

MEDIA INFORMATION

EMS-CHEMIE HOLDING AG to become a broadly based public company

- **EMS will continue to focus on performance polymers**

- **EMS-CHEMIE HOLDING AG (EMS) will become a broadly based public company.**
 - **EMS will create a standard share**

 - **EMS will split shares 1 : 50 for bearer shares and 1 : 10 for registered shares**

 - **EMS will return to innovative profit distribution**

- **Christoph Blocher will not pursue going private**

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I. Introduction

The EMS Group currently pursues a successful **strategy of high-quality intermediate products** in the fields of **Performance Polymers, Fine Chemicals** and **Engineering**. A listed company with world-wide operations, EMS is dominantly controlled by a single majority shareholder.

In its major business sector, i.e. **Performance Polymers**, EMS produces **high-quality, made-to-measure products** which are used as metal substitutes in automobile production and in the electronics industry, as well as adhesives, waxes, hardeners, bonding agents, corrosion protection and fibres in the automobile, garment, paper and construction industries.

EMS also synthesises **fine chemicals** such as complex intermediate products and active agents for the pharma and agricultural industries as well as for veterinary applications.

In the field of **Engineering**, EMS plans and constructs high-quality polymeric and synthetic fibre plants, and manufactures airbag triggering devices.

EMS has now analysed its **strategy** and – analogously – its **capital structure** with a view to meeting the needs of the future and the appropriate decisions have now been taken as announced in February 2002 and thereafter.

1. Strategy

The **strategy of high-quality intermediate products** is a successful one; hence over the short and medium term there is no urgent need for strategic reorientation. The desired **focus on performance polymers** is becoming increasingly obvious.

This focus was boosted as follows over the past years:

- After streamlining the **real estate holdings** to what is operationally necessary, the EMS Group real estate business unit (EMS-IMMOBILIEN) was dissolved.
- Once it had become apparent that **ATISHOLZ** was not an ideal partner for the performance polymers, ATISHOLZ was sold.

- Engineering company **EMS-SYNTECH** was sold in the course of streamlining measures applied to the Engineering division.
- The EMS Group **POWER STATIONS** were sold per 31.12.02 to NOK.

Several small acquisitions were also made in the field of Performance Polymers.

In the future, too, the EMS Group intends to focus on growth in the **core field of performance polymers**. This business already generates three quarters of net sales revenues and operating income (diagram 1). Growth will be ensured by means of **internal growth** and **targeted acquisitions**. The acquisition of one or two smaller, undervalued companies operating in the field of polymeric materials that have inherent potential for value enhancement would seem to be an appropriate future objective.

Strategic financial participations are not excluded.

2. **Capital structure**

The right strategy requires an appropriate capital structure. In view of the strong position enjoyed by the majority shareholder (87 % of votes and 72 % of capital), the question as to whether the parent company – EMS-CHEMIE HOLDING AG (EMS) – should be retained as a **false public company**, repurchased from the stock market (**going private**) or converted into a **broadly based publicly traded company** is of particular interest.

The key criteria for the decision on the new EMS capital structure were formulated as follows:

- **sustainable profits**
- **continuous growth**
- **optimum long-term opportunities for success**

II. EMS: Conversion into a broadly based public company (summary)

EMS has taken the following decisions for the future:

- 1. The current situation (false public company with only 28 % free float) is not a solution.**
- 2. EMS will be converted into one broadly based publicly traded company.**
 - 2.1 For this purpose EMS will introduce the standard share.**
 - 2.2 EMS will split its shares (bearer shares 1 : 50, registered shares 1 : 10)**
 - 2.3 EMS will return to innovative distribution of profits and will continue to embrace tax-optimised profit distribution methods.**
- 3. Blocher will not insist on EMS going private.**
- 4. Blocher is prepared to undertake the following steps (refer to diagram 2 for steps a to c)**
 - a) Blocher's current voting power in respect of EMS (87 %) will be reduced to 72 % as a result of the introduction of the standard share.**
 - b) Blocher's voting power and capital share in respect of EMS will be reduced to 50.1 % as a result of share placement.**
 - c) Blocher is prepared to allow his voting power to drop below 50 %, insofar as this may be expedient to meet capital requirements for the future growth of EMS.**
- 5. Detailed plans in this context are being developed and will be announced in the course of 2003.**

III. Ongoing concentration on growth in the field of performance polymers

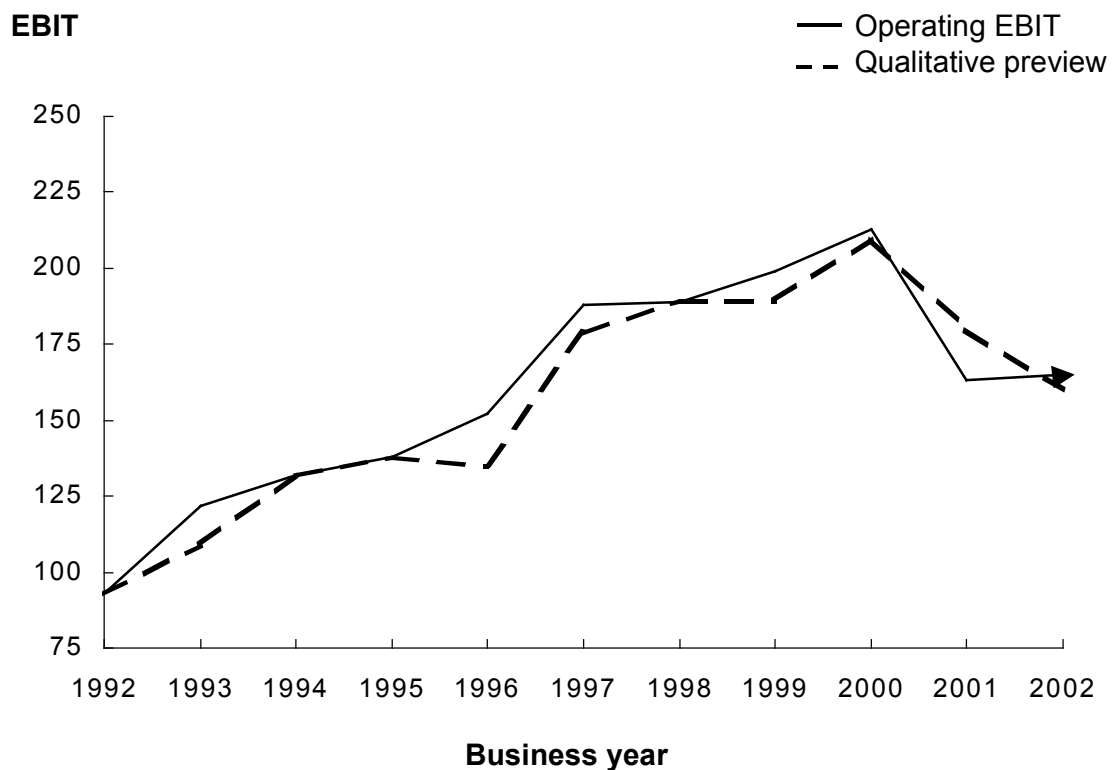
The EMS Group is now a market leader in **Performance Polymers, Fine Chemicals** and **Engineering** in Europe, the Far East and America.

EMS will continue to pursue a **strategy of distinct concentration on performance polymers**. The two enclosed diagrams 3 and 4 outline the steps taken over the past four years to achieve this focus on performance polymers.

Example for the transparency and credibility of EMS:

Operating EBIT in comparison with the qualitative preview

In CHF millions



Source: financial statements 97/98, 99/00 and 00/01

The EMS Group has a **rock-solid balance sheet** with an equity ratio of 40 to 60 %. The Group does **not carry any goodwill as assets** and generates a **high free cash flow**. Average **return on equity has been in excess of 20%** over the past ten years, and there is **continuous growth**. The Group embraces the principles of **transparent and dependable communication**.

IV. Current EMS capital structure unsatisfactory

The EMS Group with its companies combined within EMS-CHEMIE HOLDING AG has share capital of CHF 26 million, comprising 376,000 SWX-listed bearer shares (bs) with a par value of CHF 50 each and 729,300 non-listed registered shares (rs) with a par value of CHF 10 each. On the basis of a price of CHF 5,100 per registered share EMS-CHEMIE HOLDING AG has a market capitalisation of roughly CHF 2.7 billion. **Only approx. CHF 750 million – i.e. 28 % of the capital and 13 % of the votes – are traded freely on the stock market (free float); the remainder is owned by the majority shareholder.** Many of the third-party EMS shareholders keep their EMS stock for lengthy periods of time, which results in a low market turnover. Currently only approx. 85 shares are traded on average per day, corresponding to a value of around CHF 425,000. These low trading volumes produce an illiquid stock that can neither be bought nor sold in larger volumes without a significant impact on the price.

As a result of the **low liquidity** the investment rules of many pension and investment funds preclude the purchase of EMS stock. The EMS share was removed from the SMI due to its low free float and liquidity, which in turn provoked reduced analyst coverage and hence low demand.

The current situation means that the EMS Group could be hampered by restricted **flexibility** in meeting future **finance requirements**.

Today, EMS as a false public company hence suffers the disadvantages (e.g. more work and higher costs generated by reporting requirements, for investor relations and for increasingly complex yet decreasingly meaningful IAS and US-GAAP regulations and the corresponding massively rising auditing costs) of a true public company without enjoying in full the benefits such as finance

flexibility, enhanced coverage by analysts and thus boosted institutional demand.

From an entrepreneurial perspective, this predominantly disadvantageous status quo is not satisfactory.

Basically two courses of action are feasible to improve the situation of the false public company EMS-CHEMIE HOLDING AG: the majority shareholder could repurchase the entire EMS stock from the market “going private”, or the company could be transformed into a broadly based publicly traded company by placing additional EMS shares on the market, appropriately accompanied by a significant reduction in the voting strength and capital share of the current majority shareholder.

V. Advantages/disadvantages of “going private” / of a broadly based public company

As the presentation below shows, “going private” would be more advantageous for the majority shareholder.

However, benefits in respect of the future development of the company as well as enhanced flexibility to deal with unexpected growth situations and hence, generally speaking, the creation of an even more promising outlook for the EMS Group support the option of a broadly based public company.

EMS would seem to be too big for a family business.

Advantages / disadvantages 'Going Private' compared with broadly based public company

Going Private

For EMS:

- + Reduced reporting obligations / costs / workload
- + Lower legal, accounting, auditing and investor relations costs
- Finance more difficult to obtain in the future
- No public interest
- Risk of less good returns due to lower external pressure

For the majority shareholder:

- + Massively reduced tax bill
- + Full freedom of action and control
- + No sharing of success with other shareholders
- Sole equity provider / risk bearer

Broadly based public company

For EMS:

- + Financial flexibility
- + Higher returns through external pressure
- + Higher company value through broad demand
- + Public interest
- Dilution of control
- More work and higher costs due to reporting requirements, investor relations, listing etc.

For the majority shareholder:

- + Reduced dependence on outside creditors
- High taxes
- Sharing of success with other shareholders
- Diminished freedom of action and control
- Placement costs

VI. EMS to become a broadly based public company

Development possibilities, ensuring appropriate future **growth** and thus the **ongoing success** of EMS must be afforded top priority. EMS and the majority shareholder have therefore decided in favour of a **broadly based publicly traded company** and against “going private”.

The following procedure has therefore been agreed on:

1. **Creation of a standard share – “one share – one vote”**

The first step in the process aimed at creating a broadly based public company is the introduction of a standard share. EMS-CHEMIE HOLDING AG will adjust its capital structure through the introduction of a standard share with no limitation of transfer and applying the corporate governance principle '**one share – one vote**' – the EMS standard registered share. **As a result of this introduction the majority shareholder will relinquish preferential voting rights corresponding to a 15 % voting share, and will thus underline his willingness to open the company up to the market.** The introduction is scheduled for the ordinary general meeting on 16 August 2003.

2. **Splitting**

At the same time the shares are to be split to achieve a **lower-priced share** in tune with customary market price levels. A 1 : 50 split for the bearer shares and a 1 : 10 split for the registered shares is planned.

3. **Reduction to 50.1 % holding through innovative placement**

The second step in the process comprises a boosting of the free float to create a liquid EMS share. **Innovative placement with a reduction of the majority shareholder's holding to 50.1 % is planned over the medium term, in an improved market environment.** Innovative placing appropriate to the EMS Group is planned. The details are currently being drafted. The introduction of the standard registered

share will provide scope for placement to commence at any time from summer 2003 onwards (diagram 5).

4. Relinquishment of majority of votes by the principal shareholder?

If required by the capital needs of the growing EMS Group, the majority shareholder is prepared to allow his share to drop below the 50 % mark.

5. Return to dividend distribution

In the period from 1992 till 2001, EMS distributed 79 % of its accumulated profit, always in a tax-optimised manner (refer to diagram 6). **The EMS Group plans a return to innovative distribution of profits.** Amongst other measures, redemption at par is planned; however, **all tax-optimised innovative options remain open.** More detailed information will be published in summer 2003. The EMS share will however not be developed into an exclusively dividend-bearing security as the company aims to secure sustainable constant growth with the corresponding own funding.

VII. Schedule

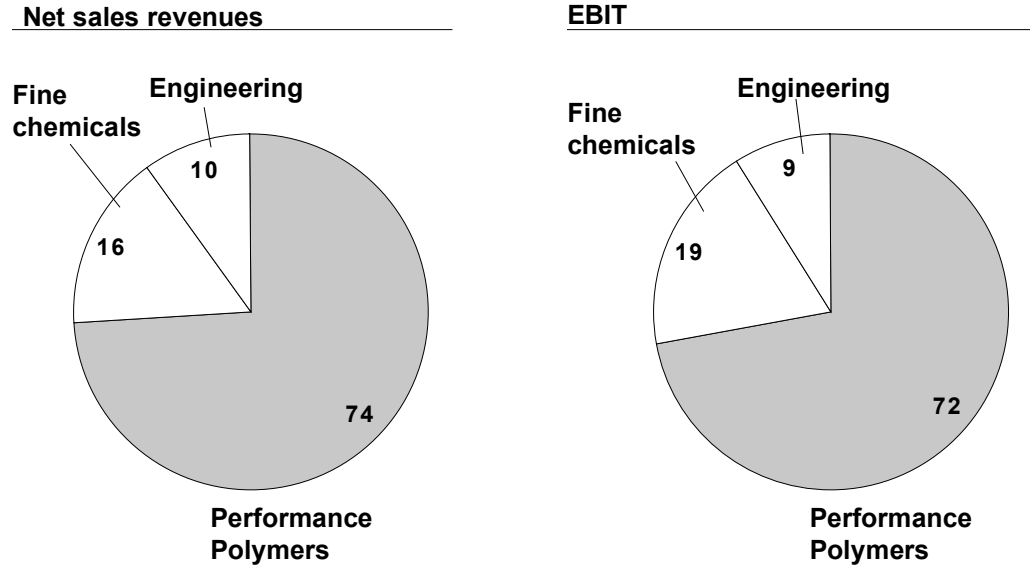
- | | | |
|---|---|---------------------|
| - | Financial media / financial analysts conference
for business year 2002 | 14 February 2003 |
| - | First-quarter report 2003 | End of April 2003 |
| - | First-half results 2003 | End of July 2003 |
| - | General meeting 2003 | 16 August 2003 |
| - | Third-quarter report 2003 | End of October 2003 |

VIII. Diagrams

Performance Polymers already generate three quarters of sales revenues and earnings

In per cent, 1st semester 2002

■ Current and future focus



Source: mid-year assessment 2002 of the EMS Group

Schaubild 1

Adjustment of capital structure and ownership

In per cent

○ Xx Votes
 □ Xx Capital

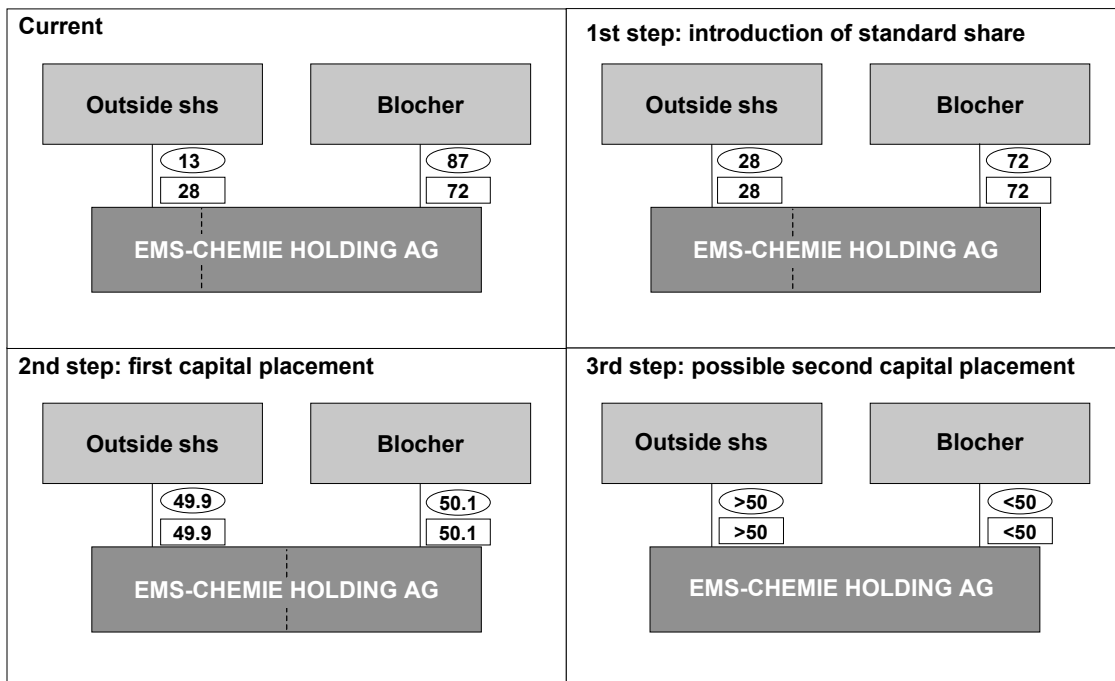
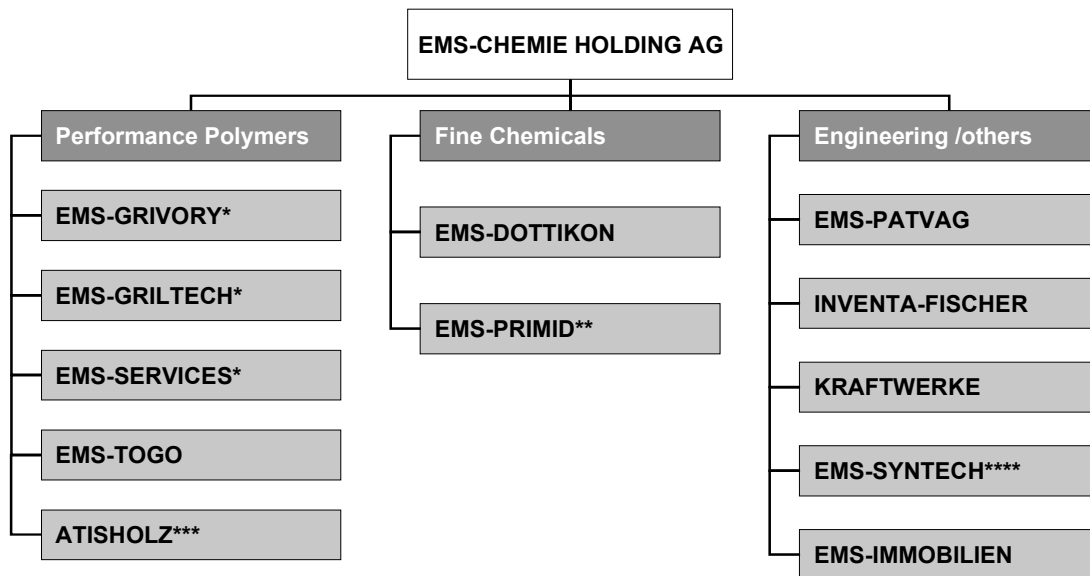


Schaubild 2

EMS: 1999 to 2001



* An EMS-CHEMIE business unit till 2000

** Polymeric materials with fine chemicals character ('Performance Polymers' till 2000, 'Fine Chemicals' from 2001)

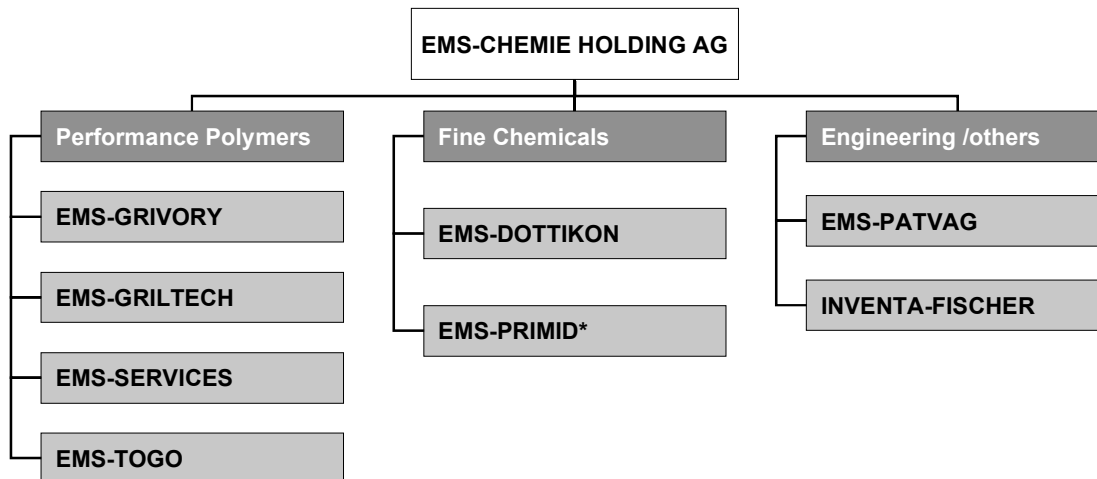
*** Following purchase and merger with EMS-CHEMIE HOLDING AG in May 2001, sold to EMESTA HOLDING AG with retroactive effect per January 2001

**** 1999 sale of 80 % of holding, 2001 sale of the remaining 20 %

Source: annual reports 98/99 to 00/01

Schaubild 3

EMS in January 2003: focus on Performance Polymers

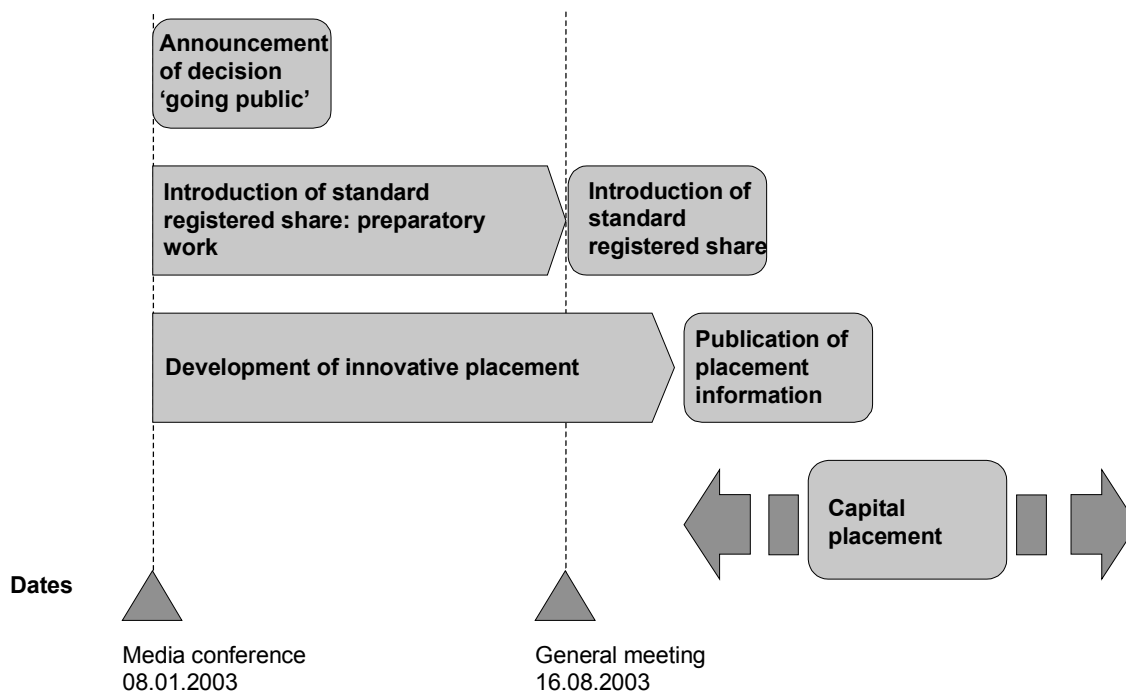


* Polymeric materials with fine chemicals character

Source: annual reports 98/99 to 00/01

Schaubild 4

Transition to a broadly based public company: planned schedule



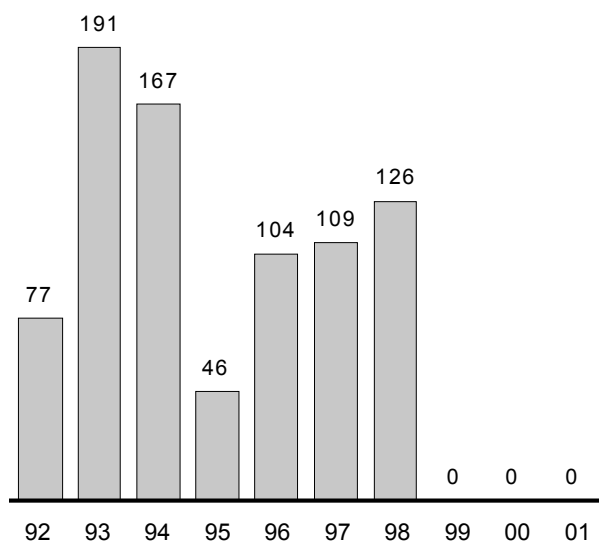
Source: EMS-CHEMIE HOLDING AG

Schaubild 5

The EMS-CHEMIE HOLDING AG profit distribution policy: an overview 1992 - 2001

In per cent

Pay-out-ratio*



Distribution and profits 92 - 01 (in CHF billion)

• Accumulated profit	2.1
• Distribution accumulated	1.6
– dividends	0.2
– par value reduction	0.2
– share repurchase	1.2
• Average pay-out-ratio 79 %	

* Share of profit distribution in profit; including par value reduction and share repurchase

Source: annual reports 97/98, 99/00 and 00/01

Schaubild 6