# *Half-Year Report 2013*

# *of the EMS Group*

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

# Contents

## The EMS Group in the first half of 2013

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 954 million (904) and a **net operating income (EBIT)** of CHF 183 million (168[1)]) in the first half of 2013.

Consolidated **net sales revenue** in the first half year of 2013 was CHF 954 million (904), which is 5.5% higher than for the same period of the previous year. In local currencies net sales revenue was increased by 5.7% and by 2.9% with the same scope of consolidation compared to the previous year.

**Net operating income (EBIT)** increased by 9.1% to CHF 183 million (168[1)]), EBITDA increased by 9.3% to CHF 210 million (192[1)]).

**Net financial income** amounted to CHF 12 million (1).

**Net income** for the first half of 2013 was CHF 156 million (142[1)]), **cash flow** totalled CHF 183 million (166[1)]).

**Equity** increased to CHF 1'287 million (31.12.2012: CHF 1'138 million[1)]). The **equity ratio** is 69.2% (31.12.2012: 68.5%[1)]).

1) Previous year figures after restatement, see consolidated accounting principles, p. 10 ff.

## Remarks on the business areas in the first half of 2013

In the main business area of **High Performance Polymers** new business with specialty products was developed successfully and global market positions strengthened. Numerous new and innovative applications were realised, in particular in the automotive industry and the telecommunication sector (smartphones and tablets). In order to satisfy increasing demand in the growth markets, EMS took complete control of the EFTEC business in Central and Eastern Europe, invested globally in capacity expansions and established additional new plants in Asia.

The secondary business area **Specialty Chemicals**, mainly active in Europe, was hit by the weak economic situation and showed a drop in both net sales and result. Thanks to concentration on strategic, innovative new business and cost discipline, it was still possible to maintain the result margin at a high level.

M. Martullo

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

# Financial report of the EMS Group for the first half of 2013

| In million CHF | Notes | 2013 Jan-Jun | 2012 Jan-Jun Restated[1)] |
|---|---|---|---|
| **Consolidated income statement (condensed)** | | | |
| **Net sales revenue** | | **954** | 904 |
| Change | | **+5.5%** | |
| In local currencies | | **+5.7%** | |
| With the same scope of consolidation | | **+2.9%** | |
| **Operating income** | | **953** | 921 |
| **Operating expenses** | | **770** | 753 |
| **EBITDA**[2)] | | **210** | 192 |
| Change | | **+9.3%** | |
| In % of net sales revenue | | **22.0%** | 21.2% |
| **EBIT**[3) 4)] | | **183** | 168 |
| Change | | **+9.1%** | |
| In % of net sales revenue | | **19.2%** | 18.6% |
| **Net financial income** | 1 | **12** | 1 |
| **Net income before taxes** | | **195** | 169 |
| Change | | **+15.6%** | |
| **Income taxes** | | **39** | 27 |
| **Net income** | | **156** | 142 |
| Change | | **+9.6%** | |
| In % of net sales revenue | | **16.3%** | 15.7% |
| *Of which attributable to:* | | | |
| *Shareholders of EMS-CHEMIE HOLDING AG* | | ***153*** | *139* |
| *Non-controlling interests* | | ***3*** | *3* |
| **Earnings per share (in CHF)** | | | |
| Basic / Diluted[5)] | | **6.56** | 5.96 |

1) Restated figures see consolidated accounting principles, p. 10 ff.

2) EBITDA = **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation and **A**mortisation
= operational cash flow

3) EBIT = **E**arnings **B**efore **I**nterest and **T**axes
= net operating income

4) The segment information by business area can be found on page 15

5) The average weighted number of outstanding registered shares for the calculation is 23'389'028 shares on 30.06.2013 (30.06.2012: 23'389'028 shares). There is no earnings dilution.

| **In million CHF** | | Notes | **2013 Jan-Jun** | 2012 Jan-Jun Restated[1)] |
|---|---|---|---|---|
| **Consolidated statement of comprehensive income (condensed)** | | | | |
| **Net income recognised in income statement** | | | **156** | 142 |
| Actuarial gains and losses on defined benefit plans, after taxes | | | **0** | -6 |
| **Total items that will not be reclassified to income statement** | | | **0** | -6 |
| Net changes in fair value, Available-for-sale securities, after taxes | | | **0** | 0 |
| Net changes from cash flow hedges, after taxes | | | **-3** | -3 |
| Currency translation differences | | | **-2** | 3 |
| **Total items that will be reclassified to income statement** | | | **-4** | 1 |
| **Other comprehensive income, after taxes** | | | **-4** | -6 |
| **Total comprehensive income** | | | **152** | 137 |
| *Of which attributable to:* | | | | |
| *Shareholders of EMS-CHEMIE HOLDING AG* | | | ***149*** | *134* |
| *Non-controlling interests* | | | ***3*** | *3* |
| **Consolidated statement of cash flows (condensed)** | | | | |
| Cash flow from operating activities | A | | **161** | 135 |
| Cash flow from investing activities | B | 1, 4 | **-60** | -2 |
| Cash flow from financing activities | C | 2 | **-5** | -59 |
| Increase/(decrease) in cash and cash equivalents | (A+B+C) | | **96** | 73 |
| Cash and cash equivalents at 1.1. | | | **461** | 418 |
| Translation difference on cash and cash equivalents | | | **-8** | 4 |
| Cash and cash equivalents at 30.6. | | | **549** | 495 |
| **Additional key figures** | | | | |
| **Cash flow**[*)] | | | **183** | 166 |
| In % of net sales revenue | | | **19.2%** | 18.4% |
| **Investments** | | | **22** | 18 |
| In % of cash flow | | | **12.3%** | 11.1% |
| **Number of employees** | | | **2'560** | 2'340 |

[1)] Restated figures see consolidated accounting principles, p. 10 ff.

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

| In million CHF | Notes | **30.06.2013** | 31.12.2012 Restated[1)] | 30.06.2012 Restated[1)] |
|---|---|---|---|---|
| **Consolidated balance sheet (condensed)** | | | | |
| Non-current assets | | **631** | 568 | 586 |
| Intangible assets | 4 | **99** | 32 | 33 |
| Property, plant and equipment | | **514** | 496 | 504 |
| Investments | | **1** | 23 | 22 |
| Other non-current assets | | **3** | 3 | 11 |
| Derivative financial instruments | | **1** | 3 | 8 |
| Deferred income tax assets | | **13** | 10 | 7 |
| Current assets | | **1'228** | 1'093 | 1'147 |
| Inventories | | **302** | 315 | 292 |
| Receivables | | **373** | 309 | 353 |
| Securities | 1 | **0** | 0 | 0 |
| Derivative financial instruments | | **4** | 8 | 7 |
| Cash and cash equivalents | | **549** | 461 | 495 |
| **Total assets** | | **1'859** | 1'661 | 1'732 |
| Equity | | **1'287** | 1'138 | 1'187 |
| Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG | | **1'270** | 1'123 | 1'174 |
| Share capital | 3 | **0** | 0 | 0 |
| Retained earnings and reserves | | **1'116** | 850 | 1'035 |
| Net income | | **153** | 274 | 139 |
| Equity, attributable to non-controlling interests | | **17** | 15 | 13 |
| Liabilities | | **572** | 523 | 545 |
| Non-current liabilities | | **122** | 219 | 216 |
| Current liabilities | 2 | **450** | 304 | 329 |
| **Total equity and liabilities** | | **1'859** | 1'661 | 1'732 |
| **Balance sheet equity ratio** | | **69.2%** | 68.5% | 68.5% |

[1)] Restated figures see consolidated accounting principles, p. 10 ff.

## In million CHF

## Consolidated statement of changes in equity (condensed)

| | Share capital | Capital reserves (share premium) | Retained earnings | Treasury shares | Gains/ (losses) from securities araising from IAS 39 | Hedging reserves from IAS 39 | Trans-lation differences | Pensions IAS 19 | Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG | Equity, attributable to non-controlling interests | Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2012 reported | 0 | 22 | 1'060 | 0 | 0 | 15 | -56 | 0 | 1'041 | 15 | 1'057 |
| Restatement[1] | | | -1 | | | | | | -1 | 0 | -1 |
| **At 1 January 2012 restated** | **0** | **22** | **1'059** | **0** | **0** | **15** | **-56** | **0** | **1'040** | **15** | **1'055** |
| Other comprehensive income, after taxes[1] | | | | | 0 | -3 | 3 | -6 | -6 | 0 | -6 |
| Net income recognised in income statement | | | 139 | | | | | | 139 | 3 | 142 |
| Total comrehensive income | | | 139 | 0 | 0 | -3 | 3 | -6 | 134 | 3 | 137 |
| Dividends paid | | | | | | | | | 0 | -5 | -5 |
| **At 30 June 2012 restated** | **0** | **22** | **1'198** | **0** | **0** | **13** | **-52** | **-6** | **1'174** | **13** | **1'187** |
| | | | | | | | | | | | |
| At 31 December 2012 reported | 0 | 22 | 1'163 | 0 | 0 | 10 | -59 | 0 | 1'136 | 15 | 1'151 |
| Restatement[1] | | | 0 | | | | | -13 | -13 | 0 | -13 |
| **At 1 January 2013 restated** | **0** | **22** | **1'163** | **0** | **0** | **10** | **-59** | **-13** | **1'123** | **15** | **1'138** |
| Other comprehensive income, after taxes | | | | | | -3 | -2 | 0 | -4 | 0 | -4 |
| Net income recognised in income statement | | | 153 | | | | | | 153 | 3 | 156 |
| Total comprehensive income | | | 153 | 0 | 0 | -3 | -2 | 0 | 149 | 3 | 152 |
| Dividends paid | | | -2 | | | | | | -2 | -1 | -3 |
| **At 30 June 2013** | **0** | **22** | **1'314** | **0** | **0** | **8** | **-61** | **-13** | **1'270** | **17** | **1'287** |

[1] Restated figures see consolidated accounting principles, p. 10 ff.

## 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 domiciled in Switzerland and for its subsidiaries, for the reporting period ending on June 30, 2013. 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, 2012, 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, 2013 the EMS Group adopted various new and IFRS standards:
- IAS 1 Financial Statement Presentation
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (revised)
- Annual Improvements 2011

With the exception of IAS 19 – Employee Benefits (revised) (hereinafter IAS 19R), IAS 1 (Presentation of Financial Statements) and IFRS 13 (Fair Value Measurement) the individual changes have no material impact on the accounting.

**Adoption of IAS 19 - Employee Benefits (revised)**

The material impacts of the adoption of IAS 19R on the EMS-CHEMIE Group's financial reporting are as follows:

– Elimination of the corridor approach: It is no longer possible to defer recognition of actuarial gains and losses using the corridor approach. They must now be recognized immediately in other comprehensive income.

– Calculation of pension costs: The previous practice of recognizing the expected return on plan assets and of calculating the interest expense on the defined benefit obligation is now replaced by the recognition of net interest on the net defined benefit liability or the net defined benefit asset. The net interest is recognised in the employee costs.

– Past service costs are recognized immediately through profit or loss when they occur.

Application of IAS 19R results in adjustments in the preceding period. The changes have been applied retrospectively in accordance with IAS 8. The effects on the relevant items in the income statement, statement of comprehensive income, the balance sheet, cash flow statement, statement of equity and earnings per share are presented below.

**Consolidated income statement Jan-Jun 2012**

| In million CHF | Reported | Adjustment | Restated |
|---|---|---|---|
| **Operating expenses** | 754 | -1 | 753 |
| **EBITDA** | 191 | 1 | 192 |
| **EBIT** | **167** | **1** | **168** |
| **Net income before taxes** | **168** | **1** | **169** |
| Income taxes | 26 | 0 | 27 |
| **Net income before taxes** | **142** | **0** | **142** |
| Of which attributable to Shareholders of EMS-CHEMIE HOLDING AG | 139 | 0 | 139 |
| Non-controlling interests | 3 | 0 | 3 |
| | | | |
| **Earnings per share in CHF** | | | |
| Basic / Diluted | 5.94 | 0.02 | 5.96 |

**Statement of comprehensive income Jan-Jun 2012**

| In million CHF | Reported | Adjustment | Restated |
|---|---|---|---|
| Net income | 142 | 0 | 142 |
| Net changes in fair value, after taxes: Available-for-sale securities | 0 | 0 | 0 |
| Net changes from cash flow hedges, after taxes | -3 | 0 | -3 |
| Currency translation differences | 3 | 0 | 3 |
| Pensions IAS 19 | 0 | -6 | -6 |
| Other comprehensive income, after taxes | 1 | -6 | -6 |
| **Total comprehensive income** | **142** | **-6** | **137** |
| Of which attributable to: | | | |
| Shareholders of EMS-CHEMIE HOLDING AG | 140 | -6 | 134 |
| Non-controlling interests | 3 | 0 | 3 |

**Balance sheet as of June 30, 2012**

| In million CHF | Reported | Adjustment | Restated |
|---|---|---|---|
| Other non-current assets | 19 | -8 | 11 |
| **Non-current assets** | **593** | **-8** | **586** |
| Other non-current liabilities | 218 | -1 | 216 |
| Equity | 1'194 | -6 | 1'187 |
| Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG | 1'181 | -7 | 1'174 |
| Non-controlling interests | 13 | 0 | 13 |

**Balance sheet as of December 31, 2012**

| In million CHF | Reported | Adjustment | Restated |
|---|---|---|---|
| Other non-current assets | 19 | -16 | 3 |
| **Non-current assets** | **583** | **-16** | **568** |
| Other non-current liabilities | 25 | 0 | 25 |
| Deferred income tax liabilities | 90 | -3 | 88 |
| Liabilities | 222 | -3 | 219 |
| Equity | 1'151 | -13 | 1'138 |
| Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG | 1'136 | -13 | 1'123 |
| Non-controlling interests | 15 | 0 | 15 |

**Statement of cash flows 2012**

| In million CHF | Reported | Adjustment | Restated |
|---|---|---|---|
| Cash flow from operating activities | 134 | 1 | 135 |
| Cash flow from investing activities | -10 | 8 | -2 |
| Cash flow from financing activities | -51 | -8 | -59 |
| In-/(decrease) in cash and cash equivalents | 73 | 0 | 73 |
| Cash and cash equivalents at 1.1. | 418 | 0 | 418 |
| Translation difference on cash and cash equivalents | 4 | 0 | 4 |
| Cash and cash equivalents at 30.06. | 495 | 0 | 495 |

## Financial instruments

The difference between the carrying value less allowances of financial assets and liabilities is not material. Financial assets and liabilities, that are measured at fair value, are insignificant, which is why no further disclosure is made.

## Notes

1 Net financial income

The financial result includes the revaluation gain of the 50% stake in D Plast (CHF 23.1 million). There were no securities traded in the reporting period. In the first half of 2012, securities to the amount of CHF 30.2 million were bought and to the amount of CHF 45.4 million sold.

2 Current liabilities

On 31 January 2014 a long-term bank loan of CHF 100 million is due to be repaid.

3 Share capital

The share capital is CHF 0.234 million per 30.06.13 (31.12.12: CHF 0.234 million).

4 Cash outflow from purchase of fully consolidated companies

On April 15, 2013, EMS Group acquired the 50% shareholding of its Czech partner D PLAST in the joint venture D PLAST-EFTEC. In this way EMS gains complete control of the EFTEC business in Central and Eastern Europe.

From April 15, 2013 to June 30, 2013, the acquired business contributed net sales revenue of CHF 24.2 million and a net gain of CHF 3.6 million to the EMS Group. If the acquisition had occurred on January 1, 2013, Group net sales revenue would have been CHF 21.6 million higher, while net income would have been CHF 3.3 million higher in the first half-year 2013. 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 | 60.0 |
| Existing investment in D PLAST-EFTEC (Fair value) | 48.0 |
| Fair value of assets acquired | -80.6 |
| Goodwill | 27.4 |

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

The acquisition of D PLAST-EFTEC 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 | 42.6 |
| Property, plant and equipment | 18.9 |
| Inventories | 9.2 |
| Trade receivables | 17.0 |
| Other receivables | 2.0 |
| Cash and cash equivalents | 13.3 |
| Deferred income tax liabilities | -8.2 |
| Bank loans | -0.2 |
| Trade payables | -7.9 |
| Provisions | -1.3 |
| Other current liabilities | -4.8 |
| Fair value of assets acquired | 80.6 |
| | |
| Purchase price paid | 60.0 |
| Cash and cash equivalents of subsidiary acquired | -13.3 |
| Cash outflow from purchase of fully consolidated companies | 46.7 |

## 5 Subsequent events

On August 10, 2013 the Annual General Meeting approved payment of a dividend of CHF 10.00 gross per dividend bearing registered share. On August 16, 2013, total dividends amounting to CHF 233.9 million were paid.

The Board of Directors approved the interim consolidated financial statements on August 22, 2013.

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 | |
|---|---|---|---|---|---|---|
| | **2013 Jan-Jun** | 2012[1] Jan-Jun Restated[1] | **2013 Jan-Jun** | 2012 Jan-Jun Restated[1] | **2013 Jan-Jun** | 2012[1] Jan-Jun Restated[1] |
| **Net sales revenue** | **818** | 754 | **135** | 150 | **954** | 904 |
| Change | **+8.6%** | | **-10.1%** | | **+5.5%** | |
| In local currencies | **+9.0%** | | **-10.7%** | | **+5.7%** | |
| With the same scope of cons | **+5.6%** | | **-10.1%** | | **+2.9%** | |
| **EBITDA** | **181** | 158 | **29** | 34 | **210** | 192 |
| In % of net sales revenue | **22.1%** | 21.0% | **21.3%** | 22.3% | **22.0%** | 21.2% |
| Depreciation, amortisation and impairments | **22** | 19 | **4** | 5 | **27** | 24 |
| **Net operating income (EBIT)** | **159** | 139 | **24** | 29 | **183** | 168 |
| In % of net sales revenue | **19.4%** | 18.5% | **18.0%** | 19.0% | **19.2%** | 18.6% |
| Net financial income | | | | | **12** | 1 |
| **Net income before taxes** | | | | | **195** | 169 |
| Income taxes | | | | | **(39)** | (27) |
| **Net income** | | | | | **156** | 142 |

[1] Restated figures see consolidated accounting principles, p. 10 ff.

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

Segment assets show no significant changes.

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