

***Half-Year Report 2017***  
***of the EMS Group***



EMS-CHEMIE HOLDING AG  
Domat/Ems Switzerland

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## The EMS Group in the first half of 2017

The EMS Group, with its companies combined in EMS-CHEMIE HOLDING AG, is globally active in the business areas **High Performance Polymers** and **Specialty Chemicals**. In the first half of 2017, **net sales** increased by 6.3% and **operating profit (EBIT)** by 5.8% compared to the previous year.

Consolidated **net sales** in Swiss Francs reached CHF 1,066 million (1,002) which represents a growth of 6.3% compared to previous year. As expected, overall economic development in the main markets China, Europe and NAFTA slowed. EMS was able however, to expand its business with innovative speciality products in all regions and customer markets. Particularly pleasing growth was achieved in Asia.

**Operating profit (EBIT)** increased to CHF 280 million (265), 5.8% above previous year. The operational cash flow (EBITDA) rose by 5.3% to reach CHF 306 million (291). The EBIT margin reached 26.3% (26.4%), the EBITDA margin 28.7% (29.0%). New business with specialty products had a positive effect on result development. Continuing supply shortages are causing raw material prices to increase strongly, making customer sales price increases unavoidable.

**Net financial income** amounted to CHF -5 Mio. (-5).

**Net profit** for the first half of 2017 was CHF 229 million (215) which is 6.5% above the previous year.

**Equity** increased to CHF 1,663 million (31.12.2016: CHF 1,428 million). The **equity ratio** is 74.3% (31.12.2016: 71.9%).

## Comments on the individual business areas in the first half of 2017

In the main business area **High Performance Polymers**, EMS was able to successfully continue growth with speciality products. New business in Asia developed in an especially pleasing way. New application developments providing customers with cost and weight reductions continue to be received well in the market.

The secondary business area **Specialty Chemicals** developed as expected. As in the main area of High Performance Polymers, raw material prices also increased strongly, making sales price increases unavoidable.

### Forecast 2017

For 2017, EMS continues to expect a restrained global economy. Raw material prices may also remain at a high level. Global economic growth may slow further. Political instability could cause turbulence in financial and consumer markets.

EMS is confident with regard to development of its own business. The successful strategy of growth with speciality products in the field of high-performance polymers will be continued. Existing market potential will be continually and consistently exploited with innovative products and solutions being quickly launched onto global markets.

For 2017, EMS continues to expect net sales and net operating income (EBIT) slightly above 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 2017

In million CHF	Notes	2017 Jan-Jun	2016 Jan-Jun
<b>Consolidated income statement (condensed)</b>			
<b>Net sales revenue</b>		<b>1'066</b>	1'002
Change		<b>+6.3%</b>	
Currency effect		<b>-1.2%</b>	
<b>Operating profit before depreciation and amortisation<sup>1)</sup></b>		<b>306</b>	291
Change		<b>+5.3%</b>	
In % of net sales revenue		<b>28.7%</b>	29.0%
<b>Operating profit<sup>1)</sup></b>		<b>280</b>	265
Change		<b>+5.8%</b>	
In % of net sales revenue		<b>26.3%</b>	26.4%
<b>Net financial income</b>	1	<b>(5)</b>	(5)
<b>Profit before taxes</b>		<b>275</b>	260
Change		<b>+6.0%</b>	
<b>Income taxes</b>		<b>(46)</b>	(45)
<b>Net profit</b>		<b>229</b>	215
Change		<b>+6.5%</b>	
In % of net sales revenue		<b>21.5%</b>	21.5%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		<b>225</b>	213
<i>Non-controlling interests</i>		<b>4</b>	2
<b>Earnings per share (in CHF)</b>			
Basic / Diluted <sup>2)</sup>		<b>9.62</b>	9.10

<sup>1)</sup> The segment information by business area can be found on page 12.

<sup>2)</sup> The average weighted number of outstanding registered shares for the calculation is 23'383'720 shares on 30.06.2017 (30.06.2016: 23'381'875 shares). There is no earnings dilution.

In million CHF	Notes	2017 Jan-Jun	2016 Jan-Jun
<b>Consolidated statement of comprehensive income (condensed)</b>			
<b>Net income recognised in income statement</b>		<b>229</b>	215
Actuarial gains/(losses) from defined benefit pension plans, net of tax	2	<u>2</u>	<u>(25)</u>
<b>Items that will not be reclassified to income statement, net of tax</b>		<b><u>2</u></b>	<b><u>(25)</u></b>
Net changes from cash flow hedges, net of tax	3	<u>2</u>	9
Currency translation differences	4	<u>(2)</u>	<u>1</u>
<b>Items that are or may be reclassified to profit or loss</b>		<b><u>(0)</u></b>	<b><u>10</u></b>
<b>Other comprehensive income</b>		<b><u>1</u></b>	<b><u>(15)</u></b>
<b>Comprehensive income</b>		<b><u>230</u></b>	<b><u>200</u></b>
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		<b>227</b>	198
Non-controlling interests		<b>3</b>	3
<b>Consolidated statement of cash flows (condensed)</b>			
<b>Cash flow from operating activities</b>	<b>A</b>	<b>148</b>	185
<b>Cash flow from investing activities</b>	<b>B</b>	<b>(160)</b>	(127)
<i>Paid withholding taxes</i>	5	(133)	(106)
<i>Purchase of intangible assets and property, plant and equipment</i>		(26)	(31)
<i>Interest received</i>		0	0
<i>Disposal of interest-bearing assets</i>		0	10
<b>Cash flow from financing activities</b>	<b>C</b>	<b>0</b>	(2)
<i>Repayment of interest-bearing liabilities</i>		(4)	0
<i>Borrowing of interest-bearing liabilities</i>		0	3
<i>Dividends paid to non-controlling interests</i>		(1)	(1)
<i>Purchase of treasury shares</i>	6	0	(4)
<i>Sale of treasury shares</i>	6	5	0
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b>(12)</b>	57
Cash and cash equivalents at 1.1.		<b>385</b>	433
Translation difference on cash and cash equivalents		<u>(2)</u>	<u>1</u>
Cash and cash equivalents at 30.6.		<b>371</b>	491
<b>Additional key figures</b>			
Cash flow <sup>*)</sup>		<b>255</b>	241
In % of net sales revenue		<b>23.9%</b>	24.0%
<b>Investments</b>		<b>26</b>	31
In % of cash flow		<b>10.2%</b>	13.1%
<b>Number of employees at 30.06</b>		<b>2'909</b>	2'850

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

In million CHF	Notes	30.06.2017	31.12.2016
<b>Consolidated balance sheet (condensed)</b>			
Non-current assets		644	647
Intangible assets		75	78
Property, plant and equipment		535	533
Investments		0	0
Other non-current assets		6	7
Derivative financial instruments		0	4
Deferred income tax assets		27	26
Current assets		1'592	1'337
Inventories		320	300
Receivables	5	888	649
Derivative financial instruments		13	4
Cash and cash equivalents		371	385
<b>Total assets</b>		<b>2'237</b>	<b>1'985</b>
Equity		1'663	1'428
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1'637	1'405
Share capital	7	0	0
Retained earnings and reserves		1'412	960
Treasury shares	6	0	-4
Net income		225	449
Equity, attributable to non-controlling interests		25	23
Liabilities		574	557
Non-current liabilities		201	190
Derivative financial instruments		2	0
Bank loans		0	3
Other non-current liabilities		0	0
Deferred income tax liabilities		105	97
Pension liabilities		65	62
Provisions		28	28
Current liabilities		373	367
Derivative financial instruments		15	13
Bank loans		8	9
Trade payables		136	106
Income tax liabilities	8	38	61
Provisions		5	4
Other current liabilities		172	173
<b>Total equity and liabilities</b>		<b>2'237</b>	<b>1'985</b>
<b>Balance sheet equity ratio</b>		<b>74.3%</b>	<b>71.9%</b>

<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	<b>Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG</b>	Equity, attributable to non-controlling interests	<b>Equity</b>
<b>At 31.12.2015</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>1'389</b>	<b>(15)</b>	<b>(108)</b>	<b>1'290</b>	<b>22</b>	<b>1'312</b>
Net changes from cash flow hedges <sup>3)</sup>					9		9		9
Actuarial losses from defined benefit plans <sup>2)</sup>				(25)			(25)		(25)
Currency translation differences <sup>4)</sup>						1	1	0	1
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(25)</b>	<b>9</b>	<b>1</b>	<b>(15)</b>	<b>0</b>	<b>(15)</b>
Net profit recognized in income statement				213			213	2	215
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>188</b>	<b>9</b>	<b>1</b>	<b>198</b>	<b>3</b>	<b>200</b>
Transactions with treasury shares <sup>6)</sup>		0	(4)				(4)		(4)
Dividends paid				0			0	(1)	(1)
<b>At 30.06.2016</b>	<b>0</b>	<b>24</b>	<b>(4)</b>	<b>1'577</b>	<b>(6)</b>	<b>(107)</b>	<b>1'484</b>	<b>23</b>	<b>1'508</b>
<b>At 31.12.2016</b>	<b>0</b>	<b>24</b>	<b>(4)</b>	<b>1'496</b>	<b>(5)</b>	<b>(106)</b>	<b>1'405</b>	<b>23</b>	<b>1'428</b>
Net changes from cash flow hedges <sup>3)</sup>					2		2		2
Actuarial gains from defined benefit plans <sup>2)</sup>				2			2		2
Currency translation differences <sup>4)</sup>						(1)	(1)	(1)	(2)
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>(1)</b>	<b>2</b>	<b>(1)</b>	<b>1</b>
Net profit recognized in income statement				225			225	4	229
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>227</b>	<b>2</b>	<b>(1)</b>	<b>227</b>	<b>3</b>	<b>230</b>
Transactions with treasury shares <sup>6)</sup>		1	4				5		5
Dividends paid				0			0	(1)	(1)
<b>At 30.06.2017</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>1'722</b>	<b>(4)</b>	<b>(107)</b>	<b>1'637</b>	<b>25</b>	<b>1'663</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, 2017. 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, 2016, 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.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

### Changes to the consolidated accounting principles

The EMS Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from 1 January 2018 and beyond after 2018, as summarised below.

**IFRS 9 "Financial Instruments"**. The EMS Group plans to implement the new standard effective 1 January 2018. The Group does not currently anticipate that the comparative 2017 results will be restated when the new standard is applied. The standard deals with the classification, recognition and measurement (including

impairment) of financial instruments, the impairment of financial assets, including trade and lease receivables, and also introduces a new hedge accounting model.

**IFRS 15 "Revenues from Contracts with Customers"**. The EMS Group plans to implement the new standard effective 1 January 2018. The EMS Group does not anticipate that the new standard will change the amounts of revenue recognised for 2017 and therefore then no restatement should be necessary. The new standard contains a new set of principles on when and how to recognise and measure revenue as well as new requirements related to presentation. The core principle in that framework is that revenue should be recognised dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services.

**IFRS 16 "Leases"**. The EMS Group plans to implement the new standard effective 1 January 2019 and will apply the cumulative catch-up method option for the transition, meaning that the comparative 2018 results will not be restated when the new standard is applied. The main impact of the new standard will be to bring operating leases on-balance sheet. The Group is assessing the potential impact. The application of the new standard will result in part of what is currently reported as operating lease costs being recorded as interest expenses. Given the leases involved and the prevailing low interest rate environment the EMS Group does not currently expect this effect to be material

## Notes

### 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.

#### 1 Net financial income

The net financial income comprises the interest result of CHF 0 million (0), the foreign exchange result of CHF -4 million (-4) and the other financial result of CHF 0 million (-1).

#### 2 Actuarial gains/(losses) from defined benefit pensions plans, net of tax

In the first half of 2017, the discount rate for the defined benefit obligation climbed from 0.60% to 0.72%. In the prior year period the discount rate declined from 0.75% to 0.21%.

#### 3 Net changes from cash flow hedges, after taxes

In the first half of 2017, the deferred unrealized losses of the open foreign exchange hedges in the equity amounted to CHF -4 million (-6). In the first half of 2017, CHF 4 million realized losses were transferred to the income statement (4).

#### 4 Currency translation differences

For the first half of 2017, the change from IAS 21 "Net investment in a foreign operation" amounts to CHF 6 million (6), the change in the currency translation adjustment resulting from the translation of subsidiaries with a different functional currency amounts to CHF -8 million (-6).

#### 5 Cash flow from investing activities / Receivables

As of June 30 2017, the receivables include a FTA withholding tax receivable of CHF 366 million (31 December 2016: CHF 233 million).

#### 6 Treasury shares

In the first half of 2017 7'751 treasury shares were sold at an average market price of CHF 652.38. In the first half of 2016 7'751 treasury shares were purchased at an average market price of CHF 456.73.

#### 7 Share capital

The share capital is CHF 0.234 million per 30.06.2017 (31.12.2016: CHF 0.234 million).

#### 8 Deferred income tax liabilities

In the first half of 2017 CHF 65.9 million tax was paid (-76.0).

## 9 Subsequent events

On August 12, 2017 the Annual General Meeting approved payment of a dividend of CHF 17.00 gross per dividend bearing registered share. On August 17, 2017, total dividends amounting to CHF 397.6 million were paid. The Board of Directors approved the interim consolidated financial statements on August 27, 2017.

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	
	2017 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun	2016 Jan-Jun
<b>Net sales revenue</b>	<b>931</b>	868	<b>135</b>	134	<b>1'066</b>	1'002
Change	<b>+7.2%</b>		<b>+0.5%</b>		<b>+6.3%</b>	
Currency effect	<b>-1.2%</b>		<b>-1.3%</b>		<b>-1.2%</b>	
<b>Operating profit before Depreciation and Amortisation</b>	<b>268</b>	255	<b>38</b>	36	<b>306</b>	291
In % of net sales revenue	<b>28.8%</b>	29.4%	<b>28.1%</b>	26.6%	<b>28.7%</b>	29.0%
Depreciation, amortisation and impairments	<b>22</b>	22	<b>3</b>	4	<b>26</b>	26
<b>Operating profit</b>	<b>246</b>	233	<b>34</b>	32	<b>280</b>	265
In % of net sales revenue	<b>26.4%</b>	26.8%	<b>25.5%</b>	23.9%	<b>26.3%</b>	26.4%
Net financial income					<b>(5)</b>	(5)
<b>Net income before taxes</b>					<b>275</b>	260
Income taxes					<b>(46)</b>	(45)
<b>Net income</b>					<b>229</b>	215

Net sales revenue, operating profit before depreciation and amortisation and operating profit between the business areas are not material.

Segment assets and segment liabilities show no significant changes.

\* \* \* \* \*