

***Half-Year Report 2010***  
***of the EMS Group***



EMS-CHEMIE HOLDING AG  
Domat/Ems Switzerland

## **Contents**

### **The EMS Group**

The EMS Group in the first half of 2010	3
Remarks on the business areas in the first half of 2010	4
Outlook 2010	4

### **Interim consolidated financial statements**

Financial report of the EMS Group for the first half of 2010	5
Segment information by business area	11

## The EMS Group in the first half of 2010

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 achieved a **net sales revenue** of CHF 836 million (541) and a **net operating income (EBIT)** of CHF 154 million (71) in the first half of 2010.

Consolidated **net sales revenue** in the first half year of 2010 was CHF 836 million (541) which is 54.3% higher than for the same period of the previous year. In local currencies net sales revenue was increased by 58.4% compared to the previous year.

**Net operating income (EBIT)** increased by 116.3% to CHF 154 million (71), EBITDA increased by 83.4% to CHF 180 million (98).

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

**Net income** for the first half of 2010 was CHF 128 million (58), **cash flow** totalled CHF 156 million (85).

**Equity** increased to CHF 1'266 million (31.12.2009: CHF 1'022 million). The equity ratio is 69.6% (31.12.2009: 59.7%).

## Remarks on the business areas in the first half of 2010

In the main business area **Performance Polymers** the economic recovery resulted in higher order volumes from customers. EMS was successful in continuing its planned growth with new business and worldwide market positions were further expanded, also with the newly established sales and production locations in the new growth markets China, India and Brazil. For EMS-GRIVORY, business developed in an extremely pleasing way due to new metal replacement applications, especially in the automotive industry. Based on very high demand for high-temperature materials, EMS will start up a further production line for these products during the current year. EMS-EFTEC further expanded its market positions worldwide as planned and profited greatly from the strongly growing automotive production in China.


The secondary business area **Fine Chemicals / Engineering** also reported positive business developments. With the company EMS-CHEMIE (Neumünster) (previously Nexis Fibers, Germany) purchased in 2009, the Business Unit EMS-GRILTECH was able to significantly strengthen its market position and gain further market share.

## Outlook 2010

The recovery of worldwide demand for consumer and investment goods which has been apparent since the middle of 2009 is continuing. The continually increasing cost of raw materials and the worsened exchange rate from Euro to Swiss Franc will not relax in the next months.

EMS will continue without change to follow its successful strategy of focusing on speciality business in the main area of Performance Polymers and expanding worldwide market positions. In this way, EMS will focus on further expanding the marketing organisation in Asia and will invest worldwide in creating additional production capacity.

For the **whole year 2010**, EMS expects considerably higher **net sales revenue** and a significantly higher **net operating income (EBIT)** than in the previous year.

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

## Financial report of the EMS Group for the first half of 2010

CHF millions	Notes	2010 Jan-Jun	2009 Jan-Jun
<b>Consolidated income statement (condensed)</b>			
<b>Net sales revenue</b>		<b>836</b>	541
Change		<b>+54.3%</b>	
In local currencies		<b>+58.4%</b>	
With the same scope of consolidation <sup>1)</sup>		<b>+51.2%</b>	
<b>Operating income</b>		<b>846</b>	519
<b>Operating expenses</b>		<b>691</b>	448
<b>EBITDA</b> <sup>2)</sup>		<b>180</b>	98
Change		<b>+83.4%</b>	
In % of net sales revenue		<b>21.6%</b>	18.1%
<b>EBIT</b> <sup>3) 4)</sup>		<b>154</b>	71
Change		<b>+116.3%</b>	
In % of net sales revenue		<b>18.5%</b>	13.2%
<b>Net financial income</b>	1	<b>2</b>	2
Change		<b>+16.1%</b>	
<b>Net income before taxes</b>		<b>157</b>	73
Change		<b>+113.7%</b>	
<b>Income taxes</b>		<b>29</b>	15
Change		<b>+93.4%</b>	
<b>Net income</b>		<b>128</b>	58
Change		<b>+118.8%</b>	
In % of net sales revenue		<b>15.3%</b>	10.8%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		<b>122</b>	57
<i>Non-controlling interests</i>		<b>6</b>	1
<b>Earnings per share (in CHF)</b>			
Basic / Diluted <sup>5)</sup>		<b>5.27</b>	2.57

<sup>1)</sup> EMS-CHEMIE (Neumünster) (previously Nexis Fibers, Germany) was taken over as per November 16, 2009. The company EFTEC Aftermarket GmbH was sold on January 20, 2010.

<sup>2)</sup> EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation  
= operational cash flow

<sup>3)</sup> EBIT = Earnings Before Interest and Taxes  
= net operating income

<sup>4)</sup> The segment information by business area can be found on page 11.

<sup>5)</sup> The average weighted number of outstanding registered shares for the calculation is 23'128'620 shares on 30.06.2010 (30.06.2009: 22'373'911 shares). There is no earnings dilution.

CHF millions		2010	2009
	Notes	Jan-Jun	Jan-Jun
<b>Consolidated statement of comprehensive income (condensed)</b>			
<b>Net income recognised in income statement</b>		<b>128</b>	58
Net changes in fair value, after taxes:			
Available-for-sale securities		<b>-10</b>	13
Net changes from cash flow hedges, after taxes		<b>2</b>	-25
Currency translation differences		<b>8</b>	<u>5</u>
<b>Other comprehensive income, after taxes</b>		<b>0</b>	-7
<b>Total comprehensive income</b>		<b>128</b>	51
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		<b>122</b>	50
Non-controlling interests		<b>6</b>	1
<b>CHF millions</b>			
		<b>2010</b>	2009
		<b>Jan-Jun</b>	Jan-Jun
<b>Consolidated statement of cash flows (condensed)</b>			
Cash flow from operating activities	A 6	<b>64</b>	142
Cash flow from investing activities	B 1, 5, 7	<b>-7</b>	-41
Cash flow from financing activities	C 2, 4	<b>-32</b>	-6
Translation difference on cash and cash equivalents	D	<b>13</b>	<u>-4</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(A+B+C+D)</b>	<b>38</b>	91
<b>CHF millions</b>			
		<b>2010</b>	2009
		<b>Jan-Jun</b>	Jan-Jun
<b>Additional key figures</b>			
<b>Cash flow</b> *)		<b>156</b>	85
In % of net sales revenue		<b>18.6%</b>	15.8%
<b>Investments</b>		<b>12</b>	16
In % of cash flow		<b>7.4%</b>	18.2%
<b>Number of employees</b> on 30.06.2010 / 31.12.2009		<b>2'143</b>	2'106

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

CHF millions	Notes	30.06.2010	31.12.2009
<b>Consolidated balance sheet (condensed)</b>			
Non-current assets		<b>554</b>	569
Intangible assets		<b>26</b>	26
Property, plant and equipment		<b>481</b>	499
Financial assets		<b>39</b>	37
Derivative financial instruments		<b>1</b>	1
Deferred income tax assets		<b>8</b>	7
Current assets		<b>1'265</b>	1'142
Inventories		<b>231</b>	218
Accounts receivable	6	<b>314</b>	240
Securities	1	<b>176</b>	187
Derivative financial instruments		<b>18</b>	8
Cash and cash equivalents		<b>527</b>	489
<b>Total assets</b>		<b>1'819</b>	1'711
Equity		<b>1'266</b>	1'022
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		<b>1'249</b>	1'005
Share capital	3	<b>0</b>	0
Retained earnings and reserves	4, 5	<b>1'126</b>	788
Net income		<b>122</b>	216
Equity, attributable to non-controlling interests	5	<b>18</b>	17
Liabilities		<b>553</b>	690
Non-current liabilities	2	<b>171</b>	273
Current liabilities	2	<b>382</b>	417
<b>Total equity and liabilities</b>		<b>1'819</b>	1'711
Balance sheet equity ratio		<b>69.6%</b>	59.7%

<b>CHF millions</b>										
<b>Consolidated statement of changes in equity (condensed)</b>										
	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 31.12.2008	0	23	1'024	-130	38	36	-29	960	15	975
Other comprehensive income, after taxes					13	-25	5	-7	0	-7
Net income recognised in income statement			57					57	1	58
Dividends paid								0	-2	-2
<b>At 30.06.2009</b>	<b>0</b>	<b>23</b>	<b>1'081</b>	<b>-130</b>	<b>51</b>	<b>11</b>	<b>-25</b>	<b>1'010</b>	<b>14</b>	<b>1'024</b>
At 31.12.2009	0	23	1'128	-130	10	8	-33	1'005	17	1'022
Other comprehensive income, after taxes					-10	2	7	-1	1	0
Net income recognised in income statement			122					122	6	128
Transactions with non-controlling interests (see note 5)			-4				-1	-5	-6	-11
Transactions with treasury shares (see note 4)		-1		129				128		128
Dividends paid								0	-1	-1
<b>At 30.06.2010</b>	<b>0</b>	<b>21</b>	<b>1'245</b>	<b>-2</b>	<b>-1</b>	<b>10</b>	<b>-27</b>	<b>1'249</b>	<b>18</b>	<b>1'266</b>

## 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, 2010. 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, 2009, 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, 2010 the EMS Group introduced new and revised standards and interpretations. With exception of the following change, this does not have any effect on the present consolidated interim financial statements:

IAS 27 (revised) „Consolidated and separate financial statements“: Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners) (see also note 5).

### **Notes**

#### **1 Securities**

In the reporting period, securities to the amount of CHF 68.7 million were bought and to the amount of CHF 66.4 million sold. An impairment on securities of CHF 1.9 million was booked.

In the first half of 2009 securities to the amount of CHF 31.7 million were bought.

#### **2 Current liabilities**

In the reporting period CHF 100 million bank loans were reclassified from non-current to current liabilities, as the maturity is below 12 months. On April 23, 2010 the remaining CHF 157.1 million of the 2.5% convertible bond 2002 - 23.04.10 was paid back in cash.

In the first half of 2009 2.5% convertible bonds 2002 - 23.04.2010 were reclassified from non-current to current liabilities, as the maturity is below 12 months.

### 3 Share capital

The share capital is CHF 0.234 million per 30.06.10 (31.12.09: CHF 0.234 million).

### 4 Transactions with treasury shares

In the reporting period a total of 10'576 treasury shares amounting to CHF 1.5 million were purchased and 1'015'117 treasury shares amounting to CHF 129.0 million were sold.

In the first half of 2009 there were no transactions with treasury shares.

### 5 Buyout of minority interests

On June 17, 2010 the 80% participation in EFTEC Asia Pte. Ltd., Singapore, was increased to 100%. The difference between the purchase price of CHF 10.8 million and the carrying amount of the non-controlling interests of CHF 6.0 million was accounted for as equity transaction.

### 6 Cash flow from operating activities

Due to the increase of net working capital, mainly trade accounts receivable, the cash flow from operating activities is lower in the reporting period than in the first half of 2009, when net working capital decreased.

### 7 Sale of subsidiary

The company EFTEC Aftermarket GmbH was sold on January 20, 2010.

### 8 Subsequent events

The Annual General Meeting approved on August 14, 2010 the payment of a dividend of CHF 10.00 gross per registered share entitled to dividend. On August 20, 2010 total dividends amounting to CHF 233.9 million were paid.

The Board of Directors approved the interim consolidated financial statements on August 26, 2010.

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

CHF millions	Performance Polymers		Fine Chemicals / Engineering		Total	
	2010 Jan-Jun	2009 Jan-Jun	2010 Jan-Jun	2009 Jan-Jun	2010 Jan-Jun	2009 Jan-Jun
<b>Net sales revenue</b>	<b>679</b>	448	<b>157</b>	93	<b>836</b>	541
Change	<b>+51.4%</b>		<b>+68.5%</b>		<b>+54.3%</b>	
In local currencies	<b>+55.7%</b>		<b>+71.6%</b>		<b>+58.4%</b>	
With the same scope of consolidation <sup>1)</sup>	<b>+53.9%</b>		<b>+38.4%</b>		<b>+51.2%</b>	
<b>EBITDA</b>	<b>145</b>	85	<b>35</b>	13	<b>180</b>	98
In % of net sales revenue	<b>21.4%</b>	19.0%	<b>22.1%</b>	14.1%	<b>21.6%</b>	18.1%
Depreciation, amortisation and impairments <sup>2)</sup>	<b>20</b>	21	<b>6</b>	6	<b>26</b>	27
<b>Net operating income (EBIT)</b>	<b>125</b>	65	<b>29</b>	7	<b>154</b>	71
In % of net sales revenue	<b>18.5%</b>	14.4%	<b>18.6%</b>	7.3%	<b>18.5%</b>	13.2%
Net financial income					<b>2</b>	2
<b>Net income before taxes</b>					<b>157</b>	73
Income taxes					<b>(29)</b>	(15)
<b>Net income</b>					<b>128</b>	58

<sup>1)</sup> Performance Polymers: The company EFTEC Aftermarket GmbH was sold on January 20, 2010. Fine Chemicals/Engineering: EMS-CHEMIE (Neumünster) (previously Nexis Fibers, Germany) was taken over as per November 16, 2009.

<sup>2)</sup> In the reporting period and in the first half of 2009 there were no impairments.

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

Segmented assets were changed as follows:

CHF millions	Segment assets <sup>*)</sup>	
	30.06.2010	31.12.2009
Performance Polymers	<b>905</b>	837
Fine Chemicals / Engineering	<b>193</b>	182
<b>Subtotal segments</b>	<b>1'097</b>	1'018
Non-segment assets	<b>722</b>	693
<b>EMS Group</b>	<b>1'819</b>	1'711

<sup>\*)</sup> Segmented assets = Assets without cash and cash equivalents, securities, fixed deposits in other current and non-current financial assets and investments in associated companies.