

## MEDIA INFORMATION

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### EMS Group: annual results 2006

- **Very satisfactory operational business development**
- **Exceptionally high net financial income**
- **Net income +69.2% above previous year**

#### 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**, the EMS Group reports net sales boosted by 11.4% and net operating income up by 14.1%. This result exceeds the expectations communicated at the beginning of the year.

**Net sales** in Swiss francs rose by 11.4% to CHF 1,396 million (1,253). The gain in local currencies amounted to 10.3%. The increase in net sales revenues is the result of the Performance Polymers business area, where very satisfactory rises in speciality product volumes were achieved. The positive global economic trend supported good business developments.

Net operating income (**EBIT**) was boosted by 14.1% over the previous year to CHF 247 million (216), **EBITDA** by 10.2% to CHF 298 million (270). The consistent concentration on speciality products resulted in a 19.5% rise in net operating income (EBIT) in the **Performance Polymers** business area.

**Net financial income** amounted to an exceptionally high CHF 118 million (11), which is primarily the result of the successful sales of shares from the LONZA investment.

\* All information provided in the following refers to the current scope of consolidation (so-called "continued activities"), i.e. without the EMS-DOTTIKON business unit (spun off on March 31, 2005).

**Net income** after taxes significantly increased by 69.2% to CHF 308 million (182). Earnings per share are thus CHF 12.99 (7.27).

EMS plans to distribute a **dividend** of CHF 7.65 per share (6.50) for the 2006 business year comprising an ordinary gross dividend of CHF 5.50 (5.00) as well as a special gross dividend of CHF 2.15 (1.50).

EMS will continue with the current **strategy** of consistent concentration on operational growth through speciality products, with specific focus on Performance Polymers.

EMS expects slightly higher net sales and net operating income (EBIT) for 2007.

## 2. Development of income 2006: key figures EMS Group

### Continued activities, EMS Group

CHF millions	2006	2005
<b>Net sales</b>	<b>1,396</b>	1,253
change	<b>+11.4%</b>	+9.1%
change in local currencies	<b>+10.3%</b>	+8.4%
<b>Operational cash flow (EBITDA) <sup>1)</sup></b>	<b>298</b>	270
change	<b>+10.2%</b>	+3.9%
in % of net sales	<b>21.3%</b>	21.6%
<b>Net operating income (EBIT) <sup>2)</sup></b>	<b>247</b>	216
change	<b>+14.1%</b>	+6.4%
in % of net sales	<b>17.7%</b>	17.3%
<b>Net financial income</b>	<b>118</b>	11
change	<b>+981.2%</b>	-40.2%
<b>Income taxes</b>	<b>57</b>	45
<b>Net income <sup>3)</sup></b>	<b>308</b>	182
change	<b>+69.2%</b>	+0.8%
in % of net sales	<b>22.0%</b>	14.5%
<b>Earnings per share (in CHF) <sup>4)</sup></b>	<b>12.99</b>	7.27
change	<b>+78.7%</b>	+4.4%
<b>Free cash flow <sup>5)</sup></b>	<b>294</b>	190
in % of net sales	<b>21.1%</b>	15.2%
<b>Investments</b>	<b>64</b>	49
in % of cash flow	<b>17.9%</b>	20.4%
<b>Equity</b>	<b>1,103</b>	1,083
in % of balance sheet total	<b>47.4%</b>	46.1%
Return on equity	<b>27.9%</b>	16.8%
Equity per share (in CHF) <sup>4)</sup>	<b>48.15</b>	44.64
<b>Number of employees</b>	<b>2,061</b>	2,055

<sup>1)</sup> EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization  
= operational cash flow

<sup>2)</sup> EBIT = Earnings Before Interest and Taxes  
= net operating income

<sup>3)</sup> Net income = profit after taxes, including minority shareholders

<sup>4)</sup> Average weighted number of registered shares as at 31.12.2006: 22,903,583 shares  
(31.12.2005: 24,258,804 shares)

<sup>5)</sup> Free cash flow = net income plus depreciation and amortisation plus value adjustments on securities and financial investments less investments in intangible assets, property, plant and equipment

### 3. Capsule remarks on the development of net sales and income

#### 3.1 Net sales

Net sales in Swiss francs increased by 11.4% to CHF 1,396 million (1,253) compared to the previous year. The rise in local currencies amounted to 10.3%. This positive development of net sales can be attributed primarily to higher sales volumes in the Performance Polymers business area. The largest net sales growth by far was recorded in the Asian market.

95.2% (95.6%) of net sales were generated outside Switzerland: 61.6% (63.6%) in the EU, 20.4% (18.5%) in Asia, 9.1% (9.1%) in North America and 4.1% (4.4%) in other countries. EMS net sales within Switzerland amounted to 4.8% (4.4%) of overall net sales.

EMS continues to produce the bulk of its products in Switzerland: 59.7% (59.6%). 23.5% (24.1%) were manufactured in the EU, 12.1% (10.7%) in Asia, 4.7% (5.6%) in the USA.

#### 3.2 Net operating income

Net operating income (EBIT) increased to CHF 247 million (216) a 14.1% rise compared to the previous year. The increase in the net operating income (EBIT) is the consequence of boosted speciality product sales volumes in the Performance Polymers business area. The EBIT margin increased to 17.7% (17.3%).

#### 3.3 Net financial income \*

At the beginning of 2004 EMS stated its intention to modify the current strategy and to concentrate in future on its operational business, in particular in the area of Performance Polymers. Financial resources not required for operational business are distributed to the shareholders. Therefore, net financial income is less significant.

The LONZA investment was hence a purely financial investment and reduced to 4.4% as at December 31, 2006. The successful sales of

\* The net financial income reported by EMS shows the gains **realised** during the fiscal year on securities and financial investments.

shares of LONZA in 2006 led to exceptionally high net financial income of CHF 118 million (11).

### 3.4 Equity

Equity increased to CHF 1,103 million (1,083). The 47.4% (46.1%) equity ratio is situated in the upper target zone. As a result of the net financial income, return on equity is a particularly high 27.9% (16.8%).

### 3.5 Investments / cash flow

EMS made various investments in the expansion of its production capacity in 2006.

Investments totalled CHF 64 million (49). 79.5% (62.6%) of this total was invested in Switzerland, 10.1% (19.8%) in the EU, 3.2% (13.6%) in Asia and 7.2% (4.0%) in the USA.

62.1% (41.7%) were used for capacity increases, 9.4% (37.0%) for replacement / rationalisation and 28.5% (21.3%) for qualitative / technical improvements and environmental protection / safety.

As in the previous years, the investment volume was smoothly financed from own resources with the **operational cash flow** (EBITDA) 2006 of CHF 298 million (270). The fact that a high free cash flow is invariably generated, in good as well as in difficult years, may be seen as one of the enduring strengths of the EMS Group. As a result of the strong financial cash flow, the **free cash flow** amounted to an exceptionally CHF 294 million (190) or 82.1% (79.6%) of the overall cash flow in the past year.

#### 4. Development of net sales and income in the business areas

(CHF millions)	2006	%-dev. prev. year	2005	%-dev. prev. year
<b>Performance Polymers</b>				
Net sales	1,266	+13.2%	1,118	+11.0%
- in local currencies		+12.1%		+10.3%
EBITDA	255	+14.5%	222	+9.2%
- in % of net sales	20.1%		19.9%	
EBIT	214	+19.5%	179	+10.3%
- in % of net sales	16.9%		16.0%	
<b>Fine Chemicals / Engineering</b>				
Net sales	130	-3.9%	136	-4.8%
- in local currencies		-4.4%		-4.9%
EBITDA	43	-9.5%	48	-15.3%
- in % of net sales	33.3%		35.4%	
EBIT	33	-12.0%	37	-9.2%
- in % of net sales	25.1%		27.4%	
<b>EMS Group</b>				
<b>Net sales</b>	<b>1,396</b>	<b>+11.4%</b>	1,253	+9.1%
- in local currencies		<b>+10.3%</b>		+8.4%
<b>EBITDA</b> <sup>1)</sup>	<b>298</b>	<b>+10.2%</b>	270	+3.9%
- in % of net sales	<b>21.3%</b>		21.6%	
<b>EBIT</b> <sup>2)</sup>	<b>247</b>	<b>+14.1%</b>	216	+6.4%
- in % of net sales	<b>17.7%</b>		17.3%	

<sup>1)</sup> EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization  
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## 5. Capsule remarks on the individual business areas

All of the Business Units in the **PERFORMANCE POLYMERS** business area registered very satisfactory increases in sales volumes. The positive global economic trend had a favourable effect on customer industries. EMS recorded particularly strong demand for speciality products in the main markets of Europe and Asia. Strongly rising raw material costs required another sales price increases.

As expected, EMS-PATVAG (airbag ignitors) in the **FINE CHEMICALS / ENGINEERING** business area showed a declining development. In 2007 a production site in the Czech Republic will be taken into operation by this Business Unit. EMS-PRIMID, the leading producer of crosslinkers for weather-resistant powder coatings, developed according to plan.

## 6. Distribution policy for business year 2006

EMS has been consistently pursuing a policy of result and liquidity oriented profit distribution since 2004. Financial resources not required for operational business are distributed to the shareholders.

The distribution of a dividend of CHF 7.65 (6.50) will be proposed to the 2007 ordinary general meeting. This dividend comprises an ordinary gross dividend of CHF 5.50 (5.00) and a special gross dividend of CHF 2.15 (1.50). The special gross dividend is the result of the successful sales of shares from the LONZA investment. In August 2006 already, EMS paid out a special gross dividend equalling CHF 1.50 for the same reason.

## 7. Outlook / preview 2007

The global economic trend for 2007 varies depending on the region. EMS will continue to keep a close eye on the economic trend and prepare itself to react quickly and flexibly if need should arise. In so doing, costs and investments will be treated with reserve. EMS will continue to consistently apply its current strategy of promoting speciality products with consistent concentration on the Performance Polymers business area.

EMS expects slightly higher net sales and net operating income (EBIT) for 2007.

## 8. Schedule

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|--|-----------------|
| - First-quarter report 2007                  | April 2007      |
| - Media conference / first-half results 2007 | July 13, 2007   |
| - General meeting 2007                       | August 11, 2007 |
| - Third-quarter report 2007                  | October 2007    |
| - Media conference / year-end results 2007   | February 2008   |

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