

Half-Year Report 2023
of the EMS Group



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

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The EMS Group in the first half of 2023

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** amounting to CHF 1,183 million (1,284) and a **net operating income (EBIT)** of CHF 280 million (324), in the first half-year of 2023. Successfully realized new business was not able to make up for the general restraint shown by consumers and companies or the effect of weaker foreign currencies to the Swiss Franc. In local currencies, net sales were 1.9% lower than the previous year.

As expected, the global economy developed in restrained way during the first half of 2023. In Europe, high core inflation, unresolved energy as well as geopolitical issues, are having a dampening effect on the consumer and purchasing mood. In China, meanwhile, recovery of the consumer mood is sluggish. American consumer spending is also increasingly affected by higher interest rates.

Already at the beginning of the year, EMS prepared for weaker market development. The proven strategy of concentration on specialties, in the main business area of High Performance Polymers, will be continued without change, and development and expansion projects for new business with profitable specialties pushed ahead. Planned new business was realized successfully and net sales in local currencies 0.5% higher than in the previous year were achieved. New products and solutions providing cost and energy savings were realized together with customers, in particular in the automotive industry, and introduced into the market.

Due to its strong position with specialties and decisive action, EMS was able to achieve an EBITDA margin of substantial 25.8% (27.5%), despite lower sales volumes and unfavorable foreign currencies. Development activities for future business were not limited, but on the contrary, even expanded.

With its innovative specialties, EMS has consistently generated high result margins and a strong free cash flow. Accordingly, EMS has high liquidity stock and a pleasing equity ratio. EMS holds no financial debt and is therefore, not affected by the ongoing rise in interest rates. In the first half-year of 2023, net liquidity increased by CHF 200 million to reach a total of CHF 636 million. EMS considers itself accordingly in good shape to quickly and flexibly take further advantage of opportunities in the market.

Consolidated **net sales** decreased compared to the previous year by -7.9% to close at CHF 1,183 million (1,284). Thanks to its strong specialty position, EMS was able to achieve a **net operating income (EBIT)** of CHF 280 million (324) which is -13.7% below previous year. The EBIT margin reached 23.6% (25.2%), the EBITDA margin 25.8% (27.5%). The operational cash flow (EBITDA) amounted to CHF 305 million (354).

Net financial income amounted to CHF +0 Mio. (+7).

Net income for the first half of 2023 was CHF 247 million (286) which is -13.6% below the previous year. **Equity** attributable to shareholders of EMS-CHEMIE Holding AG increased to CHF 2,031 million (31.12.2022: CHF 1,816 million). The **equity ratio** is 82.6% (31.12.2022: 78.4%).

Outlook 2023

For 2023 as a whole, EMS is expecting a weaker of the global economy. High core inflation coupled with higher interest rates will have a lasting negative effect on consumer spending in Europe and the USA. In addition, European industry is suffering under worsening framework conditions. In China, also due to the stagnating construction industry, no clear recovery can be expected soon.

EMS will continue to follow the successful strategy of concentration on specialties in the main area of High Performance Polymers. In the currently challenging economic situation, innovative solutions focusing on achievement of cost, fuel and CO2 savings are in great demand from international customers. EMS will intensify its development activities and, in addition, has decided to massively increase customer-oriented development in Asia. The short development times of Asian customers allows EMS to quickly realize new business in these markets. EMS will thereby place particular focus on innovative development projects within the ambitious Chinese electric vehicle industry. EMS will expand its global market position and achieve disproportionately higher growth compared to the market.

EMS remains confident for the future. Significant growth of business in China, as well as the USA, is expected for the next years. Future developments in Europe will depend on its regional economic policy. To satisfy rising demand, EMS is investing CHF 300 million in capacity expansion at the main production site in Domat/Ems (Switzerland). The program is being implemented as planned.

Also in the field of sustainability, EMS has already been a pioneer for decades. By saving weight and energy, especially in the automotive industry, a further reduction of 64,800 tons of CO2 emissions is achieved every year. The performance at EMS production locations also looks very impressive as focus was put very early on process improvements and energy savings, bio-mass power and hydroelectricity. With these measures, EMS has already been CO2-neutral at all locations worldwide since 2020! Further programs have been implemented.

For 2023 as a whole, and due to the weak global economy and an unfavorable currency situation, EMS is now expecting net sales and net operating income (EBIT) 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 2023

In million CHF	Notes	2023 Jan-Jun	2022 Jan-Jun
Consolidated income statement (condensed)			
Net sales revenue from goods and services		1'183	1'284
Change		-7.9%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹⁾		305	354
Change		-13.7%	
In % of net sales revenue		25.8%	27.5%
Net operating income (EBIT) ¹⁾		280	324
Change		-13.7%	
In % of net sales revenue		23.6%	25.2%
Net financial income	1	0	7
Net income before taxes		280	331
Change		-15.4%	
Income taxes		(33)	(45)
Net income		247	286
Change		-13.6%	
In % of net sales revenue		20.9%	22.2%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		245	285
<i>Non-controlling interests</i>		1	0
Earnings per share (in CHF)			
Basic / Diluted ²⁾		10.49	12.20

1) The segment information by business area can be found on page 13.

2) The average weighted number of outstanding registered shares for the calculation is 23'389'028 shares on 30.06.2023 (30.06.2022: 23'389'028 shares). There is no earnings dilution.

In million CHF	Notes	2023 Jan-Jun	2022 Jan-Jun
Consolidated statement of comprehensive income (condensed)			
Net income recognised in income statement		247	286
Actuarial gains/(losses) from defined benefit pension plans, net of tax		<u>0</u>	<u>0</u>
Items that will not be reclassified to income statement, net of tax		0	0
Net changes from cash flow hedges, net of tax	2	(12)	3
Currency translation differences	3	(20)	(11)
Items that are or may be reclassified to profit or loss		(32)	(8)
Other comprehensive income		(32)	(8)
Comprehensive income		<u>215</u>	<u>278</u>
<i>Of which attributable to:</i>			
Shareholders of EMS-CHEMIE HOLDING AG		215	278
Non-controlling interests		(0)	(0)
Consolidated statement of cash flows (condensed)			
Cash flow from operating activities	A	248	145
Cash flow from investing activities	B	(261)	(127)
<i>Paid withholding taxes</i>	4	0	(84)
<i>Purchase of intangible assets and property, plant and equipment</i>		(32)	(42)
<i>Disposal of interest-bearing assets</i>		(1)	(2)
Cash flow from financing activities	C	(2)	10
<i>Repayment of interest-bearing liabilities</i>		(0)	10
<i>Borrowing of interest-bearing liabilities</i>		0	0
<i>Dividends paid to non-controlling interests</i>		(2)	(1)
Increase/(decrease) in cash and cash equivalents	(A+B+C)	(16)	28
Cash and cash equivalents at 1.1.		249	111
Translation difference on cash and cash equivalents		<u>(2)</u>	<u>(0)</u>
Cash and cash equivalents at 30.6.		231	139
Additional key figures			
Cash flow ¹⁾		272	315
In % of net sales revenue		23.0%	24.6%
Investments		32	42
Number of employees at 30.06.		2'708	2'649

1) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment

In million CHF	Notes	30.06.2023	31.12.2022
Consolidated balance sheet (condensed)			
Non-current assets		738	745
Intangible assets		58	59
Property, plant and equipment		611	608
Rights of use of leased assets		11	13
Investments		0	0
Other non-current assets		33	37
Derivative financial instruments		4	8
Deferred income tax assets		21	22
Current assets		1'721	1'571
Inventories		578	678
Trade receivables		354	333
Income tax assets		12	8
Other current assets	4	172	171
Derivative and other financial assets		25	132
Cash and cash equivalents		231	249
Total assets		2'459	2'316
Equity		2'057	1'844
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		2'031	1'816
Share capital	5	0	0
Retained earnings and reserves		2'031	1'816
Equity, attributable to non-controlling interests		26	29
Liabilities		402	472
Non-current liabilities		94	98
Non-current financial liabilities	6	6	9
Other non-current liabilities		0	0
Deferred income tax liabilities		72	72
Employee benefit liability		9	10
Provisions		7	7
Current liabilities		308	374
Derivative financial instruments		0	0
Current financial liabilities	6	6	5
Trade payables		112	132
Income tax liabilities	7	57	99
Provisions		3	2
Other current liabilities		130	137
Total equity and liabilities		2'459	2'316
Balance sheet equity ratio ^{*)}		82.6%	78.4%

*) 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	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
At 31.12.2021	0	26	0	1'894	28	(149)	1'799	29	1'828
Net changes from cash flow hedges ²⁾					3		3		3
Actuarial gains from defined benefit plans							0		0
Currency translation differences ³⁾				(0)		(10)	(10)	(0)	(11)
Other comprehensive income	0	0	0	(0)	3	(10)	(7)	(0)	(8)
Net profit recognized in income statement				285			285	0	286
Comprehensive income	0	0	0	285	3	(10)	278	(0)	278
Transactions with treasury shares ⁵⁾							0		0
Dividends paid				0			0	(1)	(1)
At 30.06.2022	0	26	0	2'179	31	(159)	2'077	29	2'106
At 31.12.2022	0	26	0	1'936	33	(178)	1'816	29	1'844
Net changes from cash flow hedges ²⁾					(12)		(12)		(12)
Actuarial gains from defined benefit plans				(0)			(0)		(0)
Currency translation differences ³⁾						(18)	(18)	(2)	(20)
Other comprehensive income	0	0	0	(0)	(12)	(18)	(30)	(2)	(32)
Net profit recognized in income statement				245			245	1	247
Comprehensive income	0	0	0	245	(12)	(18)	215	(0)	215
Transactions with treasury shares ⁵⁾							0		0
Dividends paid				0			0	(2)	(2)
At 30.06.2023	0	26	0	2'181	20	(196)	2'031	26	2'057

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, 2023. 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, 2022, 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.

The impact of the Russia-Ukraine crisis on the business activities of the EMS Group is being evaluated on an ongoing basis. Both countries do not contribute significantly to the business results of the EMS Group (less than 1%).

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 +1 million (0), the foreign exchange result of CHF -1 million (+7).

2 Net changes from cash flow hedges, after taxes

In the first half of 2023, the deferred unrealized gains of the open foreign exchange hedges in the equity amounted to CHF +12 million (-3). In the first half of 2023, CHF -12 million realized gains were transferred to the income statement (2022: +3).

3 Currency translation differences

For the first half of 2023, the change from IAS 21 "Net investment in a foreign operation" amounts to CHF -4 million (-14), the change in the currency translation adjustment resulting from the translation of subsidiaries with a different functional currency amounts to CHF -14 million (+3).

4 Cash flow from investing activities / other current assets

As of June 30, 2023, other current assets include a FTA withholding tax receivable of CHF 30 million (31.12.2022: CHF 49 million).

5 Share capital

The share capital is CHF 0.234 million per 30.06.2023 (31.12.2022: CHF 0.234 million).

6 Financial liabilities

As of June 30, 2023, financial liabilities include non-current lease liabilities of CHF 6 million (31.12.2022: CHF 9 million) and current lease liabilities of CHF 6 million (31.12.2022: CHF 5 million).

7 Deferred income tax liabilities

In the first half of 2023, CHF 74 million tax was paid (60).

8 Subsequent events

On August 12, 2023 the Annual General Meeting approved payment of a dividend of CHF 20.00 gross per dividend bearing registered share. On August 17, 2023, total dividends amounting to CHF 468 million were paid. The Board of Directors approved the interim consolidated financial statements on August 29, 2023.

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	
	2023 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun	2022 Jan-Jun
Net sales revenue	1'076	1'141	106	143	1'183	1'284
EBITDA	289	313	17	40	305	354
In % of net sales revenue	26.8%	27.5%	15.8%	28.2%	25.8%	27.5%
Depreciation, amortisation and impairments	23	27	2	2	26	30
Net operating income (EBIT)	265	286	14	38	280	324
In % of net sales revenue	24.6%	25.1%	13.6%	26.6%	23.6%	25.2%
Net financial income					0	7
Net income before taxes					280	331
Income taxes					(33)	(45)
Net income					247	285

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)			
	2023		2022	
	Jan-Jun	in %	Jan-Jun	in %
Europe	653	55.2%	723	56.3%
Asia	296	25.0%	329	25.6%
America	223	18.9%	219	17.1%
Others	11	0.9%	13	1.0%
Total net sales revenue	1'183	100.0%	1'284	100.0%

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