

Half-Year Report 2009
of the EMS Group



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

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The EMS Group in the first half of 2009

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 541 million (837), a **net operating income (EBIT)** of CHF 71 million (136) and an **operative cash flow** of CHF 136 million (128) in the first half of 2009.

Consolidated **net sales revenue** in the first half year of 2009 was CHF 541 million (837) which is 35.3% lower than for the same period of the previous year. In local currencies net sales revenue was reduced by 33.3% compared to the previous year. Development of net sales revenue in the 2nd quarter of 2009 showed a slight improvement compared to the 1st quarter of the year.

Net operating income (EBIT) decreased by 47.6% to CHF 71 million (136), EBITDA decreased by 39.8% to CHF 98 million (163).

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

Net income for the first half of 2009 was CHF 58 million (111) and **operative cash flow** totalled CHF 136 million (128).

Equity increased to CHF 1'024 million (31.12.2008: CHF 975 million). The equity ratio is 59.5% (31.12.2008: 58.1%).

Remarks on the business areas in the first half of 2009

The main business area **PERFORMANCE POLYMERS** already prepared itself at the beginning of 2008 for an economic slowdown. Worldwide demand for consumer and investment goods dropped to historically low values in the first half year of 2009. In particular the automotive industry, which is of significant importance for EMS, showed a strong decline. The number of vehicles produced in the main regions USA, Europe and Japan, amounted to only 63% of that of the previous year. A similar decline could also be observed in other industrial branches. Reductions in inventory stocks, perceived at all preceding levels of the supply chain, reduced demand even further. As a result, a strong drop in sales volumes also occurred for EMS. However, through innovation EMS realised all new business successfully as planned and further increased market shares throughout the world.

The secondary business area **FINE CHEMICALS / ENGINEERING** experienced the expected decline in net sales revenue and income due to the weaker economic environment and lower market prices.

Outlook 2009

For 2009 EMS continues to expect the world economy to remain in a very weak state. This will continue to have a negative effect on the consumer and investment climate. The considerable state finance programmes are selectively boosting demand and have a stabilising effect on the automotive industry. In the USA and in China some indications of recovery can, however, be seen, but EMS is not yet expecting significant recovery in Europe this year.

The successful strategy of expansion of speciality business in the main area of Performance Polymers will be continued unabatedly by EMS. Due to an innovative, high-margin business with speciality products, on-going expansion of market position, abundant liquidity and a strong equity ratio, EMS sees itself to be in a good position to make use of opportunities in an independent, rapid and flexible manner.

Due to the economic conditions, EMS continues to expect net sales revenue and net operating income (EBIT) for 2009 to be significantly below 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 2009

CHF millions	2009 Jan-Jun	2008 Jan-Jun
Consolidated income statement (condensed)		
Net sales revenue	541	837
Change	-35.3%	+6.9%
In local currencies	-33.3%	+11.2%
Operating income	519	835
Operating expenses	448	699
EBITDA ¹⁾	98	163
Change	-39.8%	+1.0%
In % of net sales revenue	18.1%	19.5%
EBIT ^{2) 3)}	71	136
Change	-47.6%	+1.9%
In % of net sales revenue	13.2%	16.3%
Net financial income	2	2
Change	+1.4%	-94.6%
Net income before taxes	73	138
Change	-46.9%	-18.5%
Income taxes	15	27
Change	-44.5%	-25.8%
Net income	58	111
Change	-47.5%	-16.5%
In % of net sales revenue	10.8%	13.3%
<i>Of which attributable to:</i>		
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>	57	109
<i>Minority interests</i>	1	3
Earnings per share (in CHF)		
Basic ⁴⁾	2.57	4.64
Diluted ⁵⁾	2.57	4.47

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

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

³⁾ The development of income by business area can be found on page 10.

⁴⁾ The average weighted number of outstanding registered shares for the calculation is 22'373'911 shares on 30.06.2009 (30.06.2008: 23'398'067 shares).

⁵⁾ In 2009 there is no further dilution in comparison to the previous period as the 2% convertible bond 2002 - 25.07.2008 of EMS-CHEMIE HOLDING AG was redeemed.

CHF millions		2009	2008
	Notes	Jan-Jun	Jan-Jun
Statement of comprehensive income (condensed)			
Net income recognised in income statement		58	111
Net changes in fair value, after taxes:			
Available-for-sale securities		13	-13
Net changes from cash flow hedges, after taxes	6	-25	0
Currency translation differences		5	<u>-12</u>
Net income/(expense) recognised directly in equity		-7	-25
Total recognised income and expense		51	86
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		50	85
Minority interests		1	2
CHF millions			
		2009	2008
		Jan-Jun	Jan-Jun
Consolidated cash flow statement (condensed)			
Net income		58	111
+/- Adjustment of items not affecting liquidity		41	<u>51</u>
Operating cash flow before changes in net working capital		99	162
+/- Changes in net working capital	7	75	-11
- Taxes paid		-24	-43
+/- Other		-8	<u>-3</u>
Cash flow from operating activities	A	142	105
Cash flow from investing activities	B	-41	114
Cash flow from financing activities	C	-6	-304
Translation difference	D	-4	<u>5</u>
Increase/(decrease) in cash and cash equivalents	(A+B+C+D)	91	-80
CHF millions			
		2009	2008
		Jan-Jun	Jan-Jun
Additional key figures			
Operative cash flow ^{*)}		136	128
In % of net sales revenue		25.1%	15.3%
Investments		16	35
In % of operative cash flow		11.4%	27.2%
Number of employees on 30.06.2009 / 31.12.2008		1'966	2'165

^{*)} Operative cash flow = net operating income (EBIT) plus write-downs on intangible assets, property, plant and equipment plus changes in net working capital less tax payments.

CHF millions	Notes	30.06.2009	31.12.2008
Consolidated balance sheet (condensed)			
Non-current assets		586	596
Intangible assets		29	30
Property, plant and equipment		509	516
Financial assets		36	34
Derivative financial instruments		4	8
Deferred income tax assets		9	8
Current assets		1'136	1'084
Inventories	7	187	243
Accounts receivable		218	224
Securities	1	180	136
Derivative financial instruments		12	33
Cash and cash equivalents		539	448
Total assets		1'723	1'679
Equity		1'024	975
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1'010	960
Share capital	3	0	0
Retained earnings and reserves	4	953	748
Net income		57	212
Equity, attributable to minority interests	5	14	15
Liabilities		698	704
Non-current liabilities	2	289	483
Current liabilities	2	409	221
Total equity and liabilities		1'723	1'679
Balance sheet equity ratio		59.5%	58.1%
CHF millions			
		2009	2008
		Jan-Jun	Jan-Jun
Consolidated changes in equity (condensed)			
Equity at 01.01.		975	1'277
Total recognised income and expense ^{*)}		51	86
Buyout of minority interests	5	0	-3
Transactions with treasury shares	4	0	-282
Dividends paid to minority interests		-2	-2
Equity at 30.06.		1'024	1'076
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		1'010	1'062
Minority interests		14	14
Balance sheet equity ratio		59.5%	52.2%
Change in % against 31.12.		+5.0%	-15.7%
Equity per share (in CHF)		45.79	45.99

^{*)} Details can be found on page 6 ("Statement of comprehensive income (condensed)").

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, 2009. 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, 2008, 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, 2009 the EMS Group introduced new and revised standards and interpretations. With exception of the following changes, this does not have any material effect on the present consolidated interim financial statements:

IAS 1 (revised) „Presentation of Financial Statements“ requires additional disclosure of the statement of comprehensive income. EMS Group opted for a separate disclosure of the calculation of total comprehensive income.

IFRS 8 “Operating Segments”: Internal reporting to the Board of Directors (= Chief Operating Decision Maker) is based on the two business areas “Performance Polymers” and “Fine Chemicals / Engineering”. The same accounting principles are applied as for the consolidated financial statements.

Subsequent events

On August 8, 2009 the Annual General Meeting approved the payment of a dividend of CHF 5.00 gross per registered share entitled to dividend. On August 12, 2009 total dividends amounting to CHF 111.9 million were paid.

The interim consolidated financial statements were approved by the Board of Directors on August 26, 2009.

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

Notes

1 Securities

In the reporting period, securities to the amount of CHF 31.7 million were bought.

In the first half of 2008 securities to the amount of CHF 83.2 million were sold, which led to a positive cash flow from investment activities. Furthermore 2% convertible bonds 2002 - 25.07.2008 with a nominal value of CHF 0.4 million were converted into Lonza shares (see note 2).

2 Current liabilities

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

In the first half of 2008 2% convertible bonds 2002 - 25.07.2008 with a nominal value of CHF 17.1 million were converted into treasury shares and Lonza shares (see notes 1 and 4).

3 Share capital

The share capital is CHF 0.234 million per 30.06.09 (31.12.08: CHF 0.234 million).

4 Transactions with treasury shares

In the reporting period there were no transactions with treasury shares.

In the first half of 2008 1'663'842 registered shares were repurchased by virtue of put options (total: CHF 299.5 million).

In the first half of 2008 a total of 17'138 treasury shares amounting to CHF 2.4 million were purchased and 7'523 treasury shares amounting to CHF 1.1 million were sold. 2% convertible bonds 2002 - 25.07.2008 with a nominal value of CHF 16.7 million were converted into 131'614 treasury shares (see note 2).

5 Buyout of minority interests

On January 1, 2008 the 60% participation in Changchun EFTEC Chemical Products Ltd., China, was increased to 80%.

6 Net changes from cash flow hedges, after taxes

Hedge accounting as defined by IAS 39 has been used since the second half of 2008 for hedging of currency risks.

7 Changes in net working capital

The positive cash flow from changes in net working capital in the reporting period is mainly explained by the reduction of inventories.

Development of net sales revenue and income in the first half of 2009, by business area

CHF millions	2009 Jan-Jun	%-dev. prev. yr	2008 Jan-Jun	%-dev. prev. yr
Performance Polymers				
Net sales revenue	448	-35.2%	692	+9.7%
- In local currencies		-33.3%		+14.0%
EBITDA	85	-37.2%	136	+5.6%
- In % of net sales revenue	19.0%		19.6%	
EBIT	65	-43.9%	115	+7.4%
- In % of net sales revenue	14.4%		16.6%	
Fine Chemicals / Engineering ^{*)}				
Net sales revenue	93	-35.6%	145	-5.0%
- In local currencies		-33.1%		-3.1%
EBITDA	13	-52.6%	28	-16.5%
- In % of net sales revenue	14.1%		19.2%	
EBIT	7	-68.0%	21	-20.1%
- In % of net sales revenue	7.3%		14.7%	
EMS Group				
Net sales revenue	541	-35.3%	837	+6.9%
- In local currencies		-33.3%		+11.2%
EBITDA	98	-39.8%	163	+1.0%
- In % of net sales revenue	18.1%		19.5%	
EBIT	71	-47.6%	136	+1.9%
- In % of net sales revenue	13.2%		16.3%	

^{*)} As announced at the media conference held on February 6, 2009, from January 1, 2009 the Business Unit EMS-GRILTECH will be included in the business area "Fine Chemicals / Engineering" (previously in the business area "Performance Polymers"). Figures shown for previous periods have been adjusted accordingly.

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

Segmented assets were changed as follows:

CHF millions	Segment assets ^{*)}	
	30.06.2009	31.12.2008
Performance Polymers	808	880
Fine Chemicals / Engineering	179	201
Subtotal segments	987	1'081
Non-segment assets	736	599
EMS Group	1'723	1'679

Figures per 31.12.2008 were adjusted to the actual segment organisation.

^{*)} Segmented assets = Assets without cash and cash equivalents, securities, fixed deposits in other current and non-current financial assets and investments in associated companies.