

MEDIA INFORMATION

EMS Group: Annual Results 2010

- **Net sales and net operating income (EBIT) at historic record levels**
- **Ongoing positive business development**
- **Increasing raw material prices and a strong Swiss Franc**
- **Distribution of an Anniversary Dividend**

1. Summary

With its companies combined in EMS-CHEMIE HOLDING AG and with global activities in the business areas **Performance Polymers** and **Fine Chemicals / Engineering**, in 2010 the EMS Group achieved **net sales** of CHF 1,596 million (1,198) and a **net operating income (EBIT)** of CHF 282 million (222). This means that net sales and net operating income were not only significantly higher than in the previous year, they also reached new record levels in the 75-year-history of the company.

Compared to the previous year consolidated **net sales** in Swiss Francs increased by 33.2% to CHF 1,596 million (1,198) and by 39.6% in local currencies. The very good economic environment, expansion of the market position in Asia and realised new business resulted in an extremely positive development of sales volumes.

Net operating income (**EBIT**) was CHF 282 million (222) – an increase of 27.0% compared to the previous year. The **EBITDA** amounted to CHF 335 million (280) and closed 19.8% higher than in the previous year. The good sales development had a positive effect on result. Continually increasing raw material prices and the strong Swiss Franc however, had an increasingly burdening effect on the result margin. The **EBIT margin** amounted to 17.6% (18.5%); the **EBITDA margin** to 21.0% (23.3%).

Net financial income was CHF -1 million (28). Negative value adjustments due to foreign currencies included in this figure amounted to CHF 23 million.

Net income after taxes amounted to CHF 232 million (221) and was 4.9% above the previous year. Earnings per share increased to CHF 9.71 (9.66).

The **cash flow** reached CHF 291 million (279) and the **free cash flow** CHF 242 million (241).

Equity ratio increased to a high 66.5% (59.7%).

For the 2010 business year EMS plans to distribute an **ordinary gross dividend** of CHF 6.50 per share (5.00) and an additional **Anniversary Dividend** of CHF 6.00 per share (in the previous year a special dividend of CHF 5.00). Overall, a total of CHF 12.50 per share (10.00) will then be distributed.

For **2011**, EMS is expecting an ongoing positive business development together with a continued increase in raw material prices and an unfavourable foreign currency situation. In order to satisfy increasing customer demand, additional production capacity will be taken into operation in the next months. In 2011, EMS is expecting slightly higher net sales and net operating income (EBIT) compared to the previous year.

2. Development of income 2010: Key figures EMS Group

in million CHF	2010	2009
Net sales	1,596	1,198
Change from previous year	+33.2%	
With the same scope of consolidation ¹⁾	+31.2%	
In local currencies	+39.6%	
EBITDA ²⁾	335	280
Change from previous year	+19.8%	
In % of net sales	21.0%	23.3%
Net operating income (EBIT) ³⁾	282	222
Change from previous year	+27.0%	
In % of net sales	17.6%	18.5%
Net financial income	-1	28
Income taxes	48	29
Net income ⁴⁾	232	221
Change from previous year	+4.9%	
In % of net sales	14.5%	18.5%
Cash flow ⁵⁾	291	279
Change from previous year	+4.2%	
Investments	49	38
Change from previous year	+30.5%	
Free cash flow ⁵⁾	242	241
Change from previous year	+0.1%	
In % of net sales	15.2%	20.2%
Equity	1,110	1,022
In % of balance sheet total	66.5%	59.7%
Return on equity	20.9%	21.7%
Equity per share (in CHF) ⁶⁾	47.74	45.67
Number of employees	2,256	2,106

¹⁾ As per November 16, 2009, EMS-CHEMIE (Neumünster) (previously Nexis Fibers, Germany) was taken over. The company EFTEC Aftermarket GmbH was sold on January 20, 2010.

²⁾ EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation

³⁾ EBIT = Earnings Before Interest and Taxes

⁴⁾ Net income = Profit after taxes, including minority shareholders

⁵⁾ Cash flow = Net income plus amortisation of intangible assets, property, plant and equipment plus value adjustments to securities

Free cash flow = Cash flow less investments in intangible assets, property, plant and equipment

⁶⁾ Average weighted number of registered shares as at 31.12.2010: 23,257,508 shares (31.12.2009: 22,373,911 shares)

3. Remarks on the development of net sales and income

3.1 Net sales

Compared to the previous year, net sales in Swiss Francs increased by 33.2% to CHF 1,596 million (1,198). The significant weakness of the foreign currencies Euro and Dollar compared to the Swiss Franc reduced net sales in Swiss Francs. Growth of net sales in local currencies amounted to 39.6%.

Following exceptional developments in the previous year (a slump in net sales due to the economic downturn in the first half-year, but strongly increasing demand in the second half-year), in 2010 the global markets returned to their normal yearly course. As expected, demand throughout the world for consumer and industry goods developed in a positive way. Growth continued to be led by the Asian markets (in particular China).

The very favourable economic environment, expansion of the market position in the strongly growing Asian market and the successful realisation of planned new business led to a very satisfactory development of sales volumes for EMS. Net sales in the European Union and North America increased by around 25% compared to the previous year while net sales in Asia grew by nearly 60%. Despite a strong negative effect from foreign currencies, net sales reached a historic record level.

95.3% (95.3%) of net sales were generated outside of Switzerland with 55.2% (58.6%) in the European Union, 24.2% (20.3%) in Asia, 10.0% (10.7%) in North America and 5.9% (5.7%) in other countries. In Switzerland, EMS realised an unchanged 4.7% (4.7%) of total net sales.

With 50.4% (53.4%), EMS continues to manufacture around half of products sold in Switzerland and is therefore, a typical Swiss export company. 28.2% (26.5%) of products sold were manufactured in the European Union, 13.7% (11.8%) in Asia and 7.7% (8.3%) in the USA.

3.2 Net operating income

Net operating income (**EBIT**) increased to a historic record level of CHF 282 million (222), an improvement of 27.0% compared to the previous year. The **EBITDA** reached CHF 335 million (280). This higher income was achieved primarily due to increased sales volumes.

The **EBIT margin** amounted to 17.6% (18.5%) and the **EBITDA margin** to 21.0% (23.3%). Sales price increases, driven by higher raw material prices, and expansion of the high-margin business with speciality products could not compensate the negative influence of steadily increasing raw material prices and the strong Swiss Franc. As expected, the exceptionally high result margin of the last six months of the previous year could not be repeated.

3.3 Net financial income

Since 2004 EMS has pursued the strategy of distributing financial resources not required for operative business to the shareholders. Therefore, net financial income is of little significance. The net financial income in 2010 amounted to CHF -1 million (28). This includes CHF 23 million currency-based negative value adjustments on internal loans according to IFRS regulations.

3.4 Equity

Equity was increased to CHF 1,110 million (1,022). The **equity ratio** amounted to a high 66.5% (59.7%). **Return on equity** was 20.9% (21.7%). In a sector comparison, both the equity ratio and the return on equity are high and are an expression of the sustained above-average profitability of EMS.

3.5 Investments / cash flow

Investments in 2010 totalled CHF 49 million (38). Of these, 72.6% (40.7%) were invested in Switzerland, 6.5% (19.1%) in Asia, 5.1% (18.6%) in South America, 6.8% (13.5%) in the USA and 9.0% (8.1%) in the European Union. The majority of this amount was invested in expansion of production capacity.

With a **cash flow** of CHF 291 million (279), the investment volume of CHF 49 million was – as in previous years – smoothly financed from own financial resources. EMS is characterised by the fact that in both good and difficult years, a high free cash flow is generated. In the reporting year, the **free cash flow** amounted to CHF 242 million (241), which corresponds to 83.1% (86.5%) of the total cash flow.

Investments planned for 2011 will also be financed easily from the cash flow.

4. Remarks on the individual business areas

In the main area of **Performance Polymers**, positive economic developments led to significantly higher customer demand. Planned growth with new business was successfully realised. Worldwide market positions were further strengthened, also with newly established sales and production locations. The Asian markets showed particularly successful sales development.

For EMS-GRIVORY, business with new metal replacement applications developed very positively, especially in the automotive industry. Demand for high-temperature materials increased so strongly that completion of a new production plant was brought forward and operations already started in October 2010. At the same time, construction has already started for the next production plant. Continually increasing raw material prices are making on-going sales price increases necessary for all products.

EMS-EFTEC further expanded its worldwide market position according to plan and profited in particular from the growing automotive production in China. Due to high increases in raw material prices, the result margin in this business unit was especially burdened.

The secondary business area **Fine Chemicals / Engineering** also reported positive business developments due to the positive economic situation. EMS-GRILTECH was able to expand its market position, also due to the purchase of the company EMS-CHEMIE (Neumünster) (previously Nexis Fibers, Germany) in 2009. EMS-PATVAG, manufacturer of airbag ignitors, was able to increase profitability and further strengthen its leading market position.

5. Development of net sales and income in the business areas

in million CHF	2010	%-dev. prev. year	2009
Performance Polymers			
Net sales	1,292	+31.1%	986
- With the same scope of consolidation ¹⁾		+33.4%	
- In local currencies		+37.6%	
EBITDA	271	+13.4%	239
- In % of net sales	21.0%		24.2%
EBIT	227	+18.2%	192
- In % of net sales	17.6%		19.5%
Fine Chemicals / Engineering			
Net sales	303	+43.3%	212
- With the same scope of consolidation ²⁾		+20.6%	
- In local currencies		+49.2%	
EBITDA	64	+57.8%	41
- In % of net sales	21.2%		19.2%
EBIT	54	+83.9%	30
- In % of net sales	17.9%		14.0%
EMS Group			
Net sales	1,596	+33.2%	1,198
- With the same scope of consolidation ^{1), 2)}		+31.2%	
- In local currencies		+39.6%	
EBITDA ³⁾	335	+19.8%	280
- In % of net sales	21.0%		23.3%
EBIT ⁴⁾	282	+27.0%	222
- In % of net sales	17.6%		18.5%

¹⁾ The company EFTEC Aftermarket GmbH was sold on January 20, 2010.

²⁾ As per November 16, 2009, EMS-CHEMIE (Neumünster) (previously Nexis Fibers, Germany) was taken over.

³⁾ EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation

⁴⁾ EBIT = Earnings Before Interest and Taxes
= Net operating income

6. Payment of dividends

EMS consistently pursues a policy of result and liquidity-oriented profit distribution. Financial resources not required for operational business are distributed to the shareholders.

At the Annual General Meeting 2011, the Board of Directors therefore intends to propose the distribution of an **ordinary gross dividend** of CHF 6.50 (5.00).

In view of the very high level of liquid resources, the high free cash flow and the high equity, and also to celebrate the 75-year anniversary of the company, the Board of Directors intends proposing distribution of an additional **Anniversary Dividend** to the amount of CHF 6.00 (in the previous year a special dividend of CHF 5.00 was distributed). Overall a total of CHF 12.50 per share (10.00) will then be distributed.

7. Outlook 2011

For 2011, EMS is expecting continuing positive development of the economy worldwide. The Asian markets will show undiminished growth with consumer and investment goods while the mature markets will also continue to grow, but less rapidly.

Supplies of raw materials will still not be able to keep step with increasing demand. For this reason, further strong increases in raw material prices at even shorter intervals must be expected. This means that repeated increases in sales prices for secondary goods will be inevitable and a general increase in costs for consumer and investment goods unavoidable. These inflationary tendencies aggravate political instability and endanger further global economic development.

EMS will continue to follow its strategy of focus on speciality business in the area of Performance Polymers. In order to satisfy increasing customer demand, EMS will invest more than CHF 100 million in 2010/2011 in the rapid expansion of production capacity. In order to continue to successfully seize opportunities in the important Asian market, the market organisation in Asia will be continually expanded.

Delayed transfer of increased raw material prices to customers and the negative currency situation will further burden the positive development of net sales and result.

For this reason, EMS allocates particular priority to rapid and consistent adjustment of sales prices and further efficiency improvements.

For 2011, EMS expects slightly higher net sales and a slightly higher net operating income (EBIT) than in the previous year.

8. Schedule

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| - First-quarter report 2011 | April 2011 |
| - Media conference / Half-year report 2011 | July 15, 2011 |
| - Annual General Meeting 2011 | August 13, 2011 |
| - Third-quarter report 2011 | October 2011 |
| - Media conference / Annual results 2011 | February 2012 |

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