

MEDIA INFORMATION

EMS Group:

Deteriorating economic environment slows course of business

Third-quarter report 2008 (January - September 2008)

Summary

With its companies combined in EMS-CHEMIE HOLDING AG and global activities in the business areas **Performance Polymers** and **Fine Chemicals / Engineering**, the EMS Group reports **net sales** for the first nine months of 2008 up by 4.5% over the previous year.

Consolidated net sales were CHF 1'212 Mio. (1'160), an increase of 4.5% compared to the previous year. The increase in local currencies compared to the previous year is 8.5%. Weaker foreign currencies diminished net sales and result in Swiss francs. Planned growth from new business in the main business area of Performance Polymers was achieved with success. The generally reduced demand at customers worldwide, however, is having an increasingly negative effect on the sales volume development of EMS.

While in the first half-year of 2008 high energy and food prices accelerated the expected economic slowdown, the current problems in the financial and capital markets are causing this slowdown to lead to a literal economic slump.

In view of the expected economic slowdown, EMS already initiated cost and investment reductions at a very early stage. Due to the greater-than-planned severity of the slump, additional cost-reduction programmes are being implemented.

For the entire year 2008, EMS continues to expect net sales slightly above the previous year. Due to the deteriorating economy, unfavourable currency exchange rates and the change in the scope of consolidation, net operating income (EBIT) will close below the previous year.

Development of net sales for the EMS Group January - September 2008 in comparison to the previous year

Net sales in CHF million	2008 (Jan-Sep)	%-dev. prev. year	2007 (Jan-Sep)	%-dev. prev. year
Total EMS Group	1'212	+4.5%	1'160	+11.3%
- Organic growth ¹⁾		+3.9%		+9.2%
- Currency effects		-4.0%		+2.1%
- Acquisition EFTEC ²⁾		+4.6%		---
- Performance Polymers	1'124	+5.5%	1'065	+12.9%
- Organic growth ¹⁾		+4.7%		+10.9%
- Currency effects		-4.2%		+2.0%
- Acquisition EFTEC ²⁾		+5.0%		---
- Fine Chemicals / Engineering	88	-7.4%	95	-4.0%
- Organic growth ¹⁾		-5.5%		-8.3%
- Currency effects		-1.9%		+4.3%

¹⁾ Organic growth = growth with the same scope of consolidation and the same currencies

²⁾ In the Business Unit EMS-TOGO, the automotive supplier EFTEC has been fully consolidated since November 20, 2007 (previously partially consolidated). The effect of this on the 2008 accounts can be seen in higher net sales and a higher profit for EMS shareholders. It does not have a significant effect on the net operating income (EBIT).

In the main business area **PERFORMANCE POLYMERS**, EMS very successfully introduced new products and established new applications with speciality products. The Business Unit EMS-TOGO was also successful in acquiring extensive new business. As customers worldwide (and in the automotive industry in particular), are themselves faced with a drop in sales, in some cases of massive proportions, they are reducing their production quantities accordingly. This also slows sales volume development for EMS. In addition, weaker foreign currencies diminished earnings in Swiss francs.

The secondary business area **FINE CHEMICALS / ENGINEERING** showed the expected decline in net sales due to the weaker economic environment.

Outlook 2008

EMS had been expecting a slowing of the world economy for 2008 and initiated appropriate cost reductions and investment cuts at a very early stage. In the first half-year of 2008 exceptionally high energy costs and inflated food prices accelerated the economic slowdown. The strained situation in the financial and capital markets in the third quarter of 2008 caused a decrease in demand in all branches of industry (in particular in the automotive industry). Consumer, business and financing behaviour is characterised by uncertainty and a lack of trust. The economic slowdown is turning into a literal economic slump.

EMS is preparing for the coming difficult times with comprehensive programmes to reduce costs and cut investments. The importance of rapid introduction of new products remains unchanged.

In times of serious economic slump, the structure of a company's balance sheet is of decisive importance. EMS greatly values an operationally oriented balance sheet and, over the last years, has significantly reduced its non-operational financial assets and liabilities. In challenging economic times its strong equity ratio of more than 50%, its strategy of high-margin speciality products and its high free cash flow assure EMS of the necessary financial independence and continuing high earning performance.

For the entire year 2008, EMS continues to expect net sales slightly above the previous year. Due to the deteriorating economy, unfavourable currency exchange rates and the change in the scope of consolidation, net operating income (EBIT) will close below the previous year.

Schedule

- Media conference / Annual report 2008 February 6, 2009
- First-quarter report 2009 April 2009
- Media conference / Half-year report 2009 July 10, 2009
- Annual General Meeting 2009 August 8, 2009

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