

First-half report 2004
of the EMS Group



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

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The EMS Group in the first half of 2004

EMS Group – which comprises the business areas **Performance Polymers**, **Fine Chemicals** and **Engineering** and whose companies operate within EMS-CHEMIE HOLDING AG – reported a rise of 5.1% in net sales and a 8.2% increase in operating income (EBIT) for the first half of 2004 compared with the previous year. This result exceeded expectations: both sales and operating income were boosted by increased sales volumes and the successful implementation of the cost-cutting program.

Consolidated **net sales** in Swiss francs were lifted by 5.1% to CHF 645 million (614). The rise in local currency terms came to 3.3%. There was no change in the scope of consolidation.*) Sales in the USA and Asia developed according to plan, while sales in Europe were higher than expected. The encouraging volumes were additionally buoyed by the positive currency situation in relation to the euro.

Operating income (EBIT) amounted to CHF 107 million, 8.2% more than in the previous year (99). **EBITDA** rose 6.7% to CHF 140 million (132). This produced an **EBIT margin** of 16.6% (16.1%) and an **EBITDA margin** of 21.7% (21.4%). The disproportionate increase in operating income was achieved with the help of favorable commodity purchasing activities and successful implementation of the cost-cutting program. **Financial income** was high at CHF 17 million (4).

Net income for the first half of 2004 was CHF 88 million (72) and cash flow was CHF 121 million (104).

Shareholders' equity declined to CHF 1,174 million (December 31, 2003: CHF 1,441 million), principally because of the repurchase of shares in the second quarter and the write-down of securities held as equity (especially the financial investment in LONZA). The equity ratio is now 39.7% (December 31, 2003: 46.2%).

*) Following the sale of the INVENTA-FISCHER business unit, ownership was transferred to UHDE GmbH on July 14, 2004.

Outlook for 2004

EMS expects its business performance to progress according to plan in the second half of 2004 as well. The positive trend in volumes, particularly in the Performance Polymers business area, will continue through the second half of the year. Owing to the uptrend in raw material costs, however, the additional volumes will only partly be reflected in the result. For 2004, and on a like-for-like basis, EMS continues to expect net sales and operating income to be slightly higher than in the previous year.

As announced at the start of the year, financial income will not play such a significant role in the future. Profits will be paid out to shareholders. As a result, the Annual General Meeting of Shareholders on August 14, 2004 decided to reduce the share capital by canceling 1,040,130 registered shares held as treasury shares and passed a motion approving payment of a high dividend of CHF 8 per registered share.

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

Financial report of the EMS Group on the first half of 2004 *)

in CHF millions	2004 Jan-Jun	2003 Jan-Jun
Consolidated income statement		
Net sales	645	614
Change	+5,1%	-0,9%
- In local currencies	+3,3%	+3,1%
- With an identical scope of consolidation	+5,1%	-0,4%
- In local currencies and with an identical scope of consolidation	+3,3%	+3,7%
EBITDA ¹⁾	140	132
Change	+6,7%	-0,3%
In % of net sales	21,7%	21,4%
EBIT ²⁾	107	99
Change	+8,2%	+1,2%
In % of net sales	16,6%	16,1%
Financial income	17	4
Change	+289,9%	-87,9%
Income taxes	33	27
Change	+19,4%	+14,4%
Minority interests	4	4
Change	-8,3%	+40,4%
Net income ³⁾	88	72
Change	+22,3%	-33,4%
In % of net sales	13,6%	11,7%

in CHF millions	2004 Jan-Jun	2003 Jan-Jun
Additional key figures		
Cash flow ⁴⁾	121	104
In % of net sales	18,8%	17,0%
Investment in fixed assets	25	32
In % of cash flow	20,8%	30,4%
Earnings per share in CHF ⁵⁾		
Average number of shares, undiluted ⁶⁾	3,41	2,76
Average number of shares, diluted ⁶⁾	3,41	2,76
Number of dividend-bearing shares as per 30.06. ⁷⁾	3,63	2,76
Number of employees on 30.06.2004 / 31.12.2003	2.628	2.637

- 1) EBITDA = **Earnings Before Interest, Taxes, Depreciation and Amortization**
= operational cash flow
 - 2) EBIT = **Earnings Before Interest and Taxes**
= operating income
 - 3) Net income = Profit after taxes less minority interests
 - 4) Cash flow = Net income plus write-downs
 - 5) All per share data have been restated to reflect the share split on November 3, 2003.
 - 6) Calculated in accordance with IAS 33. The average weighted number of registered shares was 25,790,569.
There are no circumstances that could dilute earnings per share.
 - 7) Number of dividend-bearing shares as per June 30, 2004 = Registered shares issued (26,093,000 shares) less treasury shares (1,850,130).
- *) These summarized consolidated financial statements for the Group are based on the individual statements of the subsidiaries as per June 30, 2004. These were compiled using the Group's standard guidelines and correspond to the accounting principles used for the consolidated financial statements for the Group as of December 31, 2003.

The summarized consolidated financial statements for the Group have been prepared in accordance with the valid International Financial Reporting Standards (IFRS) and the integrated International Accounting Standard 34 "Interim Financial Reporting (IAS 34)" published by the International Accounting Standards Board (IASB).

in CHF millions	2004 Jan-Jun	2003 Jan-Jun
Consolidated cash flow statement		
Net income	88	72
+/- Adjustment of items not affecting liquidity	-5	+42
+/- Change in working capital	+60	-52
- Taxes paid	-14	-30
- Other	-1	-6
Cash flow from operating activities A	128	26
Cash flow from investing activities B	167	-214
Cash flow from financing activities C	-211	-93
Change in currency translation D	1	-4
Change in cash and cash equivalents (A+B+C+D)	85	-285

in CHF millions	30.06.2004	31.12.2003
Consolidated balance sheet		
Fixed assets	814	820
Current assets without cash and cash equivalents	1'503	1'744
Cash and cash equivalents	639	554
Total assets	2'956	3'118
Shareholders' equity	1'174	1'441
Minority interests	38	35
Long-term liabilities	1'220	1'216
Provisions	66	65
Short-term liabilities	458	361
Total liabilities	2'956	3'118
Balance sheet equity ratio	39.7%	46.2%

in CHF millions	2004 Jan-Jun	2003 Jan-Jun
Change in shareholders' equity		
Shareholders' equity 01.01	1'441	1'289
Net income January - June	88	72
Other	-355	-75
Shareholders' equity 30.06	1'174	1'286
Balance sheet equity ratio	39.7%	41.7%
Per dividend-bearing share	48.44	49.27
Change in % versus 31.12	-12.3%	-0.3%

¹⁾ All per share data have been restated to reflect the share split on November 3, 2003.

²⁾ The number of dividend-bearing shares as per 30 June 2004 = Registered shares issued (26,093,000 shares) less treasury shares (1,850,130 shares).

Development of net sales and income by business area in the first half of 2004

in CHF millions	2004 Jan-Jun	% dev. prev. year	2003 Jan-Jun	% dev. prev. year
Net sales				
EMS Group	645	+5.1%	614	-0.9%
<i>In local currencies</i>		+3.3%		+3.1%
- Performance Polymers	510	+7.8%	473	+3.3%
<i>In local currencies</i>		+5.8%		+7.6%
- Fine Chemicals	89	-3.4%	92	-10.1%
<i>In local currencies</i>		-5.1%		-8.1%
- Engineering	47	-4.6%	49	-17.5%
<i>In local currencies</i>		-4.3%		-13.6%
EBITDA ¹⁾				
EMS Group	140	+6.7%	132	-0.3%
In % of net sales	21.7%		21.4%	
- Performance Polymers	103	+10.2%	93	+2.7%
In % of net sales	20.2%		19.8%	
- Fine Chemicals	26	+0.8%	26	-5.2%
In % of net sales	29.1%		27.9%	
- Engineering	12	-7.7%	13	-10.1%
In % of net sales	24.6%		25.4%	
EBIT ²⁾				
EMS Group	107	+8.2%	99	+1.2%
In % of net sales	16.6%		16.1%	
- Performance Polymers	83	+12.9%	74	+5.0%
In % of net sales	16.3%		15.5%	
- Fine Chemicals	17	-4.7%	18	-5.4%
In % of net sales	19.3%		19.6%	
- Engineering	7	-7.0%	8	-14.4%
In % of net sales	15.2%		15.6%	

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

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

Remarks on the performance of the business areas in the first half of 2004

In the **PERFORMANCE POLYMERS** business area, all business units were able to meet their growth targets. Volumes showed a positive trend despite general caution on the part of client industries, in particular the automotive sector. There was especially encouraging growth for the key applications of metal substitution and high-temperature polymers.

In the **FINE CHEMICALS** business area, EMS-PRIMID (weather-resistant PMC hardeners) performed in line with expectations. Exclusive synthesis specialist EMS-DOTTIKON witnessed a stabilization in its key market.

The **ENGINEERING** business area was affected by weaker market growth and increasing pressure on prices, not least for EMS-PATVAG (airbag ignition systems). Plant builder INVENTA-FISCHER finally overcame the delays imposed by customers on the realization of their investment projects.

On May 24, 2004, EMS announced that it was selling the INVENTA-FISCHER business unit to the German engineering company UHDE GmbH of Dortmund. The Federal Cartel Office in Germany approved the sale on July 5, 2004 and the transaction was thus finalized. Transfer of ownership took place on July 14, 2004. UHDE acquired INVENTA-FISCHER retroactively as of January 1, 2004,



EMS-CHEMIE HOLDING AG
Fuederholzstrasse 34
CH-8704 Herrliberg

Phone. +41 (0)44 915 70 00
Fax +41 (0)44 991 52 70
<http://www.ems-group.com>
info@ems-group.com