	19	-26.9%	26	+4.0%
in % of net sales revenue	18.6%		26.5%	
- Engineering	9	-10.0%	10	+11.1%
in % of net sales revenue	15.0%		15.4%	

¹⁾ EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation
= operational cash flow

²⁾ EBIT = Earnings Before Interest and Taxes
= operating income

1.5 Remarks on the business areas in first half of 2002

Diverse situations are reported for the **Performance Polymers business area**. EMS-GRIVORY (metal substitution) recorded positive business with surpluses and a below average cost trend. EMS-TOGO, however, the specialist in glues, seals and protective materials in automobile manufacturing suffered from the slow-down in business due to automobile manufacturers' unit production figures below those of the previous year and the increase in raw material prices.

In the **Fine Chemicals business area**, sales of EMS-PRIMID, the leader in weatherproof PMC hardeners, lay within the expected range, although this area also felt the reticent investment tendency in the USA and Europe. The decrease in income in Fine Chemicals is largely attributable to EMS-DOTTIKON. This business unit was restructured last year and will already have overcome its profit low by the end of the year with its current orders. In the first half of 2002, a further decrease in revenues, largely caused by the high increase in initial production costs of newly introduced products, had to be borne.

In the **Engineering business area**, the airbag trigger business especially enjoyed positive development despite the slowdown in the automobile industry. Opportunities on our current European market continue to be good; furthermore the first large-scale deliveries to the USA took place in June. The plant construction of INVENTA-FISCHER, which specialises in polyester and polyamide plants, suffered from lower capacity utilisation and the decrease in projects in the Far East.

2. Financial statements for business year 2001 for the EMS Group

EMS presented its 2001 Annual Report for the EMS Group already on 15 February 2002. Meanwhile, the Annual Report with consolidated figures has been completed. The following key figures show that in the business year 2001, EMS was strongly affected by the severe economic downturn in the fourth quarter. Despite high restructuring costs which were entirely written off to expenses, and the exceptional total amortisation of the entire goodwill, EMS was able to deliver a satisfactory result. Thus, EMS achieved an EBIT of CHF 163 million (-23.3%) in 2001 which still corresponds to a turnover margin of 13.0% (18.4%). Despite the weaker financial results, **net income** (after taxes and minority deductions) amounted to CHF 176 million (253) which still corresponds to a high 14.1% of net sales (21.8%).

Particularly, in February EMS already pointed out the EMS Group's **very healthy balance sheet**: Despite accounting for the total amortisation of the entire goodwill, shareholders' equity was further increased by 22.8% to CHF 1'437 million last year. At the same time, external finance was reduced by CHF 186 million to CHF 1'262 million. Non-operational funds disposable in the short term also exceeded interest-bearing external finance.

2.1 Business year 2001: key figures

Business years, in CHF million	2001	2000
Net sales revenue	1'252	1'160
Change	+7.9 %	+6.8 %
change in local currencies	+12.5 %	+2.5 %
Operational cash flow (EBITDA) ¹⁾	258	277
Change	-6.6 %	+5.6 %
in % of net sales revenue	20.6 %	23.8 %
Operating income (EBIT) ²⁾	163	213
Change	-23.3 %	+7.1%
in % of net sales revenue	13.0 %	18.4%
Financial income	66	102
Change	-35.8 %	+72.6 %
Income taxes	51	57
Change	-9.7 %	+31.1 %
Net income ³⁾	176	253
Change	-30.2 %	+20.6 %
in % of net sales revenue	14.1 %	21.8 %
per dividend-bearing bearer share in CHF	337.81	484.30
Change	-30.2 %	+20.6 %
Investments	82	99
in % of cash flow ⁴⁾	29.9 %	31.2 %
Shareholders' equity	1'437	1'170
in % of the balance sheet total	53.3 %	44.7 %
Balance sheet equity ratio	12.3 %	21.6 %
Shareholder' equity per dividend-bearing bearer share in CHF	2'754.15	2'242.05
Increase in %	+22.8 %	+27.1 %
Number of employees on 31 December	2'731	2'751

- 1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation
= operational cash flow
- 2) EBIT = Earnings Before Interest and Taxes
= operating income
- 3) Net income = profit after taxes less minority interests
- 4) Cash Flow = net income plus writedowns

2.2 EMS Balance sheet overview as on 31 December 2001

Text	CHF	%
Shareholders' equity	CHF 1'437 million	53.3% of the balance sheet total
Equity ratio	-	21.4% as an average of the past five years
External finance	CHF 1'262 million	46.7% of the balance sheet total
Interest-bearing external finance	CHF 694 million	-22.5% against 2000
Repayment horizon ¹⁾	-	2.7 years
Goodwill	None	-
Free cash flow	CHF 192 Mio.	70.1% of cash flow
External finance costs	CHF 41 million	-
Investment income ²⁾	CHF 115 million	-
Net indebtedness ³⁾	None, net cash position of CHF 430 million	Net cash position +59.1% against 2000

¹⁾ Repayment horizon: indicates the number of years required to repay the interest-bearing external finance from EBITDA (assessment: the lower the better)

²⁾ Investment income: corresponds to interest yield and income from securities/investments

³⁾ Net indebtedness: interest-bearing debts less liquid resources, securities and financial interests

This excellent situation is the result of careful business practices, even in periods of strong economic growth. Over the past years EMS has pursued a policy of caution in the acquisitions field. Consequently, it was possible to amortise entire goodwill of previous acquisitions in the 2001 profit & loss account; any future discussion in respect of goodwill valuation has thus been nipped in the bud. The philosophy of prudence embraced by EMS is further underlined by the great importance the group attaches to net profit and free cash flow.

Please also refer to the press release of 15 February 2002 and the Annual Report 2001/2002.

3. Favourable external finance for the EMS

Thanks to the EMS Group's continued very healthy balance sheet ratios and in view of good income figures, EMS is regarded as a trustworthy debtor on the financial markets.

In April this year, therefore, EMS-INTERNATIONAL FINANCE issued a convertible bond - convertible into Lonza Group shares – for CHF 350 million at 2.5% for 8 years which was heavily oversubscribed.

Furthermore, EMS-CHEMIE HOLDING AG issued on 9 July 2002 a convertible bond, convertible into registered Lonza shares or EMS bearer shares, for CHF 300 million at 2% for six years. This bond was also well and quickly placed.

On 10 July 2002 EMS-CHEMIE HOLDING AG issued an ordinary fixed interest bond of CHF 300 million at 4% interest for a term of six years. It, too, was oversubscribed.

In 2002, EMS issued total bonds amounting to CHF 950 million at an average interest rate of 2.8%. Of this, CHF 350 million are additional funds and CHF 600 million were used for the refinancing.

EMS average interest on total indebtedness in the first half of the year was only 3%.

4. EMS-CHEMIE HOLDING AG

4.1 EMS-CHEMIE HOLDING AG financial statements, 30.04.02

Net income of EMS-CHEMIE HOLDING AG which closes its business year on 30 April, amounts to CHF 196 million (238) for the business year from 1 May 2001 to 30 April 2002. The profit brought forward, taking into consideration the balance carried forward from the previous year, is CHF 770 million (574). As in previous years, the EMS-CHEMIE HOLDING AG board of directors will propose at the Annual General Meeting on 17 August 2002 to carry forward the entire profit. The 2001/2002 recommendation for EMS-CHEMIE HOLDING AG net income appropriation is outlined on page 46 of the Annual Report.

4.2 EMS-CHEMIE HOLDING AG Annual General Meeting on 17 August 2002

The ordinary Annual General Meeting on 17 August 2002 will cover the ordinary agenda as listed on the invitation.

In particular, the following is pointed out: Item 3 on the agenda shows the board of directors' recommendation for **appropriation of net income** as follows:

Distribution of available retained earnings consisting of:

Net income	196'439'164.04
Miscellaneous	3'730.00
<u>Balance brought forward</u>	<u>573'998'480.08</u>
Retained earnings	770'441'374.12
To be appropriated as follows:	
<u>Balance to be carried forward</u>	<u>770'441'374.12</u>

Retained earnings **770'441'374.12**

This year, too, no dividend is to be paid out. This will give EMS-CHEMIE HOLDING AG the necessary scope to define a financial structure for the future. EMS intends to decide by the end of the year whether EMS-CHEMIE HOLDING AG shares are to be bought back from the stock market in their entirety in order to go private for which the profit of CHF 770 million could be partly or wholly used to buy back its own shares, or whether the EMS Group should go public more strongly. This would possibly entail a restructuring of the shares. Work is in progress and EMS will make a decision in this regard by the end of the year.

4.3 Elections to the Board of Directors

It is recommended that shareholders should re-elect Dr. Christoph Blocher, Dr. Albert Sommerauer, Magdalena Martullo and Peter Matter for another one-year term at the general meeting.

Ulrich Widmer has decided to resign from EMS' board of directors on 31 December 2002, in order to take up an active position himself. He will work for the KIBAG Group from 1 January 2003. He will, therefore, only be elected to the board of directors of EMS-CHEMIE HOLDING AG for the term from 17 August 2002 to 31 December 2002.

The board of directors proposes that shareholders elect Dr. Hansjörg Frei, of Mönchaldorf, as a new director on the board for a term of 1 year. Hansjörg Frei is 61 years old and has worked for Winterthur Insurance/Credit Suisse Financial Services for the last 20 years. As General Manager and member of the Group executive board, he ran the Swiss insurance business from 1991 to 2000. Today Hansjörg Frei is member of the extended executive board of Credit Suisse Financial Services and responsible for international country management. Hansjörg Frei will assume his position with EMS on 1 January 2003.

5. Outlook

Global markets are presently in cyclical troughs. EMS prepared for a strong cyclical depression two years ago. Developments after 11 September severely exacerbated the slump. Judging by experience, however, central bank policies should soon have a positive effect and economic recovery should be pending in the foreseeable future. Those countries in which the downturn started earlier, Japan and USA, are already seeing signs, albeit hesitant ones, of recovery. In Europe, however, an upswing could take a little longer; it is hardly expected before 2003. Current events on the financial markets and their consequences for sales development and the mood of the consumer, however, make forecasting difficult. Nevertheless, EMS does not anticipate any new economic slumps and therefore expects an operating income in line with the previous year at least.

6. Schedule

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|-----------------------------|---------------------|
| - General meeting 2002 | 17 August 2002 |
| - Third quarter report 2002 | end of October 2002 |
| - Annual results 2002 | March 2003 |