

MEDIA INFORMATION

EMS Group: Annual results 2007

- **Very satisfactory operational growth**
- **Net financial income again high**
- **Special dividend to be distributed**
- **Share repurchase by way of tradable put options**

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 increased by 11.2% and net operating income up by 9.5% for 2007. This result is in the higher range of the Group's own expectations.

Consolidated **net sales** increased by 11.2% to CHF 1,552 million (1,396), the corresponding increase in local currencies is 9.2%. The main area Performance Polymers was expanded further. The very satisfactory course of business was supported by the positive economic situation in the main sales markets Europe and Asia.

Net operating income (**EBIT**) increased by 9.5% over the previous year to CHF 270 million (247), **EBITDA** by 8.6% to CHF 324 million (298). Despite higher raw material costs, an increase of 13.7% was achieved in net operating income for the main area **Performance Polymers** .

Net financial income amounted again to an exceptionally high CHF 64 million (118). (The high net financial income for the previous year was the result of a one-off sale of shares from the LONZA investment).

Net income after taxes amounted to CHF 294 million (308). Earnings per share are CHF 12.14 (12.99).

For the 2007 business year, EMS plans to distribute a **dividend** of CHF 7.25 per share (8.00) comprising an ordinary gross dividend of CHF 6.00 (5.50) as well as a special gross dividend of CHF 1.25 (2.50). In addition, a **share repurchase** by way of tradable put options amounting to CHF 300 million is planned.

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

Despite a more difficult market environment and with the same basis for consolidation, EMS expects net sales and net operating income (EBIT) for 2008 to be slightly above the previous year.

2. Development of income 2007: Key figures EMS Group

CHF millions	2007	2006
Net sales	1,552	1,396
change	+11.2%	+11.4%
change in local currencies	+9.2%	+10.3%
Operational cash flow (EBITDA) ¹⁾	324	298
change	+8.6%	+10.2%
in % of net sales	20.8%	21.3%
Net operating income (EBIT) ²⁾	270	247
change	+9.5%	+14.1%
in % of net sales	17.4%	17.7%
Net financial income	64	118
change	-46.1%	+981.2%
Income taxes	40	57
Net income ³⁾	294	308
change	-4.5%	+69.2%
in % of net sales	18.9%	22.0%
Earnings per share (in CHF) ⁴⁾	12.14	12.99
change	-6.5%	+78.7%
Free cash flow ⁵⁾	283	294
in % of net sales	18.3%	21.1%
Investments	72	64
in % of cash flow	20.2%	17.9%
Equity	1,277	1,103
in % of balance sheet total	56.1%	47.4%
Return on equity	23.0%	27.9%
Equity per share (in CHF) ⁴⁾	54.71	48.15
Number of employees ⁶⁾	2,231	2,061

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

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

3) Net income = profit after taxes, including minority shareholders

4) Average weighted number of registered shares as at 31.12.2007: 23,335,901 shares
(31.12.2006: 22,903,583 shares)

5) Free cash flow = net income plus depreciation and amortization plus value adjustments on securities and financial investments less investments in intangible assets, property, plants and equipment

6) Employees = the number of employees increased by 148 as a result of the takeover of automobile industry supplier EFTEC on November 20, 2007.

3. Remarks on the development of net sales and income

3.1 Net sales

Net sales increased by 11.2% to CHF 1,552 million (1,396) compared to the previous year. The rise in local currencies amounted to 9.2%. Further growth in the main area Performance Polymers was achieved worldwide. The largest contribution to this growth was provided by main sales markets Europe and Asia. The development of business was additionally supported by the positive economic situation in these markets.

95.0% (95.2%) of net sales were generated outside Switzerland: 61.8% (61.6%) in the EU, 20.2% (20.4%) in Asia, 8.7% (9.1%) in North America and 4.3% (4.1%) in other countries. EMS realized 5.0% (4.8%) of overall net sales in Switzerland.

EMS continues to produce the bulk of its products in Switzerland: 58.5% (59.7%). 24.0% (23.5%) were manufactured in the EU, 12.4% (12.1%) in Asia and 5.1% (4.7%) in the USA.

3.2 Net operating income

Net operating income (EBIT) increased to CHF 270 million (247); a 9.5% rise compared to the previous year. The increase in the net operating income (EBIT) is primarily the consequence of higher sales volumes in main area Performance Polymers.

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. Therefore, net financial income is less significant. Financial resources not required for operational business are distributed to the shareholders.

EMS sold its major LONZA holding already last year and subsequently distributed a special gross dividend to its shareholders. In 2007 EMS again generated an exceptionally high net financial income amounting to CHF 64 million (118). Therefore, a special gross dividend shall be distributed once more.

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

3.4 Equity

Equity increased to CHF 1,277 million (1,103). The 56.1% (47.4%) equity ratio lies in the upper target zone, whereby return on equity is a pleasing 23.0% (27.9%).

3.5 Investments / cash flow

Investments totalled CHF 72 million (64). 61.4% (79.5%) of this total was invested in Switzerland, 29.5% (10.1%) in the EU, 6.8% (3.2%) in Asia and 2.3% (7.2%) in the USA.

54.8% (62.1%) were invested in capacity increases, 13.6% (9.4%) for replacement / rationalization and 31.6% (28.5%) 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) 2007 of CHF 324 million (298). The fact that a high free cash flow is invariably generated may be seen as one of the enduring strengths of the EMS Group. In the past year the **free cash flow** amounted to CHF 283 million (294) or 79.8% (82.1%) of the overall cash flow.

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

CHF millions	2007	%-dev. prev. year	2006	%-dev. prev. year
Performance Polymers				
Net sales	1,428	+12.8%	1,266	+13.2%
- in local currencies		+10.7%		+12.1%
EBITDA	288	+13.3%	255	+14.5%
- in % of net sales	20.2%		20.1%	
EBIT	243	+13.7%	214	+19.5%
- in % of net sales	17.0%		16.9%	
Fine Chemicals / Engineering				
Net sales	125	-4.4%	130	-3.9%
- in local currencies		-5.4%		-4.4%
EBITDA	35	-19.3%	43	-9.5%
- in % of net sales	28.1%		33.3%	
EBIT	27	-18.1%	33	-12.0%
- in % of net sales	21.5%		25.1%	
EMS Group				
Net sales	1,552	+11.2%	1,396	+11.4%
- in local currencies		+9.2%		+10.3%
EBITDA ¹⁾	324	+8.6%	298	+10.2%
- in % of net sales	20.8%		21.3%	
EBIT ²⁾	270	+9.5%	247	+14.1%
- in % of net sales	17.4%		17.7%	

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

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

5. Remarks on the individual business areas

The business with speciality products continued to expand in the main area **PERFORMANCE POLYMERS**. All Business Units were able to develop new fields of application. The course of business was supported by the ongoing positive economic trend in the main markets Europe and Asia. The difficult situation on the raw materials market with persistently rising prices and increasing shortages, made further sales price increases necessary.

As expected, the secondary area **FINE CHEMICALS / ENGINEERING** experienced a decline in net sales and net operating income.

6. Distribution policy for business year 2007

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 7.25 (8.00) will therefore be proposed to the 2008 ordinary annual general meeting. This dividend comprises an ordinary gross dividend of CHF 6.00 (5.50) and a special gross dividend of CHF 1.25 (2.50). Distribution of this special gross dividend is due to the successful net financial income in 2007.

In view of the very high level of liquid resources, the high free cash flow and the high equity, EMS has decided to repurchase 6% of the share capital for the purpose of capital reduction. This will be carried out by way of tradable put options. In contrast to other distribution schemes (dividend, direct share buyback, etc.), this method of share repurchase is also attractive for private shareholders. A corresponding offer will be announced to shareholders in the coming weeks.

7. Outlook / preview 2008

For some time now EMS has been observing a slow-down of industrial development in the USA. In Asia and Europe a general feeling of uncertainty can be noticed. EMS expects a global economic slow-down for 2008 and is therefore, preparing for a difficult market environment. The current strategy with focus on speciality products in the main area Performance Polymers will, however, be continued consistently. Corresponding investments in further expansion of production capacity have been initiated.

Despite a more difficult market environment and with the same basis for consolidation, EMS expects net sales and net operating income (EBIT) for 2008 to be slightly above the previous year.

8. Schedule

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|--|----------------|
| - First-quarter report 2008 | April 2008 |
| - Media conference / Half-year report 2008 | July 11, 2008 |
| - Annual General Meeting 2008 | August 9, 2008 |
| - Third-quarter report 2008 | October 2008 |
| - Media conference / Annual results 2008 | February 2009 |

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