

Half-Year Report 2020
of the EMS Group



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

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The EMS Group in the first half of 2020

The EMS Group, with its companies combined in the EMS-CHEMIE HOLDING AG and globally active in the business areas **High Performance Polymers** and **Specialty Chemicals**, achieved **net sales** of CHF 845 million (1,154) and a **net operating income (EBIT)** of CHF 227 million (316) in the first half year of 2020. **Net liquidity** rose from CHF 696 per 31.12.2019 to CHF 863 million.

National COVID-19 measures had an extremely strong impact on the global economy. Shops remained closed for several weeks and demand for industrial goods ground practically to a standstill. The global automotive industry was also strongly affected. In the meantime, with a few exceptions, the automotive plants have all restarted production.

EMS launched comprehensive measures at all sites and at a very early stage to prevent infection of employees with COVID-19. Company stocks of protective masks, gloves and glasses worldwide were already massively increased mid-January 2020 and minimum distances implemented at all workplaces. Hygiene measures were introduced, travel and receiving visitors were banned and shortly afterwards, all clerical employees were relocated to home offices. In order to ensure delivery reliability at all times, local inventories of raw materials were stocked and stocks of finished goods built up near customer plants. Thanks to these farsighted measures, the delivery capability of all EMS production sites was ensured at all times.

With efficiency programmes, extremely cautious recruiting policies and quickly implemented cost-reducing measures, EMS had already prepared in 2019 for a drop in the economy. Organisation, processes, production and inventory stocks were continually adjusted to the lower sales volumes during the first half of 2020. At the international locations, vacation and flexible working hours were taken and short working hours introduced. In Switzerland, sales fluctuations were absorbed through the annual working hours model. As a sign of solidarity, the Board of Directors and Executive Management of EMS voluntarily took since April 2020 and until further notice a 15% reduction in fees and fix salaries.

EMS continued to develop new and innovative specialty products and rapidly recognized opportunities being presented in the market. Thanks to its strong position with specialties and rapid and decisive actions, EMS was able to achieve a considerable operational cash flow margin (EBITDA) of 30.0% (29.9%) despite a significant drop in net sales and development work for future new business being continued. The **net operating income (EBIT)** achieved in the first half year amounted to CHF 227 million (316) and the EBIT margin 26.8% (27.4%). The operational cash flow (EBITDA) was CHF 254 million (345).

Net financial income amounted to CHF -2 Mio. (-1).

Net income for the first half of 2020 was CHF 192 million (266) which is -27.8% below the previous year. **Equity** increased to CHF 1,837 million (31.12.2019: CHF 1,663 million). The **equity ratio** is 79.1% (31.12.2019: 75.6%).

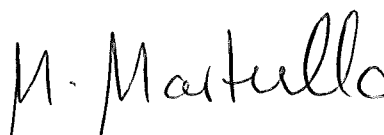
Forecast 2020

The whole business year 2020 will remain globally impacted by the economic slump caused by COVID-19. How quickly consumer demand will return to normal levels depends strongly on the respective epidemiologic and financial state measures. Depending on the shape these take, it is conceivable that sudden and selective periods of growth or slumps will occur and that these may be accompanied by currency shifts. The consumer and investment mood may be further negatively impacted and fluctuate.

EMS is continually monitoring development of the markets and is prepared to take further flexible and rapid actions. Thanks to innovative, high-margin speciality business, plentiful liquidity and a strong equity ratio, EMS considers itself in good shape to make independent and uncomplicated use of opportunities as they arise.

The successful strategy of speciality products in the main area of High Performance Polymers proves to be right also in times of crisis and will be continued. The global markets will be continually developed with new products and applications and additional business generated based on strong market positions. Innovative and customer-oriented development activities enable EMS to rapidly recognize market demands and to utilize them in a flexible way.

Based on the extraordinary market slump, EMS continues to expect net operating income (EBIT) for 2020 to be below previous year.



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

Financial report of the EMS Group for the first half of 2020

In million CHF	Notes	2020 Jan-Jun	2019 Jan-Jun
Consolidated income statement (condensed)			
Net sales revenue from goods and services		845	1'154
Change		-26.8%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹⁾		254	345
Change		-26.4%	
In % of net sales revenue		30.0%	29.9%
Net operating income (EBIT) ¹⁾		227	316
Change		-28.2%	
In % of net sales revenue		26.8%	27.4%
Net financial income	1	(2)	(1)
Net income before taxes		224	315
Change		-28.7%	
Income taxes		(32)	(48)
Net income		192	266
Change		-27.8%	
In % of net sales revenue		22.8%	23.1%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		191	265
<i>Non-controlling interests</i>		1	2
Earnings per share (in CHF)			
Basic / Diluted ²⁾		8.18	11.32

¹⁾ The segment information by business area can be found on page 12.

²⁾ The average weighted number of outstanding registered shares for the calculation is 23'389'028 shares on 30.06.2020 (30.06.2019: 23'389'028 shares). There is no earnings dilution.

In million CHF	Notes	2020 Jan-Jun	2019 Jan-Jun
Consolidated statement of comprehensive income (condensed)			
Net income recognised in income statement		192	266
Actuarial gains/(losses) from defined benefit pension plans, net of tax	2	<u>(1)</u>	<u>(17)</u>
Items that will not be reclassified to income statement, net of tax		(1)	(17)
Net changes from cash flow hedges, net of tax	3	<u>(1)</u>	3
Currency translation differences	4	<u>(16)</u>	<u>(6)</u>
Items that are or may be reclassified to profit or loss		(17)	(2)
Other comprehensive income		(17)	(19)
Comprehensive income		<u>175</u>	<u>247</u>
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		174	246
<i>Non-controlling interests</i>		1	2
Consolidated statement of cash flows (condensed)			
Cash flow from operating activities	A	225	255
Cash flow from investing activities	B	(221)	(185)
<i>Paid withholding taxes</i>	5	<u>(171)</u>	<u>(153)</u>
<i>Purchase of intangible assets and property, plant and equipment</i>		<u>(30)</u>	<u>(33)</u>
<i>Disposal of interest-bearing assets</i>		<u>(21)</u>	<u>(0)</u>
Cash flow from financing activities	C	(2)	5
<i>Repayment of interest-bearing liabilities</i>		<u>(2)</u>	0
<i>Borrowing of interest-bearing liabilities</i>		<u>0</u>	6
<i>Dividends paid to non-controlling interests</i>		<u>(1)</u>	<u>(1)</u>
Increase/(decrease) in cash and cash equivalents	(A+B+C)	2	75
Cash and cash equivalents at 1.1.		253	287
Translation difference on cash and cash equivalents		<u>(5)</u>	<u>(1)</u>
Cash and cash equivalents at 30.6.		250	361
Additional key figures			
Net liquidity ¹⁾		863	696
Change		+24.0%	
Investments		25	33
Number of employees at 30.06.		2'537	2'855

¹⁾ Net liquidity = cash and cash equivalents plus short-term financial instruments plus withholding tax credit, less financial liabilities (without leasing liabilities)

In million CHF	Notes	30.06.2020	31.12.2019
Consolidated balance sheet (condensed)			
Non-current assets		684	666
Intangible assets		62	64
Property, plant and equipment		541	543
Rights of use of leased assets		18	16
Investments		0	0
Other non-current assets		47	27
Derivative financial instruments		2	0
Deferred income tax assets		14	15
Current assets		1'639	1'548
Inventories		465	450
Trade receivables		236	322
Income tax assets		10	11
Other current assets	5	664	495
Derivative and other financial assets		14	17
Cash and cash equivalents		250	253
Total assets		2'322	2'213
Equity		1'860	1'686
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1'837	1'663
Share capital	6	0	0
Retained earnings and reserves		1'837	1'662
Equity, attributable to non-controlling interests		23	23
Liabilities		463	528
Non-current liabilities		171	176
Non-current financial liabilities	7	18	15
Other non-current liabilities		0	0
Deferred income tax liabilities		76	80
Employee benefit liability		57	60
Provisions		20	20
Current liabilities		291	352
Derivative financial instruments		0	1
Current financial liabilities	7	5	6
Trade payables		96	128
Income tax liabilities	8	62	87
Provisions		1	1
Other current liabilities		126	128
Total equity and liabilities		2'322	2'213
Balance sheet equity ratio ^{*)}		79.1%	75.1%

*) Excluding non-controlling interests

Consolidated statement of changes in equity (condensed)									
In million CHF	Share capital	Capital reserves (share premium)	Treasury shares	Retained earnings	Hedging reserves	Trans-lation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
At 31.12.2018	0	26	0	1'687	10	(98)	1'625	20	1'645
Net changes from cash flow hedges ³⁾					3		3		3
Actuarial gains from defined benefit plans ²⁾				(17)			(17)		(17)
Currency translation differences ⁴⁾						(5)	(5)	0	(5)
Other comprehensive income	0	0	0	(17)	3	(5)	(19)	0	(19)
Net profit recognized in income statement				265			265	2	266
Comprehensive income	0	0	0	248	3	(5)	246	2	248
Transactions with treasury shares ⁶⁾		0	0				0		0
Dividends paid				0			0	(1)	(1)
At 30.06.2019	0	26	0	1'935	13	(103)	1'871	20	1'891
At 31.12.2019	0	26	0	1'738	14	(116)	1'663	23	1'686
Net changes from cash flow hedges ³⁾					(1)		(1)		(1)
Actuarial gains from defined benefit plans ²⁾				(1)			(1)		(1)
Currency translation differences ⁶⁾						(15)	(15)	(1)	(16)
Other comprehensive income	0	0	0	(1)	(1)	(15)	(17)	(1)	(17)
Net profit recognized in income statement				191			191	1	192
Comprehensive income	0	0	0	191	(1)	(15)	174	1	175
Transactions with treasury shares ⁶⁾							0		0
Dividends paid				0			0	(1)	(1)
At 30.06.2020	0	26	0	1'929	13	(131)	1'837	23	1'860

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, 2020. 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, 2019, 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.

For these consolidated interim financial statements, the impact of the COVID-19 outbreak and containment measures taken by various governments are considered as far as already implemented and assessments for the future are made based on various scenarios. The EMS Group has analyzed whether any triggering events can be identified that would indicate an impairment of its assets. As of June 30, 2020, no impairment of assets needed to be recognized.

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.

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 -2 million (-1).

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

In the first half of 2020, the discount rate used to value the pension obligation remained constant at 0.30%. In the prior year period the discount rate decreased from 0.80% to 0.30%.

3 Net changes from cash flow hedges, after taxes

In the first half of 2020, the deferred unrealized losses of the open foreign exchange hedges in the equity amounted to CHF 13 million (13). In the first half of 2020, CHF -1 million realized losses were transferred to the income statement (3).

4 Currency translation differences

For the first half of 2020, the change from IAS 21 "Net investment in a foreign operation" amounts to CHF -5 million (-5), the change in the currency translation adjustment resulting from the translation of subsidiaries with a different functional currency amounts to CHF -10 million (0).

5 Cash flow from investing activities / other current assets

As of June 30, 2020, other current assets include a FTA withholding tax receivable of CHF 600 million (31.12.2019: CHF 428 million).

6 Share capital

The share capital is CHF 0.234 million per 30.06.2020 (31.12.2019: CHF 0.234 million).

7 Financial liabilities

As of June 30, 2020, financial liabilities include non-current lease liabilities of CHF 18 million and current lease liabilities of CHF 1 million.

8 Deferred income tax liabilities

In the first half of 2020, CHF 57 million tax was paid (49).

9 Subsequent events

On August 8, 2020 the Annual General Meeting approved payment of a dividend of CHF 20.00 gross per dividend bearing registered share. On August 13, 2020, total dividends amounting to CHF 468 million were paid. The Board of Directors approved the interim consolidated financial statements on August 20, 2020.

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	
	2020 Jan-Jun	2019 Jan-Jun	2020 Jan-Jun	2019 Jan-Jun	2020 Jan-Jun	2019 Jan-Jun
Net sales revenue	741	1'016	104	138	845	1'154
EBITDA	224	306	30	39	254	345
In % of net sales revenue	30.2%	30.1%	28.4%	28.4%	30.0%	29.9%
Depreciation, amortisation and impairments	24	26	3	3	27	29
Net operating income (EBIT)	200	280	27	36	227	316
In % of net sales revenue	27.0%	27.5%	25.9%	26.1%	26.8%	27.4%
Net financial income					(2)	(1)
Net income before taxes					224	315
Income taxes					(32)	(48)
Net income					192	266

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

Segment information by geographical region

In million CHF	Total net sales revenue (customers)			
	2020		2019	
	Jan-Jun	in %	Jan-Jun	in %
Europe	462	54.7%	655	56.7%
Asia	232	27.4%	281	24.3%
America	141	16.7%	207	17.9%
Others	10	1.2%	12	1.0%
Total net sales revenue	845	100.0%	1'154	100.0%

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