

***Half-Year Report 2014***  
***of the EMS Group***



EMS-CHEMIE HOLDING AG  
Domat/Ems Switzerland

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## The EMS Group in the first half of 2014

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 999 million (954) and a **net operating income (EBIT)** of CHF 215 million (183) in the first half of 2014.

Consolidated **net sales revenue** rose by 4.8% to CHF 999 million (954). In local currencies net sales revenue increased by 9.4%.

**Net operating income (EBIT)** increased by 17.4% to CHF 215 million (183), EBITDA increased by 15.1% to CHF 242 million (210).

**Net financial income** amounted to CHF 4 million (12).

**Net income** for the first half of 2014 reached CHF 184 million (156) which is 18.3% above the previous year.

**Equity** increased to CHF 1'389 million (31.12.2013: CHF 1'199 million). The **equity ratio** is 74.4% (31.12.2013: 69.0%).

## Remarks on the business areas in the first half of 2014

In the main business area of **High Performance Polymers**, new business was developed with innovative process materials. Various new structural parts were realised with high-performance polymers. Global market positions were further strengthened. In the automotive industry, a segment of particular importance for EMS, numerous new applications were successfully developed and implemented.

The Business Unit EMS-EFTEC expanded its leading market position as global automotive supplier and took over from its Mexican partner their 2/3 shareholding in the joint venture Grupo Placosa EFTEC S.A. de C.V., Mexico. With this complete take over, as of the beginning of July 2014, EMS-EFTEC intends to further expand its business in the growing Mexican market. The joint venture achieved net sales of CHF 32 million in 2013 and employs a work force of 154 people.

The secondary business area **Specialty Chemicals** developed as planned. The successful acquisition of strategically important, innovative new business had a positive effect on development of net sales and result.



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

## Financial report of the EMS Group for the first half of 2014

In million CHF	Notes	2014 Jan-Jun	2013 Jan-Jun
<b>Consolidated income statement (condensed)</b>			
<b>Net sales revenue</b>		<b>999</b>	954
Change		<b>+4.8%</b>	
In local currencies		<b>+9.4%</b>	
Effect of consolidation		<b>+2.4%</b>	
<b>Operating income</b>		<b>1019</b>	953
<b>Operating expenses</b>		<b>804</b>	770
<b>EBITDA</b> <sup>1) 3)</sup>		<b>242</b>	210
Change		<b>+15.1%</b>	
In % of net sales revenue		<b>24.2%</b>	22.0%
<b>EBIT</b> <sup>2) 3)</sup>		<b>215</b>	183
Change		<b>+17.4%</b>	
In % of net sales revenue		<b>21.5%</b>	19.2%
<b>Net financial income</b>	1	<b>4</b>	12
<b>Net income before taxes</b>		<b>219</b>	195
Change		<b>+12.4%</b>	
<b>Income taxes</b>		<b>35</b>	39
<b>Net income</b>		<b>184</b>	156
Change		<b>+18.3%</b>	
In % of net sales revenue		<b>18.5%</b>	16.3%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		<b>181</b>	153
<i>Non-controlling interests</i>		<b>3</b>	3
<b>Earnings per share (in CHF)</b>			
Basic / Diluted <sup>4)</sup>		<b>7.75</b>	6.56

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

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

3) The segment information by business area can be found on page 12.

4) The average weighted number of outstanding registered shares for the calculation is 23'389'028 shares on 30.06.2014 (30.06.2013: 23'389'028 shares). There is no earnings dilution.

In million CHF	Notes	2014 Jan-Jun	2013 Jan-Jun
<b>Consolidated statement of comprehensive income (condensed)</b>			
<b>Net income recognised in income statement</b>		<b>184</b>	156
Remeasurements of defined benefit liability / (asset), after taxes		<u>0</u>	<u>0</u>
<b>Total items that will not be reclassified to income statement</b>		<u>0</u>	<u>0</u>
Net changes from cash flow hedges, after taxes		-2	-3
Currency translation differences		<u>-3</u>	<u>-2</u>
<b>Total items that will be reclassified to income statement</b>		<u>-5</u>	<u>-5</u>
<b>Other comprehensive income, after taxes</b>		<u>-5</u>	<u>-4</u>
<b>Total comprehensive income</b>		<u>179</u>	<u>151</u>
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		176	149
Non-controlling interests		3	2
<b>Consolidated statement of cash flows (condensed)</b>			
Cash flow from operating activities	A	191	161
Cash flow from investing activities	B	-24	-60
Cash flow from financing activities	C	-78	-5
Increase/(decrease) in cash and cash equivalents	(A+B+C)	88	96
Cash and cash equivalents at 1.1.		440	461
Translation difference on cash and cash equivalents		<u>-2</u>	<u>-8</u>
Cash and cash equivalents at 30.6.		526	549
<b>Additional key figures</b>			
<b>Cash flow <sup>*)</sup></b>		<b>211</b>	183
In % of net sales revenue		<b>21.1%</b>	19.2%
<b>Investments</b>		<b>23</b>	22
In % of cash flow		<b>10.8%</b>	12.3%
<b>Number of employees</b>		<b>2'714</b>	2'560

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

In million CHF	Notes	30.06.2014	31.12.2013
<b>Consolidated balance sheet (condensed)</b>			
Non-current assets		<b>639</b>	642
Intangible assets		<b>90</b>	93
Property, plant and equipment		<b>513</b>	515
Investments		<b>4</b>	4
Other non-current assets		<b>18</b>	18
Derivative financial instruments		<b>0</b>	0
Deferred income tax assets		<b>13</b>	12
Current assets		<b>1'230</b>	1'096
Inventories		<b>318</b>	314
Receivables		<b>386</b>	339
Derivative financial instruments		<b>1</b>	3
Cash and cash equivalents		<b>526</b>	440
<b>Total assets</b>		<b>1'869</b>	1'738
Equity		<b>1'389</b>	1'199
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		<b>1'373</b>	1'185
Share capital	3	<b>0</b>	0
Retained earnings and reserves	4, 5	<b>1'191</b>	867
Net income		<b>181</b>	318
Equity, attributable to non-controlling interests		<b>17</b>	14
Liabilities		<b>479</b>	539
Non-current liabilities		<b>121</b>	123
Current liabilities	2	<b>359</b>	415
<b>Total equity and liabilities</b>		<b>1'869</b>	1'738
<b>Balance sheet equity ratio</b>		<b>74.4%</b>	69.0%

<b>Consolidated statement of changes in equity (condensed)</b>									
<b>In million CHF</b>	Share capital	Capital reserves (share premium)	Treasury shares	Retained earnings	Hedging reserves from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
<b>At 31.12.2012</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>1'150</b>	<b>10</b>	<b>-59</b>	<b>1'123</b>	<b>15</b>	<b>1'138</b>
Net changes from cash flow hedges, after taxes					-3		-3		-3
Remeasurements of defined benefit liability/ (asset), after taxes				0			0		0
Currency translation differences						-2	-2	0	-2
<b>Other comprehensive income, after taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-2</b>	<b>-4</b>	<b>0</b>	<b>-4</b>
Net income recognized in income statement				153			153	3	156
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>153</b>	<b>-3</b>	<b>-2</b>	<b>149</b>	<b>2</b>	<b>151</b>
Dividends paid				-3			-3	0	-3
<b>At 30.06.2013</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>1'301</b>	<b>8</b>	<b>-60</b>	<b>1'270</b>	<b>17</b>	<b>1'287</b>
<b>At 31.12.2013</b>	<b>0</b>	<b>22</b>	<b>-11</b>	<b>1'248</b>	<b>2</b>	<b>-76</b>	<b>1'185</b>	<b>14</b>	<b>1'199</b>
Net changes from cash flow hedges, after taxes					-2		-2		-2
Remeasurements of defined benefit liability/ (asset), after taxes				0			0		0
Currency translation differences						-3	-3	0	-3
<b>Other comprehensive income, after taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-3</b>	<b>-5</b>	<b>0</b>	<b>-5</b>
Net income recognized in income statement				181			181	3	184
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>181</b>	<b>-2</b>	<b>-3</b>	<b>176</b>	<b>3</b>	<b>179</b>
Transactions with non-controlling interest				0			0	0	-1
Transactions with treasury shares		1	11				12		12
Dividends paid							0	0	0
<b>At 30.06.2014</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>1'428</b>	<b>0</b>	<b>-79</b>	<b>1'373</b>	<b>17</b>	<b>1'389</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 half-year results for EMS-CHEMIE HOLDING AG domiciled in Switzerland and for its subsidiaries, for the reporting period ending on June 30, 2014. 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, 2013, 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, 2014 the EMS Group introduced following new and revised standards and interpretations, having no effect on the present consolidated interim financial statements.

- IAS 27, IFRS 10, IFRS 12: (amendments) – investment entities
- IAS 32 (amendments) – offsetting financial assets and financial liabilities
- IAS 36 (amendments) – recoverable amount disclosures for non-financial assets
- IAS 39 (amendments) – novation of derivatives and continuation of hedge accounting
- IFRIC 21 levies

## 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

In the prior period, the financial result includes the revaluation gain of the 50% stake in D Plast (CHF 23.1 million) (see note 5).

### 2 Current liabilities

On 31 January 2014 a bank loan of CHF 100 million was paid back.

### 3 Share capital

The share capital is CHF 0.234 million per 30.06.2014 (31.12.13: CHF 0.234 million).

### 4 Transactions with treasury shares

In the first half of 2014 a total of 6'546 treasury shares amounting to CHF 2.0 million were purchased and 42'746 treasury shares amounting to CHF 14.4 million were sold.

### 5 Cash outflow from purchase of participations

On January 15, 2014, the 75% participation in EFTEC (Elabuga) OOO was increased to 100%. The difference between the purchase price of KCHF 731 and the carrying amount of the non-controlling interests of KCHF 266 was accounted for as equity transaction.

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
<b>Goodwill</b>	<b>27.4</b>

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
<b>Fair value of assets acquired</b>	<b>80.6</b>
Purchase price paid	60.0
Cash and cash equivalents of subsidiary acquired	-13.3
<b>Cash outflow from purchase of fully consolidated companies</b>	<b>46.7</b>

## 6 Subsequent events

On August 9, 2014 the Annual General Meeting approved payment of a dividend of CHF 11.00 gross per dividend bearing registered share. On August 15, 2014, total dividends amounting to CHF 257.3 million were paid. The Board of Directors approved the interim consolidated financial statements on August 22, 2014.

As of beginning July 2014, the Business Unit EMS-EFTEC expanded its leading market position as global automotive supplier and took over from its Mexican partner their 2/3 shareholding in the joint venture Grupo Placosa EFTEC S.A. de C.V., Mexico. With this complete take over, EMS-EFTEC intends to further expand its business in the growing Mexican market. The joint venture achieved net sales of CHF 32 million in 2013 and employs a work force of 154 people. The purchase price was CHF 8.2 Mio.

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	
	2014 Jan-Jun	2013 Jan-Jun	2014 Jan-Jun	2013 Jan-Jun	2014 Jan-Jun	2013 Jan-Jun
<b>Net sales revenue</b>	<b>860</b>	818	<b>140</b>	135	<b>999</b>	954
Change	<b>+5.0%</b>		<b>+3.3%</b>		<b>+4.8%</b>	
In local currencies	<b>+9.8%</b>		<b>+6.6%</b>		<b>+9.4%</b>	
Effect of consolidation	<b>+2.8%</b>		<b>+0.0%</b>		<b>+2.4%</b>	
<b>EBITDA</b>	<b>211</b>	181	<b>31</b>	29	<b>242</b>	210
In % of net sales revenue	<b>24.5%</b>	22.1%	<b>22.0%</b>	21.3%	<b>24.2%</b>	22.0%
Depreciation, amortisation and impairments	<b>23</b>	22	<b>4</b>	4	<b>27</b>	27
<b>Net operating income (EBIT)</b>	<b>188</b>	159	<b>27</b>	24	<b>215</b>	183
In % of net sales revenue	<b>21.9%</b>	19.4%	<b>19.0%</b>	18.0%	<b>21.5%</b>	19.2%
Net financial income					<b>4</b>	12
<b>Net income before taxes</b>					<b>219</b>	195
Income taxes					<b>(35)</b>	(39)
<b>Net income</b>					<b>184</b>	156

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

Segment assets show no significant changes.

\* \* \* \* \*