

***Half-Year Report 2016***  
***of the EMS Group***



EMS-CHEMIE HOLDING AG  
Domat/Ems Switzerland

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## The EMS Group in the first half of 2016

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 2016, **net sales** increased by 3.7% and **net operating income (EBIT)** by 17.0% compared to the previous year.

Consolidated **net sales** in Swiss Francs reached CHF 1'002 million (966) which represents a growth of 3.7% compared to previous year. In a moderately positive global economy, EMS was able to continually expand business with innovative specialty products. Pleasing growth was achieved in all customer markets.

Net operating income (EBIT) closed at CHF 265 million (226) which is 17.0% above previous year. The operational cash flow (EBITDA) rose to CHF 291 million (251) which is 15.6% above previous year. The EBIT margin reached 26.4% (23.4%) and the EBITDA margin 29.0% (26.0%). Strong growth with high-margin specialty products and simultaneous efficiency improvements had a positive effect on both result and result margin.

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

**Net income** for the first half of 2016 was CHF 215 million (185) which is 16.1% above the previous year.

**Equity** increased to CHF 1'508 million (31.12.2015: CHF 1'312 million). The **equity ratio** is 71.2% (31.12.2015: 69.4%).

## Comments on the individual business areas

In the main business area of **High Performance Polymers**, cost and weight saving solutions were realized for current and new customers. New metal-replacement applications showed especially positive development, in particular those using high-temperature polymers.

The secondary business area **Specialty Chemicals** also developed well. Profitable specialty products were launched and higher volumes of airbag ignitors achieved.

## Forecast 2016

For 2016, EMS continues to expect a slow and unstable world economy. Significant security-related, financial and economic risks will continue to have a negative effect on consumers' and investors' confidence in future development. Increasing raw-material prices could have a further slowing effect on the world economy.

EMS, however, is still confident with regard to development of its own business. The successful strategy of growth with specialty products in the area of High Performance Polymers will be continued and existing market potential continually exploited. Innovative products and solutions will be quickly launched onto global markets and market positions continually strengthened. EMS will meet any possible market instability with flexibility.

For 2016, EMS continues to expect slightly higher net sales and a net operating income (EBIT) above previous year.



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

## Financial report of the EMS Group for the first half of 2016

In million CHF	Notes	2016 Jan-Jun	2015 Jan-Jun
<b>Consolidated income statement (condensed)</b>			
<b>Net sales revenue</b>		<b>1'002</b>	966
Change		<b>3.7%</b>	
In local currencies		<b>+2.7%</b>	
<b>Operating income</b>		<b>1'016</b>	972
<b>Operating expenses</b>		<b>751</b>	746
<b>EBITDA</b> <sup>1) 3)</sup>		<b>291</b>	251
Change		<b>+15.6%</b>	
In % of net sales revenue		<b>29.0%</b>	26.0%
<b>EBIT</b> <sup>2) 3)</sup>		<b>265</b>	226
Change		<b>+17.0%</b>	
In % of net sales revenue		<b>26.4%</b>	23.4%
<b>Net financial income</b>	1	<b>(5)</b>	(5)
<b>Net income before taxes</b>		<b>260</b>	221
Change		<b>+17.5%</b>	
<b>Income taxes</b>		<b>(45)</b>	(36)
<b>Net income</b>		<b>215</b>	185
Change		<b>+16.1%</b>	
In % of net sales revenue		<b>21.5%</b>	19.2%
<i>Of which attributable to:</i>			
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>		<b>213</b>	182
<i>Non-controlling interests</i>		<b>2</b>	3
<b>Earnings per share (in CHF)</b>			
Basic / Diluted <sup>4)</sup>		<b>9.10</b>	7.78

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 23'381'875 shares on 30.06.2016 (30.06.2015: 23'382'560 shares). There is no earnings dilution.

In million CHF		Notes	2016 Jan-Jun	2015 Jan-Jun
<b>Consolidated statement of comprehensive income (condensed)</b>				
<b>Net income recognised in income statement</b>			<b>215</b>	185
Remeasurements of defined benefit liability / asset, after taxes		2	<u>(25)</u>	<u>(3)</u>
<b>Total items that will not be reclassified to income statement</b>			<b><u>(25)</u></b>	<b><u>(3)</u></b>
Net changes from cash flow hedges, after taxes		3	<b>9</b>	0
Currency translation differences		4	<b>1</b>	<u>(63)</u>
<b>Total items that will be reclassified to income statement</b>			<b><u>10</u></b>	<b><u>(63)</u></b>
<b>Other comprehensive income, after taxes</b>			<b><u>(15)</u></b>	<b><u>(66)</u></b>
<b>Total comprehensive income</b>			<b><u>200</u></b>	<b><u>120</u></b>
<i>Of which attributable to:</i>				
<i>Shareholders of EMS-CHEMIE HOLDING AG</i>			<b>198</b>	118
<i>Non-controlling interests</i>			<b>3</b>	2
<b>Consolidated statement of cash flows (condensed)</b>				
Cash flow from operating activities	A		<b>185</b>	146
Cash flow from investing activities	B	5	<b>(127)</b>	(175)
Cash flow from financing activities	C	6	<b><u>(2)</u></b>	<u>1</u>
Increase/(decrease) in cash and cash equivalents	(A+B+C)		<b>57</b>	(29)
Cash and cash equivalents at 1.1.			<b>433</b>	473
Translation difference on cash and cash equivalents			<b>1</b>	<u>(13)</u>
Cash and cash equivalents at 30.6.			<b>491</b>	432
<b>Additional key figures</b>				
<b>Cash flow <sup>*)</sup></b>			<b>241</b>	210
In % of net sales revenue			<b>24.0%</b>	21.8%
<b>Investments</b>			<b>31</b>	16
In % of cash flow			<b>13.0%</b>	7.8%
<b>Number of employees at 30.06</b>			<b>2'850</b>	2'869

<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	30.06.2016	31.12.2015
<b>Consolidated balance sheet (condensed)</b>			
Non-current assets		652	633
Intangible assets		83	85
Property, plant and equipment		523	514
Investments		0	0
Other non-current assets		7	7
Derivative financial instruments		7	1
Deferred income tax assets		32	26
Current assets		1'465	1'258
Inventories		288	306
Receivables	5	681	516
Derivative financial instruments		5	2
Cash and cash equivalents		491	433
<b>Total assets</b>		<b>2'117</b>	<b>1'891</b>
Equity		1'508	1'312
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1'484	1'290
Share capital	7	0	0
Retained earnings and reserves		1'275	914
Treasury shares	6	-4	0
Net income		213	376
Equity, attributable to non-controlling interests		23	22
Liabilities		609	579
Non-current liabilities		227	206
Current liabilities		382	374
<b>Total equity and liabilities</b>		<b>2'117</b>	<b>1'891</b>
<b>Balance sheet equity ratio</b>		<b>71.2%</b>	<b>69.4%</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	Trans-lation differences	<b>Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG</b>	Equity, attributable to non-controlling interests	<b>Equity</b>
<b>At 31.12.2014</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>1'291</b>	<b>0</b>	<b>(64)</b>	<b>1'250</b>	<b>18</b>	<b>1'268</b>
Net changes from cash flow hedges, after taxes <sup>3)</sup>					0		0		0
Remeasurements of defined benefit liability/ asset, after taxes <sup>2)</sup>				(3)			(3)		(3)
Currency translation differences <sup>4)</sup>						(62)	(62)	(1)	(63)
<b>Other comprehensive income, after taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(62)</b>	<b>(64)</b>	<b>(1)</b>	<b>(66)</b>
Net income recognized in income statement				182			182	3	185
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>179</b>	<b>0</b>	<b>(62)</b>	<b>118</b>	<b>2</b>	<b>120</b>
Transactions with treasury shares <sup>6)</sup>		2					2		2
Dividends paid							0	(1)	(1)
<b>At 30.06.2015</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>1'470</b>	<b>0</b>	<b>(126)</b>	<b>1'369</b>	<b>20</b>	<b>1'389</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, after taxes <sup>3)</sup>					9		9		9
Remeasurements of defined benefit liability/ asset, after taxes <sup>2)</sup>				(25)			(25)		(25)
Currency translation differences <sup>4)</sup>						1	1	0	1
<b>Other comprehensive income, after taxes</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 income recognized in income statement				213			213	2	215
<b>Total 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>			(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>



## 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, 2016. 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, 2015, 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, 2016 the EMS Group introduced following new and revised standards and interpretations, having no effect on the present consolidated interim financial statements.

- IFRS 14                      Regulatory Deferral Accounts
- IAS 1                        Disclosure initiative
- IAS 16 and IAS 38        Property, Plant and Equipment and Intangible Assets:  
Clarification of Acceptable Methods of Depreciation and  
Amortisation.
- IAS 27                        Equity method in separate financial statements
- IFRS 10 and 12            Changes to investment entities

- IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.
- Miscellaneous Amendments resulting from the Annual Improvements Projects.

## 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

The net financial income comprises the interest result of CHF 0 million (CHF 0 million), the foreign exchange result of CHF -4 million (CHF -6 million) and the other financial result of CHF -1 million (CHF +1 million).

### 2 Remeasurements of defined benefit liability / asset, after taxes

In the first half of 2016, the discount rate for the defined benefit obligation declined from 0.75 % to 0.21%.

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

In the first half of 2016, the deferred unrealized gains of the open foreign exchange hedges in the equity amounted to CHF 13 million (0). In the first half of 2016, CHF 4 million realized gains were transferred to the income statement.

### 4 Currency translation differences

For the first half of 2016, the change from IAS 21 "Net investment in a foreign operation" amounts to CHF 6 million (CHF -48 million), the change in the currency translation adjustment resulting from the translation of subsidiaries with a different functional currency amounts to CHF -6 million ( CHF -15 million ).

### 5 Cash flow from investing activities / Receivables

As of June 30 2016, the receivables include a FTA withholding tax receivable of CHF 234 million (31 December 2015: CHF 128 million). Due to this increase, cash flow from investing activities is lower.

In the first half of 2015, the increase in the withholding tax receivable amounted to CHF 128 million and was recognized in the cash flow from operating activities. For a better understanding, the comparative figure has been adjusted and presented as cash flow from investing activities.

## 6 Treasury shares

In the first half of 2016 7'751 treasury shares were purchased at an average market price of CHF 456.73. In the first half of 2015 30'141 treasury shares were purchased at an average market price of CHF 352.96 and 30'141 treasury shares were sold at an average market price of CHF 407.18.

## 7 Share capital

The share capital is CHF 0.234 million per 30.06.2016 (31.12.2015: CHF 0.234 million).

## 8 Subsequent events

On August 13, 2016 the Annual General Meeting approved payment of a dividend of CHF 15.00 gross per dividend bearing registered share. On August 18, 2016, total dividends amounting to CHF 390.7 million were paid. The Board of Directors approved the interim consolidated financial statements on August 28, 2016.

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	
	2016 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2015 Jan-Jun
<b>Net sales revenue</b>	<b>868</b>	839	<b>134</b>	128	<b>1'002</b>	966
Change	<b>+3.5%</b>		<b>+5.1%</b>		<b>+3.7%</b>	
In local currencies	<b>+2.5%</b>		<b>+3.8%</b>		<b>+2.7%</b>	
<b>EBITDA</b>	<b>255</b>	221	<b>36</b>	30	<b>291</b>	251
In % of net sales revenue	<b>29.4%</b>	26.4%	<b>26.6%</b>	23.4%	<b>29.0%</b>	26.0%
Depreciation, amortisation and impairments	<b>22</b>	21	<b>4</b>	4	<b>26</b>	25
<b>Net operating income (EBIT)</b>	<b>233</b>	200	<b>32</b>	26	<b>265</b>	226
In % of net sales revenue	<b>26.8%</b>	23.9%	<b>23.9%</b>	20.4%	<b>26.4%</b>	23.4%
Net financial income					<b>(5)</b>	(5)
<b>Net income before taxes</b>					<b>260</b>	221
Income taxes					<b>(45)</b>	(36)
<b>Net income</b>					<b>215</b>	185

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

Segment assets and segment liabilities show no significant changes.

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