

MEDIA INFORMATION

Financial statement 2000 for the EMS Group

- **Development of results exceeds expectations**
- **Higher operating and finance income**

1. Summary

With its companies combined in EMS-CHEMIE HOLDING AG, the EMS Group reports better than expected results for the year 2000. **Net profit improved by 20,6 % to CHF 253 million (210), net sales revenues increased by 6,8 % to CHF 1,160 million (1,087) and EBIT by 7,1 % to CHF 213 million (199).** This result exceeds expectations. Following the discontinuation of low-yield products and the introduction of new products into the range in 1999, and in view of the emerging slowdown of the U.S. economy in the 4th quarter of 1999 in particular, EMS expected weaker growth for the year 2000. The improvement nevertheless achieved can be attributed especially to the successful launch of new products – specifically GRIVORY, a high-grade alternative to expensive light metal, and PRIMID, an environment-friendly PMC hardener – as well as to the significantly improved engineering business in Asia. **The EBIT margin amounted to 18,4 % of sales, the net profit margin 21,8 % and the return on equity 21,6 %.**

For EMS, the year 2001 is characterised by an emphatic slowdown of the economy in the USA, by weaker economic growth in Asia, and by perceptibly growing difficulties in the automobile and cellulose industries. In spite of this situation, EMS will be able to boost sales and maintain operating income at its high level. Net profit will not suffer dilution as a consequence of the consolidation of AXANTIS.

2. Development of income 2000: key figures

Business years, CHF millions	2000	1999
Net sales revenues	1'160	1'087
change	+ 6,8 %	+ 2,2 %
Operational cash flow (EBITDA) ¹⁾	277	262
change	+ 5,6 %	+ 7,8 %
in % of net sales revenues	23,8 %	24,1 %
Operating income (EBIT) ²⁾	213	199
change	+ 7,1%	+ 5,1 %
in % of net sales revenues	18,4 %	18,3 %
Finance income	102	59
change	+72,6 %	+1'182,0%
Income taxes	57	43
change	+ 31,1 %	+ 46,5 %
Net profit ³⁾	253	210
change	+ 20,6 %	+ 30,5 %
in % of net sales revenues	21,8 %	19,3 %
per dividend-bearing bearer share in CHF	484,30	401,50
change	+ 20,6 %	+ 30,5 %
Investments	99	100
in % of cash flow ⁴⁾	31,2 %	36,7 %
Shareholders' equity	1'170	921
in % of the balance-sheet total	44,7 %	42,6 %
return on equity	21,6 %	22,8 %
shareholders' equity per div.-bearing bs, CHF	2'242,05	1'764,50
increase in %	+ 27,1 %	+ 31,0%
Number of employees on 31.12.	2'751	2'713

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

3. Development of sales and income: capsule commentary

3.1 Higher sales

EMS boosted **net sales revenues** by 6,8 % over the previous year to CHF 1'160 million (1'087). Growth in local currencies amounted to 2,5 %. Taking into account currency influences as well as the decline in sales caused by the discontinuation of low-margin products, an adjusted sales growth of 4,1 % can be reported. The positive sales/income development was experienced in the Asian region in particular, and was especially noticeable in the Engineering field on the one hand as well as in respect of the new products, particularly Primid and Grivory, on the other hand. The circle of consolidation remains identical to that of the previous year. The increase in net sales revenues is however also the consequence of significantly higher raw materials costs, which unfortunately could not be tacked on to sales prices in full.

Exports were responsible for 91,2 % of sales (93.0 %), of which 58,0 % (62,6 %) within the EU, 12,1 % (13,1 %) in North America, 14,8 % (12,9 %) in the Far East and 6,3 % (4,4 %) in other countries. In Switzerland, EMS realised 8,8 % (7,0 %) of net sales revenues. Production remains firmly based in Switzerland: 72,4 % (72,9 %) of EMS products were manufactured here, with 20,7 % (20,4 %) of the remaining output produced in the rest of Europe, 5,2 % (5,1 %) in the USA and 1,7 % (1,6 %) in Asia.

3.2 Better operating income

A slightly overproportional improvement of **operating income (EBIT)** by 7,1 % to CHF 213 million (199) was achieved. Due to the jump in prices for the oil-based principal raw materials, and the unavoidable delays in passing these increases on to customers, the highly satisfactory volume growth experienced with many products did not have the desired impact on income growth, although new products with higher margins were able to compensate for these shortfalls. The currency influence on EMS results remained neutral overall. The stronger US dollar, the firmer British pound, the expensive Japanese yen (a principal raw material is purchased in this currency) as well as the weaker Euro counterbalanced one another.

3.3 Higher finance income

Finance income covers only such income that was realised in the course of the business year. The **improved finance income** of CHF 102 million (59) is essentially attributable to the active management of securities and financial investments.

3.4 Net profit + 20,6 %

On the basis of the improved operating and higher finance income, **net profit** rose by 20,6 % to CHF 253 million (210). Profit per share also rose by 20,6 %, to CHF 484.30 (401.50).

3.5 Ongoing strengthening of shareholders' equity

As a result of the high annual profit and the absence of payouts in form of dividends, par-value repayments and share repurchases, **shareholders' equity** has again risen significantly, to CHF 1'170 million (921). Despite a substantially higher balance-sheet total of CHF 2'618 million (2'164) the equity ratio was boosted to 44,7 % (42,6 %). **Return on equity** amounted to 21,6 %. The average for the past 5 years is 24,7 %.

3.6 Deferred investments

In view of the good economic outlook, a very high volume of **investments in fixed assets** was planned for the year 2000. However, plans were downsized in anticipation of an economic downswing, resulting in a final investment scope of CHF 99 million, which actually represents a reduction against the previous year's level of CHF 100 million. Broken down by countries, 70,1 % (79,6 %) of the total investment volume was applied in Switzerland, 5,7 % (9,7 %) in the rest of Europe, 15,3 % (9,6 %) in the USA and 8,9 % (1,1 %) in Asia. Investments applied in the report year served the following purposes: capacity expansion 58,8 %, renewal/rationalisation 16,2 %, qualitative-technical enhancement 12,2 % and environment protection/safety 12,8 %. In view of the cash flow of CHF 316 million (273) these investments were financed without problem.

4. Development of sales and income in the individual business fields

Business years, CHF millions	2000	% dev. prev. yr	1999	% dev. prev. yr
Net sales revenues				
EMS Group	1'160	+ 6,8 %	1'087	+ 2,2 %
- Performance Polymers	842	+ 10,1 %	765	+ 6,6 %
- Fine Chemicals	206	- 7,7 %	224	- 15,4 %
- Engineering	112	+ 13,6 %	98	+ 20,4 %
EBITDA ¹⁾				
EMS Group	277	+ 5,6 %	262	+ 7,8 %
in % of net sales revenues	23,8 %		24,1 %	
- Performance Polymers	168	+ 6,9 %	157	+ 12,2 %
in % of net sales revenues	19,9 %		20,5 %	
- Fine Chemicals	67	- 8,4 %	74	- 13,4 %
in % of net sales revenues	32,5 %		32,7 %	
- Engineering	42	+ 31,6 %	31	+ 71,9 %
in % of net sales revenues	37,3 %		32,2 %	
EBIT ²⁾				
EMS Group	213	+ 7,1 %	199	+ 5,1 %
in % of net sales revenues	18,4 %		18,3 %	
- Performance Polymers	130	+ 7,2%	121	+ 13,4 %
in % of net sales revenues	15,5 %		15,9 %	
- Fine Chemicals	52	- 10,9 %	59	- 17,3 %
in % of net sales revenues	25,3 %		26,2 %	
- Engineering	31	+ 63,4 %	19	+ 67,4 %
in % of net sales revenues	27,4 %		19,0 %	

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

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

5. Capsule remarks on the 2000 financial statement

In the **Performance Polymers** business field, the favourable showing of the new products in the EMS-TTP unit (metal substitution) was contrasted by a marked slowdown for the business unit EMS-TOGO, which focuses exclusively on the automobile industry, and which was hardest-hit by the price hikes in the raw materials field.

In the **Fine Chemicals** business field, which now comprises business units EMS-DOTTIKON (as before) and EMS-PRIMID (new), mixed developments are reported. EMS-PRIMID – the leading PMC hardener – had a positive year as anticipated. The situation remains unsatisfactory at EMS-DOTTIKON, where a further decline of sales and income was experienced. On the one hand the projects in the customer synthesis field are taking longer than expected to realise, on the other hand the prices of the standard products have come under pressure. The decline in income was partially halted by way of strict cost discipline.

In the **Engineering** field, particularly positive developments are reported for plant builder INVENTA-FISCHER, which profited from the improved situation in Asia.

6. The acquisition of AXANTIS

In December 2000 EMS submitted a purchase offer for the Axantis group, CH-Riedholz, which was successful. EMS thus owns a 99,37 % share in Axantis, and will effect full consolidation of this new acquisition within the EMS Group in the business year 2001.

For EMS, the addition of Axantis to the Group represents an interesting supplementation of the current Performance Polymers business. Whilst the materials used by EMS are based on polyamides and polyester, AXANTIS will in future focus on refined cellulose and biochemical derivative products. EMS is of the opinion that the reorientation hitherto pursued by AXANTIS is basically sound, and will continue this process in a target-oriented manner. AXANTIS will be operated as a new, additional and independent unit within the Performance Polymers division. From a current viewpoint, the take-over of AXANTIS will not cause any dilution of EMS profits.

7. Outlook

EMS expects a general economic slowdown for the year 2001. The US economy is in a downward cycle, and growth rates in Asia will also decline. Within this economic framework, the automobile industry with all its suppliers as well as the cellulose industry are particularly vulnerable. EMS expects a marked weakening in these segments.

As a consequence of the already lower cellulose prices, which impact on the existing products, of the still insignificant sales volumes achieved with the new and higher-grade products, and taking into account the financing costs as well as the goodwill write-downs, AXANTIS will not make any substantial contribution to Group income in 2001. In spite of all this, however, EMS will be able to increase sales and maintain operating income at its current high level.

8. Schedule

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|---------------------------|---------------------|
| - Quarterly report 2001 | end of April 2001 |
| - General meeting | 18 August 2001 |
| - First-half results 2001 | end of August 2001 |
| - Quarterly report 2001 | end of October 2001 |
| - Annual results 2001 | March 2002 |