Half-Year Report 2011

of the EMS Group

75 JAHRE / YEARS EMS

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

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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 870 million (836) and a **net operating income (EBIT)** of CHF 156 million (154) in the first half of 2011.

Consolidated **net sales revenue** in the first half year of 2011 was CHF 870 million (836), which is 4.1% higher than for the same period of the previous year. In local currencies net sales revenue was increased by 15.9% compared to the previous year.

Net operating income (EBIT) increased by 1.3% to CHF 156 million (154), EBITDA increased by 1.1% to CHF 182 million (180).

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

Net income for the first half of 2011 was CHF 129 million (128), **cash flow** totalled CHF 155 million (156).

Equity increased to CHF 1'208 million (31.12.2010: CHF 1'110 million). The **equity ratio** is 68.4% (31.12.2010: 66.5%).

Remarks on the business areas in the first half of 2011

Further expansion of business with speciality products was achieved in the main business area **Performance Polymers** where new applications were developed. Metal-replacement applications showed particularly positive development, especially with high-temperature materials. Based on very high general demand EMS invested more than CHF 100 million in additional production lines. The new plants started operation at the end of the 2nd quarter 2011. As a consequence of steadily rising raw material prices, repeated customer sales price increases were inevitable.

The secondary business area **Fine Chemicals / Engineering** also showed positive business development and strengthened its market positions. Here also, sales price increases for customers were unavoidable in order to compensate significantly higher raw material prices.

Very unfavourable foreign currency rates hampered development of net sales and result in both business areas although development was positive with regard to volumes.

M. Martullo

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

Financial report of the EMS Group for the first half of 2011

CHF millions	Notes	2011 Jan-Jun	2010 Jan-Jun
Consolidated income statement (condensed)			
Net sales revenue		**870**	836
Change		**+4.1%**	
In local currencies		**+15.9%**	
Operating income		**900**	846
Operating expenses		**743**	691
EBITDA [1]		**182**	180
Change		**+1.1%**	
In % of net sales revenue		**20.9%**	21.6%
EBIT [2] [3]		**156**	154
Change		**+1.3%**	
In % of net sales revenue		**18.0%**	18.5%
Net financial income	1	**2**	2
Change		**-28.1%**	
Net income before taxes		**158**	157
Change		**+0.9%**	
Income taxes		**29**	29
Change		**+0.9%**	
Net income		**129**	128
Change		**+0.9%**	
In % of net sales revenue		**14.8%**	15.3%
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		***125***	*122*
Non-controlling interests		***4***	*6*
Earnings per share (in CHF)			
Basic / Diluted [4]		**5.33**	5.27

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

[2] EBIT = **E**arnings **B**efore **I**nterest and **T**axes
= net operating income

[3] The segment information by business area can be found on page 11.

[4] The average weighted number of outstanding registered shares for the calculation is 23'387'383 shares on 30.06.2011 (30.06.2010: 23'128'620 shares). There is no earnings dilution.

CHF millions		Notes	**2011 Jan-Jun**	2010 Jan-Jun
Consolidated statement of comprehensive income (condensed)				
Net income recognised in income statement			**129**	128
Net changes in fair value, after taxes:				
Available-for-sale securities			**-7**	-10
Net changes from cash flow hedges, after taxes			**-2**	2
Currency translation differences			**-23**	8
Other comprehensive income, after taxes			**-31**	0
Total comprehensive income			**98**	128
Of which attributable to:				
Shareholders of EMS-CHEMIE HOLDING AG			***95***	*120*
Non-controlling interests			***3***	*8*

CHF millions			**2011 Jan-Jun**	2010 Jan-Jun
Consolidated statement of cash flows (condensed)				
Cash flow from operating activities	A		**67**	64
Cash flow from investing activities	B	1, 5, 7	**81**	-7
Cash flow from financing activities	C	2, 4	**2**	-32
Increase/(decrease) in cash and cash equivalents	(A+B+C)		**150**	25
Cash and cash equivalents at 1.1.			**436**	489
Translation difference on cash and cash equivalents			**-1**	13
Cash and cash equivalents at 30.6.			**585**	527

CHF millions	**2011 Jan-Jun**	2010 Jan-Jun
Additional key figures		
Cash flow *)	**155**	156
In % of net sales revenue	**17.8%**	18.6%
Investments	**41**	12
In % of cash flow	**26.5%**	7.4%
Number of employees on 30.06.2011 / 31.12.2010	**2'280**	2'256

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

CHF millions	Notes	**30.06.2011**	31.12.2010
Consolidated balance sheet (condensed)			
Non-current assets		**569**	559
Intangible assets		**23**	23
Property, plant and equipment		**497**	488
Investments		**21**	19
Other non-current assets		**19**	20
Derivative financial instruments		**2**	2
Deferred income tax assets		**6**	7
Current assets		**1'197**	1'110
Inventories		**257**	255
Receivables		**329**	270
Securities	1	**18**	147
Derivative financial instruments		**7**	2
Cash and cash equivalents		**585**	436
Total assets		**1'766**	1'669
Equity		**1'208**	1'110
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		**1'192**	1'097
Share capital	3	**0**	0
Retained earnings and reserves	4, 5	**1'067**	871
Net income		**125**	226
Equity, attributable to non-controlling interests	5	**16**	14
Liabilities		**558**	559
Non-current liabilities	2, 6	**209**	167
Current liabilities	2	**349**	391
Total equity and liabilities		**1'766**	1'669
Balance sheet equity ratio		**68.4%**	66.5%

CHF millions

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 31.12.2009	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
At 30.06.2010	**0**	**21**	**1'245**	**-2**	**-1**	**10**	**-27**	**1'249**	**18**	**1'266**
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
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**

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, 2011. 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, 2010, 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.

<u>Changes to the consolidated accounting principles</u>

On January 1, 2011 the EMS Group introduced following new and revised standards and interpretations, having no effect on the present consolidated interim financial statements:

- IFRIC 14 rev. – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 24 rev. – Related Party Disclosures
- IAS 32 – Financial Instruments: Presentation
- Improvements to IFRS 2010

Notes

1 <u>Securities</u>
In the reporting period, securities to the amount of CHF 54.4 million were bought and to the amount of CHF 172.0 million sold.
In the first half of 2010 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.

2 <u>Current liabilities</u>
In the reporting period CHF 50 million bank loans were reclassified from non-current to current liabilities, as the maturity is below 12 months. 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).
In the first half of 2010 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.

3 Share capital

The share capital is CHF 0.234 million per 30.06.11 (31.12.10: CHF 0.234 million).

4 Transactions with treasury shares

In the reporting period 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. In the first half of 2010 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.

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 Dissolution of provisions for litigation risks

In the reporting period a provision for litigation risks of CHF 9.5 million was dissolved.

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 13, 2011 the payment of a dividend of CHF 12.50 gross per registered share entitled to dividend. On August 19, 2011 total dividends amounting to CHF 292.4 million were paid.

The Board of Directors approved the interim consolidated financial statements on August 26, 2011.

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	
	2011 Jan-Jun	2010 Jan-Jun	**2011 Jan-Jun**	2010 Jan-Jun	**2011 Jan-Jun**	2010 Jan-Jun
Net sales revenue	**712**	679	**157**	157	**870**	836
Change	**+5.0%**		**+0.3%**		**+4.1%**	
In local currencies	**+16.6%**		**+12.8%**		**+15.9%**	
EBITDA	**148**	145	**34**	35	**182**	180
In % of net sales revenue	**20.8%**	21.4%	**21.5%**	22.1%	**20.9%**	21.6%
Depreciation, amortisation and impairments [1)]	**21**	21	**5**	6	**26**	27
Net operating income (EBIT)	**128**	125	**29**	29	**156**	154
In % of net sales revenue	**17.9%**	18.5%	**18.4%**	18.6%	**18.0%**	18.5%
Net financial income					**2**	2
Net income before taxes					**158**	157
Income taxes					**(29)**	(29)
Net income					**129**	128

[1)] In the reporting period and in the first half of 2010 there were no impairments.

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

Segmented assets did not changed material.

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