

***Half-Year Report 2007***  
***of the EMS Group***



EMS-CHEMIE HOLDING AG  
Domat/Ems Switzerland

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## The EMS Group in the first half of 2007

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 increased net sales revenue by 10.9% and net operating income (EBIT) by 11.1% in the first half of 2007 compared to the previous year. This result is in the upper range of the company's expectations.

Consolidated **net sales revenue** rose by 10.9% to CHF 783 million (706), an 8.9% increase in local currencies. Further growth was achieved with speciality products in the main business area Performance Polymers. The positive economic situation in main sales markets Europe and Asia continued to impact on the course of business.

**Net operating income (EBIT)** was boosted by 11.1% over the previous year to CHF 134 million (120), **EBITDA** by 10.4% to CHF 162 million (146). The **EBIT margin** therefore amounted to 17.1% (17.1%) and the **EBITDA margin** to 20.6% (20.7%). Despite a continual increase in raw material costs for the Performance Polymers business area, a further increase in net operating income (EBIT) was achieved.

**Net financial income** amounted to a high CHF 36 million (37), a result that can be attributed to the successful sale of LONZA investments.

**Net income** for the first half of 2007 was CHF 133 million (123) and cash flow totalled CHF 162 million (149).

**Equity** increased to CHF 1'196 million (31.12.2006: CHF 1'103 million). The equity ratio is 49.3% (31.12.2006: 47.4%).

## Remarks on the business areas in the first half of 2007

Business with speciality products in the main business area **PERFORMANCE POLYMERS** was further expanded. All Business Units opened up new application fields. The enduring, positive economic situation in main sales markets Europe and Asia sustained the course of business. The strained situation with raw materials, caused by worsening supply shortages and constantly rising prices, necessitated further sales price increases.

Secondary business area **FINE CHEMICALS / ENGINEERING** reported an expected decline in sales.

## Outlook 2007

Worldwide, the economic environment varies from one region to another. While Europe and Asia continue to develop in a very positive manner, EMS has noted a slowdown in industrial growth in North America. EMS is constantly reviewing the situation and will adapt flexibly to future economic developments. The strategy of concentration on speciality products in the Performance Polymers business area will, however, continue unchanged.

EMS remains confident for the course of business in 2007. Growth of net sales revenue and net operating income (EBIT) against the previous year are expected to be in the high single-digit percentage range.

A handwritten signature in black ink, reading "M. Martullo". The signature is written in a cursive style with a large, stylized 'M'.

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

## Financial report of the EMS Group for the first half of 2007

CHF millions	Notes	2007 Jan-Jun	2006 Jan-Jun
<b>Consolidated income statement (condensed)</b>			
<b>Net sales revenue</b>		<b>783</b>	706
Change		<b>+10.9%</b>	+11.5%
in local currencies		<b>+8.9%</b>	+10.5%
<b>EBITDA <sup>1)</sup></b>		<b>162</b>	146
Change		<b>+10.4%</b>	+10.5%
in % of net sales revenue		<b>20.6%</b>	20.7%
<b>EBIT <sup>2)</sup></b>		<b>134</b>	120
Change		<b>+11.1%</b>	+16.5%
in % of net sales revenue		<b>17.1%</b>	17.1%
<b>Net financial income</b>	1, 2	<b>36</b>	37
Change		<b>-2.0%</b>	--- <sup>5)</sup>
<b>Net income before taxes</b>		<b>170</b>	157
Change		<b>+8.0%</b>	+55.0%
<b>Income taxes</b>		<b>36</b>	34
Change		<b>+7.5%</b>	+38.6%
<b>Net income</b>		<b>133</b>	123
Change		<b>+8.2%</b>	+60.2%
in % of net sales revenue		<b>17.0%</b>	17.5%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		<b>128</b>	118
<i>Minority interests</i>		<b>6</b>	6
<b>Earnings per share in CHF</b>			
basic <sup>3)</sup>		<b>5.62</b>	5.09
diluted <sup>4)</sup>		<b>5.37</b>	4.90

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

<sup>2)</sup> EBIT = Earnings **B**efore Interest and Taxes  
= net operating income

<sup>3)</sup> The average weighted number of outstanding registered shares for the calculation is 22'723'959 shares on 30.06.2007 (30.06.2006: 23'091'776 shares).

<sup>4)</sup> The diluted earnings per share figure includes additional shares that could potentially be issued following the conversion of the 2% convertible bond (2002 - 25.7.2008) in registered shares of EMS-CHEMIE HOLDING AG as well as factors affecting net income (interest and taxes) from such conversion. The average weighted number of outstanding registered shares for the calculation is 24'973'218 shares on 30.06.2007 (30.06.2006: 25'082'870 shares).

<sup>5)</sup> Net financial income in 2005 was negative.

CHF millions		2007	2006
	Notes	Jan-Jun	Jan-Jun
<b>Additional key figures</b>			
<b>Cash flow</b> <sup>6)</sup>		<b>162</b>	149
in % of net sales revenue		<b>20.7%</b>	21.1%
<b>Investments</b>		<b>31</b>	26
in % of cash flow		<b>18.9%</b>	17.3%
<b>Number of employees</b> on 30.06.2007 / 31.12.2006		<b>2'067</b>	2'061
<b>CHF millions</b>			
		<b>2007</b>	2006
		<b>Jan-Jun</b>	Jan-Jun
<b>Consolidated cash flow statement (condensed)</b>			
Net income		<b>133</b>	123
+/- adjustment of items not affecting liquidity		<b>32</b>	18
+/- change in working capital		<b>11</b>	4
- taxes paid		<b>-60</b>	-40
+/- other		<b>-1</b>	-9
<b>Cash flow from operating activities</b>	<b>A</b>	<b>115</b>	96
<b>Cash flow from investing activities</b>	<b>B</b> 2	<b>77</b>	166
<b>Cash flow from financing activities</b>	<b>C</b> 3, 4	<b>-18</b>	-212
<b>Change in currency translation</b>	<b>D</b>	<b>-2</b>	1
<b>Change in cash and cash equivalents (A+B+C+D)</b>		<b>172</b>	51

<sup>6)</sup> Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities and financial investments.

CHF millions	Notes	30.06.2007	31.12.2006
<b>Consolidated balance sheet (condensed)</b>			
Non-current assets		602	596
Intangible assets		6	7
Property, plant and equipment		490	485
Financial assets		102	100
Deferred income tax assets		4	4
Current assets		1'822	1'733
Inventories		232	226
Accounts receivable		318	302
Current financial assets	2	328	433
Cash and cash equivalents		945	773
<b>Total assets</b>		<b>2'424</b>	<b>2'329</b>
Equity (incl. minority interests)		1'196	1'103
Liabilities		1'228	1'226
Non-current liabilities	3	880	887
Current liabilities		348	339
<b>Total equity and liabilities</b>		<b>2'424</b>	<b>2'329</b>
Balance sheet equity ratio		49.3%	47.4%

CHF millions		2007 Jan-Jun	2006 Jan-Jun
<b>Consolidated changes in equity (condensed)</b>			
Equity at 1.1.		1'103	1'083
Changes in fair value of financial instruments		-44	-8
Currency translation differences		3	-6
Net income/(expenses) recognized directly in equity		1'061	1'069
Net income recognized in income statement		133	123
Total recognized income and expense		1'195	1'192
Transactions with treasury shares	4	2	-142
Dividends paid to minority interests		-1	-2
<b>Equity at 30.6.</b>		<b>1'196</b>	<b>1'047</b>
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		1'142	1'003
Minority interests		54	44
Balance sheet equity ratio		49.3%	45.0%
Change in % against 31.12.		+8.5%	-3.3%
Equity per share in CHF		52.64	45.35

## **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 consolidated half-year results for EMS-CHEMIE HOLDING AG with domicile in Switzerland and for its subsidiaries, for the reporting period ending on June 30, 2007. 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, 2006, as they comprise an updating 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 or cyclical fluctuations over the business year. The 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, 2007 the EMS Group introduced the revised standard IAS 1 “Presentation of Financial Statements: Capital Disclosure” and IFRS 7 “Financial Instruments: Disclosures” which has just come into force and leads to additional disclosures in the 2007 consolidated financial statements. In the interim consolidated financial statements, no additional disclosures are required.



## Subsequent events

On August 7, 2007 it was announced that – due to the part conversion of 2% convertible bond (2002 - 25.7.2008) with a nominal value of CHF 195.4 million into 1'523'869 treasury shares – the holding of treasury shares had fallen below 5% (conversion at June 30, 2007: see notes 3 and 4). By August 17, 2007 convertible bonds with a nominal value of CHF 204.8 million had been converted into 1'597'641 treasury shares.

On August 11, 2007 the Annual General Meeting approved the payment of a dividend of CHF 8.00 per register share entitled to dividend. On August 15, 2007 total dividends amounting to CHF 194.5 million were paid.

The interim consolidated financial statements were approved by the Board of Directors on August 22, 2007.

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

## **Notes**

### 1 Net financial income

Net financial income includes an impairment on securities of CHF 1.2 million.

### 2 Current financial assets

The decrease of current financial assets is the result of sales of securities and of the financial investments in Lonza Group AG.

### 3 Non-current liabilities

2% convertible bonds (2002 - 25.7.2008) with a nominal value of CHF 10.4 million were converted into treasury shares (see note 4).

Due to the redemption of 4% debenture bonds (2002 - 29.7.2008) with a nominal value of CHF 53.0 million in 2006, the nominal value was reduced from CHF 255.0 million to CHF 202.0 million as of March 30, 2007. All other terms of the bond remain unchanged.

### 4 Transactions with treasury shares

A total of 52'186 treasury shares amounting to CHF 8.4 million were purchased in the reporting period.

Convertible bonds with a nominal value of CHF 10.4 million were converted into 80'925 treasury shares at the conversion price of CHF 128.20 (see note 3).

## Development of net sales revenue and income in the first half of 2007, by business area

CHF millions	2007 Jan-Jun	%-dev. prev. yr	2006 Jan-Jun	%-dev. prev. yr
<b>Performance Polymers</b>				
Net sales revenue	717	+12.6%	637	+13.3%
- in local currencies		+10.5%		+12.3%
EBITDA	143	+16.0%	124	+13.4%
- in % of net sales revenue	20.0%		19.4%	
EBIT	120	+15.7%	104	+18.1%
- in % of net sales revenue	16.7%		16.3%	
<b>Fine Chemicals / Engineering</b>				
Net sales revenue	66	-5.4%	69	-3.1%
- in local currencies		-8.5%		-4.1%
EBITDA	18	-20.3%	23	-3.3%
- in % of net sales revenue	27.6%		32.8%	
EBIT	14	-17.2%	17	+7.5%
- in % of net sales revenue	21.3%		24.4%	
<b>EMS Group</b>				
<b>Net sales revenue</b>	<b>783</b>	<b>+10.9%</b>	706	+11.5%
- in local currencies		<b>+8.9%</b>		+10.5%
<b>EBITDA</b>	<b>162</b>	<b>+10.4%</b>	146	+10.5%
- in % of net sales revenue	<b>20.6%</b>		20.7%	
<b>EBIT</b>	<b>134</b>	<b>+11.1%</b>	120	+16.5%
- in % of net sales revenue	<b>17.1%</b>		17.1%	



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