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MEDIA INFORMATION

EMS Group: Annual Results 2011

Net sales and net operating income (EBIT) at new record levels despite the strong Swiss Franc

1. Summary

In 2011, the EMS Group, globally active in the business areas **Performance Polymers** and **Fine Chemicals / Engineering** and with its companies combined in EMS-CHEMIE HOLDING AG, increased **net sales** by 3.9% and **net operating income (EBIT)** by 4.4% compared to the previous year. This means that net sales and net operating income (EBIT) reached new record levels.

In local currencies net sales increased by 15.5% and **net operating income (EBIT)** by 25.5% compared to the previous year. The unfavourable currency situation had a substantial burdening effect on growth of net sales and result in Swiss Francs. EMS generates 95% of its net sales outside of Switzerland.

Consolidated **net sales** amounted to CHF 1,658 million (1,596). A generally good economic environment as well as successfully realised new business with speciality products caused a significant increase in sales volumes. All sales regions showed double-digit growth rates for net sales (in local currencies) compared to the previous year. Significantly increasing raw material prices made repeated customer sales price increases inevitable.

Net operating income (EBIT) reached CHF 294 million (282). **Operational cash flow (EBITDA)** was CHF 346 million (335), 3.3% above the previous year. The resulting **EBIT margin** was 17.7% (17.6%), the **EBITDA margin** 20.9% (21.0%). In anticipation of an economic slowdown, EMS has been implementing efficiency programmes throughout the Group since the beginning of 2011. As a consequence, costs developed at a lower pace compared to net sales and sales volumes growth.

Net financial income was CHF 1 million (-1).

Net income closed 4.3% above the previous year at CHF 242 million (232). Earnings per share increased to CHF 10.14 (9.71).

For the business year 2011, EMS plans to distribute an ordinary **dividend** of CHF 7.00 per share (in the previous year: CHF 6.50 + CHF 6.00 anniversary dividend).

For the business year **2012**, EMS is expecting geographically heterogeneous economic development: While the markets in NAFTA and Asia (in particular China) may develop positively, Europe's unresolved structural and debt problems will have a negative affect on economic development.

EMS will continue its successful strategy of growth with speciality products in the main areas of Performance Polymers. Allowing for existing macro-economical risks, EMS will treat costs and liquidity with extra caution.

For 2012, EMS expects net sales and net operating income (EBIT) at the same level as the previous year.

2. Development of income 2011: Key figures EMS Group

in million CHF	2011	2010
Net sales	1,658	1,596
Change from previous year	+3.9%	
In local currencies	+15.5%	
Operational cash flow (EBITDA) ¹⁾	346	335
Change from previous year	+3.3%	
In % of net sales	20.9%	21.0%
Net operating income (EBIT) ²⁾	294	282
Change from previous year	+4.4%	
In % of net sales	17.7%	17.6%
Net financial income	1	-1
Income taxes	53	48
Net income ³⁾	242	232
Change from previous year	+4.3%	
In % of net sales	14.6%	14.5%
Cash flow ⁴⁾	296	291
Change from previous year	+1.6%	
Investments	76	49
Change from previous year	+54.7%	
Equity	1,057	1,110
In % of balance sheet total	64.6%	66.5%
Return on equity	22.9%	20.9%
Equity per share (in CHF) ⁵⁾	45.17	47.74
Number of employees	2,242	2,256

- 1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation
= Operational cash flow
- 2) EBIT = Earnings Before Interest and Taxes
= Net operating income
- 3) Net income = Profit after taxes, including minority shareholders
- 4) Cash flow = Net income plus amortisation of intangible assets, property, plant and equipment plus value adjustments to securities
- 5) Average weighted number of registered shares as at 31.12.2011: 23,388,212 shares
(31.12.2010: 23,257,508 shares)

3. Remarks on the development of net sales and income

3.1 Net sales

Net sales in Swiss Francs increased by 3.9% to CHF 1,658 million (1,596) compared to the previous year. The significant weakness of foreign currencies to the Swiss Franc reduced net sales in Swiss Francs. Growth of net sales in local currencies amounted to 15.5%.

The strong economic growth in the first half-year of 2011 with high raw material and energy costs, slowed increasingly in the second half-year. Unresolved debt problems in the USA and in Europe and as well as turbulences in the financial and foreign exchange markets caused uncertainty among companies and consumers provoking more cautious consumer behaviour worldwide. Purchasing and investment decisions were made with increasing caution and inventories were reduced towards the end of the year.

For EMS, an overall positive economic development as well as successful new business with speciality products led to very satisfactory development of sales volumes. All sales regions showed double-digit-growth rates for net sales (in local currencies) compared to the previous year. The automotive market and the global automotive supplier EMS-EFTEC also showed especially positive development. Business within the whole EMS Group was further increased by means of additional production capacity. Strongly increasing raw material prices made comprehensive and repeated customer sales price increases inevitable.

94.7% (95.3%) of net sales were generated outside of Switzerland. Business outside Europe showed above-average growth. 53.6% (55.2%) of net sales were achieved in the European Union, 24.4% (24.2%) in Asia, 10.6% (10.0%) in North America and 6.1% (5.9%) in other countries.

With 50.6% (50.4%), EMS continues to manufacture around half of products sold in Switzerland and represents therefore, a typical Swiss export company. 27.6% (28.2%) of products sold were manufactured in the European Union, 14.3% (13.7%) in Asia and 7.3% (7.7%) in North America.

3.2 Net operating income

Net operating income (**EBIT**) reached CHF 294 million (282), an increase of 4.4% compared to the previous year. In local currencies this increase would have been 25.5%. The **EBITDA** reached CHF 346 million (335). The **EBIT margin** was 17.7% (17.6%), the **EBITDA margin** 20.9% (21.0%).

Despite the strong Swiss Franc and massively increased raw material prices, the net operating income (EBIT) 2011 in Swiss Francs was further increased. High sales volumes, adjusted customer sales prices and the worldwide efficiency programmes introduced at the beginning of 2011 made this overall satisfactory result possible.

3.3 Net financial income

Net financial income amounted to CHF 1 million (-1).

3.4 Equity

Due to the distribution of an extra-ordinary anniversary dividend, **equity** was reduced to CHF 1,057 million (1,110). **Equity ratio** was 64.6% (66.5%); **return on equity** 22.9% (20.9%). In a sector comparison, both the equity ratio and the return on equity are high and are an expression of the sustained above-average profitability of EMS.

3.5 Investments / cash flow

Investments made in 2011 totalled CHF 76 million (49). Of this amount, 79.9% (72.6%) was invested in Switzerland, 13.0% (9.0%) in the European Union, 5.9% (6.5%) in Asia, 1.1% (6.8%) in the USA and 0.1% (5.1%) in South America. The majority of this amount was invested in additional production capacity.

With a **cash flow** of CHF 296 million (291), the investment volume of CHF 76 million was – as in previous years – smoothly financed from own financial resources. The free cash flow was CHF 220 million (242). EMS is characterised among other things by the fact that a high free cash flow is generated in both good and difficult years.

4. **Remarks on the individual business areas**

In the main area of **Performance Polymers** market positions were further strengthened and new applications developed. Metal replacement applications showed particularly positive development, especially with sales of high-temperature materials. The global automotive supplier EMS-EFTEC gained additional new business and further strengthened its strong market position worldwide.

Due to the positive economic situation, the secondary business area **Fine Chemicals / Engineering** also reported positive business development, although this slowed during the second half of the year.

The very unfavourable currency situation (strong Swiss Franc) and high raw material prices compromised the development of net sales and result for both business areas.

The existing designations of the two business areas of the EMS Group will be slightly adjusted. Retrospectively as per January 1, 2012, these will be called "High Performance Polymers" (previously "Performance Polymers") and "Specialty Chemicals" (previously "Fine Chemicals/Engineering").

5. **Complete takeover of EFTEC Shroff (India) Ltd.**

EMS-EFTEC has further strengthened its strong global market position with the takeover of the 51% share from the Indian partner Shroff in the joint venture EFTEC Shroff (India) Ltd. The purchasing contract was signed on February 9, 2012, transfer of ownership is planned for April 11, 2012.

EFTEC Shroff, with headquarters in Mumbai and two production sites in Pune and Tarapur, was founded in 2000. EFTEC Shroff is market leader in India as automotive supplier for the special applications bonding, coating, sealing and employs 165 people. Last year the company generated net sales in double-digit million figures, the purchasing price lies in the medium, single-digit million range (CHF).

6. Development of net sales and income in the business areas

in million CHF	2011	%-dev. prev. year	2010
Performance Polymers			
Net sales	1,367	+5.8%	1,292
- In local currencies		+17.7%	
EBITDA	289	+6.6%	271
- In % of net sales	21.1%		21.0%
EBIT	247	+8.5%	227
- In % of net sales	18.0%		17.6%
Fine Chemicals / Engineering			
Net sales	290	-4.2%	303
- In local currencies		+6.4%	
EBITDA	57	-10.8%	64
- In % of net sales	19.7%		21.2%
EBIT	47	-12.7%	54
- In % of net sales	16.3%		17.9%
EMS Group			
Net sales	1,658	+3.9%	1,596
- In local currencies		+15.5%	
EBITDA ¹⁾	346	+3.3%	335
- In % of net sales	20.9%		21.0%
EBIT ²⁾	294	+4.4%	282
- In % of net sales	17.7%		17.6%

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

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

7. Payment of dividends

EMS consistently pursues a policy of result and liquidity-oriented profit distribution. Financial resources not required for operational business are distributed to the shareholders.

At the Annual General Meeting 2012, the Board of Directors therefore intends to propose distribution of an **ordinary dividend** of CHF 7.00 (6.50) per share. (In celebration of the 75-year anniversary of the company, an additional anniversary dividend of CHF 6.00 per share was distributed in 2011.)

8. Outlook 2012

In **2012**, EMS is expecting very different economic development for the geographical sub-markets. While growth may continue in the NAFTA region and Asia (China in particular), a significant economic downswing must be anticipated in Western Europe – especially in weak export countries. In Europe, the unresolved debt problems, increasing duties and taxes as well as uncertainty concerning the power of action of governments will subdue the consumer and investment mood and reduce available income.

In general, increases in costs (inflationary trend) must be expected. Further increases of raw material prices are already visible. The current overvaluation of the Swiss Franc will continue.

At the beginning of 2011, EMS had already prepared itself for a difficult market environment, in particular in Western Europe. The successful strategy of focus on speciality products in the main area of High Performance Polymers will be continued without change. Concentration will be on gaining new business and on markets outside Western Europe.

The current dominance of politics and its fundamental interventions in financial and real economy systems are causing significant instability throughout the world. In order to counteract these risks EMS has prepared different scenarios. Costs will be treated with caution and attention paid to security of liquid resources.

For 2012, EMS expects net sales and net operating income (EBIT) at the same level as the previous year.

9. Schedule

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|--|-----------------|
| - First-quarter report 2012 | April 2012 |
| - Media Conference / Half-year report 2012 | July 13, 2012 |
| - Annual General Meeting 2012 | August 11, 2012 |
| - Third-quarter report 2012 | October 2012 |
| - Media conference / Annual results 2012 | February 2013 |

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