

Half-Year Report 2012
of the EMS Group



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Contents

The EMS Group

The EMS Group in the first half of 2012	3
Remarks on the business areas in the first half of 2012	4

Interim consolidated financial statements

Financial report of the EMS Group for the first half of 2012	5
Segment information by business area	12

The EMS Group in the first half of 2012

With its companies combined in EMS-CHEMIE HOLDING AG and with global activities in the business areas **High Performance Polymers** and **Specialty Chemicals**, the EMS Group achieved a **net sales revenue** of CHF 904 million (870) and a **net operating income (EBIT)** of CHF 167 million (156) in the first half of 2012.

Consolidated **net sales revenue** in the first half year of 2012 was CHF 904 million (870), which is 4.0% higher than for the same period of the previous year. In local currencies net sales revenue was increased by 5.6% compared to the previous year.

Net operating income (EBIT) increased by 6.9% to CHF 167 million (156), EBITDA increased by 5.2% to CHF 191 million (182).

Net financial income amounted to CHF 1 million (2).

Net income for the first half of 2012 was CHF 142 million (129), **cash flow** totalled CHF 166 million (155).


Equity increased to CHF 1'194 million (31.12.2011: CHF 1'057 million). The **equity ratio** is 68.6% (31.12.2011: 64.6%).

Remarks on the business areas in the first half of 2012

In the main business area of **High Performance Polymers**, new business with speciality products was realised successfully. Market positions were strengthened worldwide. In particular, applications in the optical industry, for the booming smartphone market as well as in the global automotive industry recorded exceptional project success. In the USA and Asia, the increased efforts of the last years, supported by the positive course of the economy, lead to significant growth in net sales and result. In Europe, the anticipated declining industrial economy had a slowing effect on business development.

The secondary business area **Specialty Chemicals**, with its activities mainly in Europe, developed according to plan. Strategically important new business was also realised here.

In **both business areas**, high raw material prices and unfavourable currency situations compromised the otherwise positive development of net sales and result.



Magdalena Martullo
CEO and Vice-Chairman of the
Board of Directors

Financial report of the EMS Group for the first half of 2012

In million CHF	Notes	2012 Jan-Jun	2011 Jan-Jun
Consolidated income statement (condensed)			
Net sales revenue		904	870
Change		+4.0%	
In local currencies		+5.6%	
Operating income		921	900
Operating expenses		754	743
EBITDA ¹⁾		191	182
Change		+5.2%	
In % of net sales revenue		21.2%	20.9%
EBIT ^{2) 3)}		167	156
Change		+6.9%	
In % of net sales revenue		18.5%	18.0%
Net financial income	1	1	2
Change		-40.0%	
Net income before taxes		168	158
Change		+6.4%	
Income taxes		26	29
Change		-9.0%	
Net income		142	129
Change		+9.9%	
In % of net sales revenue		15.7%	14.8%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		139	125
<i>Non-controlling interests</i>		3	4
Earnings per share (in CHF)			
Basic / Diluted ⁴⁾		5.94	5.33

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

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

³⁾ The segment information by business area can be found on page 12

⁴⁾ The average weighted number of outstanding registered shares for the calculation is 23'389'028 shares on 30.06.2012 (30.06.2011: 23'387'383 shares). There is no earnings dilution.

In million CHF	Notes	2012 Jan-Jun	2011 Jan-Jun
Consolidated statement of comprehensive income (condensed)			
Net income recognised in income statement		142	129
Net changes in fair value, after taxes:			
Available-for-sale securities		0	-7
Net changes from cash flow hedges, after taxes		-3	-2
Currency translation differences		<u>3</u>	<u>-23</u>
Other comprehensive income, after taxes		1	-31
Total comprehensive income		142	98
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		140	95
Non-controlling interests		3	3
Consolidated statement of cash flows (condensed)			
Cash flow from operating activities	A	134	67
Cash flow from investing activities	B 1, 5	-10	81
Cash flow from financing activities	C 2, 4	<u>-51</u>	<u>2</u>
Increase/(decrease) in cash and cash equivalents	(A+B+C)	73	150
Cash and cash equivalents at 1.1.		418	436
Translation difference on cash and cash equivalents		4	<u>-1</u>
Cash and cash equivalents at 30.6.		495	585
Additional key figures			
Cash flow ^{*)}		166	155
In % of net sales revenue		18.4%	17.8%
Investments		18	41
In % of cash flow		11.1%	26.5%
Number of employees on 30.06.2012 / 31.12.2011		2'340	2'242

^{*)} Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

In million CHF	Notes	30.06.2012	31.12.2011
Consolidated balance sheet (condensed)			
Non-current assets		593	592
Intangible assets	5	33	23
Property, plant and equipment		504	507
Investments		22	22
Other non-current assets		19	19
Derivative financial instruments		8	12
Deferred income tax assets		7	8
Current assets		1'147	1'042
Inventories		292	298
Receivables		353	295
Securities	1	0	15
Derivative financial instruments		7	16
Cash and cash equivalents		495	418
Total assets		1'740	1'634
Equity		1'194	1'057
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1'181	1'041
Share capital	3	0	0
Retained earnings and reserves	4	1'042	804
Net income		139	237
Equity, attributable to non-controlling interests		13	15
Liabilities		546	578
Non-current liabilities		218	215
Current liabilities	2	329	363
Total equity and liabilities		1'740	1'634
Balance sheet equity ratio		68.6%	64.6%

In million CHF										
Consolidated statement of changes in equity (condensed)										
	Share capital	Capital reserves (share premium)	Retained earnings	Treasury shares	Gains/ (losses) from securities arising from IAS 39	Hedging reserves from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
At 31.12.2010	0	21	1'115	0	9	0	-48	1'097	14	1'110
Other comprehensive income, after taxes					-7	-2	-21	-30	-1	-31
Net income recognised in income statement			125					125	4	129
Total comprehensive income	0	0	125	0	-7	-2	-21	95	3	98
Transactions with treasury shares (see note 4)		0		0				0		0
Dividends paid								0	-1	-1
At 30.06.2011	0	22	1'240	0	2	-2	-70	1'192	16	1'208
At 31.12.2011	0	22	1'060	0	0	15	-56	1'041	15	1'057
Other comprehensive income, after taxes					0	-3	3	1	0	1
Net income recognised in income statement			139					139	3	142
Total comprehensive income	0	0	139	0	0	-3	3	140	3	142
Dividends paid								0	-5	-5
At 30.06.2012	0	22	1'199	0	0	13	-52	1'181	13	1'194

Consolidated accounting principles

General information on the consolidated financial statements

These consolidated financial statements (termed “the interim consolidated financial statements” in the following) cover the non-audited half-year results for EMS-CHEMIE HOLDING AG with domicile in Switzerland and for its subsidiaries, for the reporting period ending on June 30, 2012. The interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”, published by the International Accounting Standards Board (IASB), and should be read in conjunction with the consolidated financial statements compiled for the financial year ending on December 31, 2011, as they comprise an update of previously published information.

Preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues,

expenses, assets and liabilities at the time the accounts are drawn up. If at some time in the future these estimates and assumptions, made by management to the best of its belief at the time the accounts were drawn up, should deviate from the actual circumstances, the original estimates and assumptions will be adjusted accordingly in the reporting period in which the circumstances changed.

The EMS Group pursues activities in business areas in which sales are not subject to significant seasonal fluctuations over the business year. Income taxes are calculated on the basis of a best estimate of the weighted average tax rate as anticipated for the year as a whole.

The accounting principles applied to the interim consolidated financial statements correspond to the principles of the consolidated annual financial statements, with the exception of the changes described below.

Changes to the consolidated accounting principles

On January 1, 2012 the EMS Group introduced following new and revised standards and interpretations, having no effect on the present consolidated interim financial statements:

- IFRS 7 – Disclosures: Transfers of Financial Assets
- IAS 12 – Deferred Tax: Recovery of Underlying Assets

Notes

1 Securities

In the reporting period, securities to the amount of CHF 30.2 million were bought and to the amount of CHF 45.4 million sold.

In the first half of 2011 securities to the amount of CHF 54.4 million were bought and to the amount of CHF 172.0 million sold.

2 Current liabilities

On January 31, 2012, CHF 50 million bank loans were repaid.

On January 31, 2011, CHF 100 million bank loans were repaid and at the same date CHF 100 million were taken (due date: 31.01.14).

3 Share capital

The share capital is CHF 0.234 million per 30.06.12 (31.12.11: CHF 0.234 million).

4 Transactions with treasury shares

In the reporting period no treasury shares were traded.

In the first half of 2011 a total of 12'369 treasury shares amounting to CHF 2.0 million were purchased and 14'869 treasury shares amounting to CHF 2.4 million were sold.

5 Cash outflow from purchase of fully consolidated companies

On April 18, 2012, EMS Group acquired 51% shareholding of Indian partner Shroff in the EFTEC (India) Pvt. Ltd. joint venture (former: EFTEC Shroff (India) Ltd.).

From April 18, 2012 to June 30, 2012, the acquired business contributed net sales revenue of CHF 4.1 million and a net loss of CHF 0.3 million to the EMS Group. If the acquisition had occurred on January 1, 2012, Group net sales revenue would have been CHF 9.1 million higher, while net income would have been CHF 0.3 million lower in the first half-year 2012. These amounts have been calculated using the Group's accounting policies.

Net assets acquired and goodwill are shown as follows:

In million CHF	
Purchase price	7.2
Existing investment in EFTEC (India) Pvt. Ltd. (Fair value)	5.5
Fair value of assets acquired	-10.7
Goodwill	2.0

The goodwill includes expected operating synergies from the acquisition and the positive effects of easier market development.

The acquisition of EFTEC (India) Pvt. Ltd. has been accounted for using the acquisition method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements.

The amounts are provisional.

In million CHF	
Intangible assets	8.1
Property, plant and equipment	4.4
Inventories	1.6
Trade receivables	2.9
Other receivables	0.9
Cash and cash equivalents	0.3
Deferred income tax liabilities	-2.5
Bank loans	-1.6
Trade payables	-2.7
Other current liabilities	-0.6
Fair value of assets acquired	10.7
Purchase price paid	7.2
Cash and cash equivalents of subsidiary acquired	-0.3
Cash outflow from purchase of fully consolidated companies	6.9

6 Dissolution of provisions for litigation risks

In the first half of 2011 a provision for litigation risks of CHF 9.5 million was dissolved.

7 Subsequent events

The Annual General Meeting approved on August 11, 2012 the payment of a dividend of CHF 7.00 gross per registered share entitled to dividend. On August 17, 2012 total dividends amounting to CHF 163.7 million were paid.

The Board of Directors approved the interim consolidated financial statements on August 23, 2012.

No subsequent events occurred requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Segment information by business area

In million CHF	High Performance Polymers		Specialty Chemicals		Total	
	2012 Jan-Jun	2011 Jan-Jun	2012 Jan-Jun	2011 Jan-Jun	2012 Jan-Jun	2011 Jan-Jun
Net sales revenue	754	712	150	157	904	870
Change	+5.8%		-4.4%		+4.0%	
In local currencies	+6.9%		-0.4%		+5.6%	
EBITDA	158	148	34	34	191	182
In % of net sales revenue	20.9%	20.8%	22.3%	21.5%	21.2%	20.9%
Depreciation, amortisation and impairments ¹⁾	19	21	5	5	24	26
Net operating income (EBIT)	139	128	29	29	167	156
In % of net sales revenue	18.4%	17.9%	19.0%	18.4%	18.5%	18.0%
Net financial income					1	2
Net income before taxes					168	158
Income taxes					(26)	(29)
Net income					142	129

¹⁾ In the reporting period and in the first half of 2011 there were no impairments.

Net sales revenue, EBITDA and EBIT between the business areas are not material.

Segment assets did not change material.

* * * * *