

**Press information on the financial media conference  
of the EMS Group**

**Friday, 12 July 1996**

**Copy for participants of the financial media conference**

- INCOME STATEMENTS**
  - OF THE EMS GROUP 1995**
  - OF EMS-CHEMIE HOLDING 1995/96**
- APPROPRIATION OF NET INCOME**
- REPURCHASE OF SHARES**



## 1. Consolidated results of the EMS Group for 1995

As in the previous years, the **EMS Group** with its activities in the fields of **Performance Polymers, Fine Chemicals** and **Engineering**, and whose companies are combined within **EMS-CHEMIE HOLDING AG**, presents its consolidated accounts according to the rules laid down in the **International Accounting Standards (IAS)**. No changes to the scope of consolidation have occurred.

### 1.1 Summary

In 1995, the EMS Group increased its **net sales by 7.8 %** over the previous year to CHF 924 million (857), **cash flow by 35 %** to CHF 250 million (185) and **net income after taxes by 41.8 %** to CHF 204 million (144). This good result can be attributed in particular to the increase in finance income and, to a lesser extent, to a further slight rise in operating income.

Despite the fact that 1995 was the best year in the history of the EMS Group, it should be noted that specific difficulties had to be dealt with in the course of 1995. A general economic upturn made itself felt in the first half of the year, which was additionally marked by overheating tendencies and stockpiling activities triggered by an anticipated hike in the prices for chemical raw materials. This then led to a **swift and significant increase in raw material prices**. Income was reduced by the **notable rise in the value of the Swiss franc**.

## 1.2 Key figures 1995 in comparison with previous years

	Business years, CHF millions		
	1995	1994	1993
<b>Net sales revenue</b>	<b>923,7</b>	856,5	830,5
Change in % against previous year	<b>+ 7,8 %</b>	+ 3,1 %	- 1,7 %
<b>Total income from production</b>	<b>992,0</b>	910,5	856,6
Change in % against previous year	<b>+ 9,0 %</b>	+ 6,3 %	- 0,8 %
<b>Operating income *</b>	<b>137,8</b>	132,1	121,9
Change in % against previous year	<b>+ 4,3 %</b>	+ 8,4 %	+ 31,2 %
in % of net sales revenue	<b>14,9 %</b>	15,4 %	14,7 %
<b>Finance income</b>	<b>111,8</b>	46,3	124,6
Change in % against previous year	<b>+141,4 %</b>	- 62,8 %	+ 17,8 %
<b>Net income **</b>	<b>204,2</b>	144,0	201,6
Change in % against previous year	<b>+ 41,8 %</b>	- 28,6 %	+ 14,4 %
in % of total income from production	<b>20,6 %</b>	15,8 %	23,5 %
per div.-bearing bs, adjusted (in CHF)	<b>325,40</b>	227,35	294,85
<b>Cash-flow ***</b>	<b>250,3</b>	185,4	241,0
Change in % against previous year	<b>+ 35,0 %</b>	- 23,1 %	+ 12,5 %
in % of total income from production	<b>25,2 %</b>	20,4 %	28,1 %
per div.-bearing bs, adjusted (in CHF)	<b>398,90</b>	292,80	352,50
<b>Investments</b>	<b>82,8</b>	107,6	101,1
in % of cash-flow	<b>33,1 %</b>	58,0 %	42,0 %
<b>Equity</b>	<b>951,8</b>	846,7	944,4
in % balance-sheet total	<b>65,0 %</b>	52,6 %	67,5 %
return on equity	<b>21,4 %</b>	17,0 %	21,3 %
equity per div.-bearing bs (in CHF)	<b>1517,15</b>	1336,90	1381,10
<b>Number of employees on 31.12.</b>	<b>2662</b>	2666	2644

\* income before interest and taxes (EBIT)

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

\*\*\* net income plus depreciation

### 1.3 Information on the key figures

In 1995 the high **operating income** of the previous year was improved on by a further 4.3 %. However, this improvement did not match the expansion in sales (+ 7.8 %), a fact resulting on the one hand from the strong Swiss franc, on the other hand from the sharply increasing raw material prices which could not be fully passed on to the market.

In item **finance income**, EMS shows only amounts that have actually been realised. These income amounts are hence generated aperiodically. The finance income for 1995 CHF 112 million (previous year CHF 46 million) is 141.4 % higher than in the poor stock market year 1995.

The **net income after taxes** of the EMS Group was boosted by 41.8 % to CHF 204 million (144), corresponding to 20.6 % (15.8 %) of total income from production, or a return on equity of 21.4 % (17.0 %). Net income per bearer share improved from CHF 227.35 to 325.40.

Following the high **investments** of the previous years (1993: CHF 101 million, 1994: CHF 108 million), investments during the year under review were somewhat lower (CHF 83 million), as planned. As in the previous years, the EMS Group was again in a position to finance investments from self-generated resources (33.1 % of cash flow). 91.4 % of the total amount was invested in Switzerland, 6.2 % elsewhere in Europe, and 2.4 % in the USA.

**Equity:** Although shares with a value of CHF 624 million were repurchased in 1993 and 1994, and share capital totalling CHF 88 million was paid back to shareholders in 1992 and 1995, equity amounts to CHF 952 million (847), i.e. a high 65 % of the balance-sheet total.

The **return on equity** viewed as an average of the last four years is over 20 % per year, a figure that underlines the high earning capacity of the company.

**Development of employee figures:** At the end of 1995 the EMS Group employed 2,662 (2,666) persons, plus 131 (126) apprentices, of which 1,902 (1,928) in Switzerland, 486 (484) in the rest of Europe, 216 (202) in America, and 58 (52) in the Far East. Of the 1,902 persons employed in Switzerland, 1,363 worked in the canton of Grisons, 406 in the canton Aargau, 112 in the canton Thurgau and 21 in the canton Zurich.

**Export share 91.2 %:** Overall, the EMS Group exported goods for a total value of CHF 843 million (770), corresponding to 91.2 % (89.9 %) of total sales. This export figure breaks down as follows: 60.5 % (52.1 %) to EU states, 13.5 % (13.4 %) to the USA and Canada, 12.3 % (11.9 %) to the Far East and 4.9 % (12.5 %) to other countries. Domestic sales amount to 8.8 % (10.1 %). 74.4 % of overall sales is produced in Switzerland.

#### 1.4 Development of the business units

Sales of the business units (which are operated as independent profit centres) are as follows for 1995:

	1995 CHF mil.	1994 CHF mil.	Change 95 to 94 in CHF	Change 95 to 94 in nat. currency
<b>Performance Polymers</b>				
Business unit EMS-CHEMIE	<b>531</b>	507	+ 4,7 %	+ 12,2 %
Business unit EMS-TOGO	<b>163</b>	142	+ 14,6 %	+ 21,5 %
<b>Fine Chemicals</b>				
Business unit EMS-DOTTIKON	<b>122</b>	112	+ 9,4 %	+ 15,5 %
<b>Engineering</b>				
Business unit EMS-INVENTA	<b>63</b>	65	- 3,2 %	- 0,7 %
Business unit EMS-PATVAG	<b>31</b>	17	+ 81,0 %	+ 84,3 %
<b>Others</b>	<b>14</b>	14	+ 0,9 %	+ 0,9 %
<b>Total sales</b>	<b>924</b>	857	+ 7,8 %	+ 14,5 %

Business unit **EMS-CHEMIE** was again able to boost sales and income in its core field technical thermoplasts. In the spheres of technical fibres and adhesives as well as duroplasts, however, only the volume and market share targets were achieved, but not the income objectives.

Although business unit **EMS-TOGO**, leader in the field of adhesive, protective and sealing agents for the automobile and aviation industries, reports sales up by (+ 15 %), it suffered a substantial drop in income, caused by raw material prices which increased by leaps and bounds in the first half of the year, as well as by an operating environment characterised by continuingly stiff competition. Income showed significant improvement in the second half of the year.

Business unit **EMS-DOTTIKON**, manufacturer of intermediates and active agents for the world-wide pharmaceutical and chemical industry, recorded a very satisfactory increase in sales and income. These improvements were achieved primarily with the products that have to meet higher requirements, the so-called current Good Manufacturing Practices (GMT), set by the pharmaceutical industry.

Business unit **EMS-INVENTA**, leading makers of production plants for synthetic fibres and yarns, was hit by the financial restrictions imposed by the Chinese government. This unit therefore reports a drop in sales and income as anticipated.

Business unit **EMS-PATVAG** enjoyed very substantial boosts in sales for its triggering devices for air bags, whereby sales and income were able to be increased by a larger extent than expected.

## 2. Appropriation of net income

**For the business year 1995/96 EMS-CHEMIE HOLDING AG** reports net income of CHF 165.6 million (97.4). The board of directors of EMS-CHEMIE HOLDING AG proposes to the general meeting the following **appropriation of the balance-sheet net income of EMS-CHEMIE HOLDING AG**:

1. Payment of a **dividend of CHF 94,107,750**, i.e. CHF 150 per bearer share of CHF 50 nominal value and CHF 30 per registered share of CHF 10 nominal value.
2. Carrying forward of the remaining amount of CHF 153,624,294.95 to new account.

### 3. Planned share repurchase

Per end of 1995, the EMS Group has at its disposal a significant equity totalling CHF 952 million (847), which corresponds to 65 % (53 %) of the balance-sheet total. The generated free cash flow remains high, and amounts to CHF 167 million for 1995. As the freely disposable resources are not needed for acquisitions, and the income situation of the Group also provides scope for self-financing of investments in the future, the board of directors has taken steps designed to return further funds to the shareholders. Measures envisaged in this context include the repurchase of own shares to achieve a reduction of the share capital through annulment of these shares. Options (OTC options) have already been acquired at favourable terms for the purchase of 27'385 bearer shares. The company is thus entitled (but not obliged) to repurchase these shares to the value of CHF 5'050.-- by 26 November 1996 at the latest.

The planned share repurchase is in the best interest of all shareholders: capital not required in the development of operations is returned to the market; minor as well as major shareholders benefit from profit concentration and an increase of the interest share in the company.

For these reasons, the **board of directors proposes to the general meeting the reduction of the share capital of the company from CHF 31,369,250 to CHF 30,000,000 by means of annulment of 27'385 bearer shares of CHF 50 nominal value each.**

### 4. General meeting of 21 August 1996

In addition to the customary matters, the following items are to be dealt with at the general meeting of EMS-CHEMIE HOLDING AG on 21 August 1996:

- Amendment of the **Articles** for the purpose of capital reduction and incorporation of an opting out clause.
- Proposal for the **confirmation** of Dr. Christoph Blocher, Karl Imhof and Karl Janjóri in their respective **board mandates**.
- Appointment as **auditing agency** for a period of one year: Mr Robert Brütsch, chartered accountant VSB, and STG-Coopers & Lybrand.



## 5. Course of business and outlook 1996

In the first four months of the 1996 business year, EMS was unable to match the very good results of the previous year.

Sales and income for the **first four months of the 1996 business year** developed as follows:

	1996	1995	1994
Consolidated sales	<b>308</b>	321	288
- change against previous year	<b>- 4,0%</b>	+ 11,5%	- 0,3%
Cash-flow (from operations)	<b>63,6</b>	65,6	56,5
- change against previous year	<b>- 3,0%</b>	+ 16,1%	+ 0,5%
- in % of sales	<b>20,6%</b>	20,4%	19,6%
Income from operations	<b>37,1</b>	39,1	32,5
- change against previous year	<b>- 5,1%</b>	+ 20,3%	- 1,2%
- in % of sales	<b>12,0%</b>	12,2%	11,3%

The decrease in **sales** by 4.0 % over the first four months is on the one hand the consequence of a less favourable sales climate, but also of a certain normalisation of raw material prices, which had risen significantly in 1995.

In **evaluating** these results it is of significance that the comparable period of the previous year was marked by keen growth of income (net income + 20.3 %). The situation in Europe in general and Germany (the principal EMS market) in particular began to deteriorate in September 1995. The economic framework remained unsatisfactory through the first half year of this year as well, affecting business unit EMS-CHEMIE in particular. The restrictions imposed by the Chinese government had an impact on the operations of business unit EMS-INVENTA (Engineering). The income of these two business units is hence not only below previous year's figures, but also falls short of the budgeted results.

## 6. Outlook

In the second half of the year, EMS anticipates an **improved general economic situation**. The **weaker Swiss franc** will additionally have a positive impact on the development of income. For the **1996 business year**, therefore, the **EMS Group expects income from operations to remain on the high level of the previous year**. The prospects for the development of finance income are viewed with optimism.

The volume of investments for 1996 (approx. CHF 80 million) is being applied as planned, and will be financed in full from cash flow.

## 7. Schedule

- The consolidated EMS Group financial statements for 1995 were published on 15 March 1996.
- The business year of EMS-CHEMIE HOLDING AG ended on 30 April 1996.
- Announcement of the figures for the 1995/96 business year of EMS-CHEMIE HOLDING AG and the 4-month report 1996 for the EMS Group was effected on 31 May 1996.
- General meeting of EMS-CHEMIE HOLDING AG: 21 August 1996 in Domat/Ems.
- 8-month report: end of September 1996.
- Report on the 1996 financial statements of the EMS Group: middle of March 1997.