First-half report 2003

of the EMS Group

EMS-CHEMIE HOLDING AG
Domat/Ems, Switzerland

Contents

The EMS Group in the first half of 2003

With its companies combined in EMS-CHEMIE HOLDING AG and activities in the fields of Performance Polymers, Fine Chemicals and Engineering, the EMS Group reports first-half 2003 sales and EBIT on the level of the previous year, and has thus met expectations. The impact of the weak US dollar – a negative factor for export-oriented companies such as EMS in particular – was largely cushioned by positive volume developments and strict cost discipline.

Consolidated net sales increased against the first half of 2002 by 3.1% in local currencies; expressed in Swiss francs the result remained with CHF 614 million (620) 0.9% below that of the previous year in spite of the higher volumes. The scope of consolidation changed as follows against the previous year: the POWER STATION business unit was sold at the end of 2002, and the minority interest in Changchun EFTEC Chemical Products Ltd. (China) was converted into a majority interest per beginning of 2003. Assuming an identical scope of consolidation, net sales would have decreased by 0.4% (+3.7% in local currencies). Sales developed according to plan in Europe and Asia. In the USA, however, they remained below expectations in spite of good progress by volume; this can be attributed to the strong Swiss franc.

The increase in EBIT (CHF 99 million) by 1.2% over the previous year (CHF 98 million) despite lower sales and a smaller scope of consolidation is the product of the strict cost discipline programme implemented throughout the Group.

The general climate of economic and political uncertainty was a significant factor world-wide in the second quarter of the year. EMS was particularly affected by the weak US dollar.

As a result of lower financial income, net income decreased to CHF 72 million (108) and cash flow to CHF 104 million (142).

The EMS Group's financial income is to a substantial extent dependent on the development of its securities portfolio. It should be noted that financial income as reported by EMS covers only such income from securities and investments that was realised in the course of the period covered. Net income from securities for the first half of 2003 was markedly lower that in the same period of the previous year. Due to the fact that EMS holds roughly CHF 1 billion of long-term financing at advantageous terms, this resulted in temporarily higher net interest costs as a consequence of the low interest rate level for fixed-term deposits.

Shareholders' equity amounts to CHF 1'286 million (1'289 per 31.12.2002) and is thus on the level of the previous year, and the balance sheet equity ratio of 41.7% (40.7% per 31.12.2002) is within the target range.

Preview 2003 and outlook 2004

Subdued development of the general economic situation must be assumed also for the second half of the current year. On the basis of this yet-to-improve economic outlook and in view of the volatile currency situation, which is of particular significance to EMS as a highly export-oriented group, we expect net sales in 2003 to remain unchanged and EBIT to reach a level comparable to that of the previous year.

On the other hand, longer-term indicators would seem to point towards an improvement on the main markets, and in the USA in particular, for 2004. EMS has made good use of the time, and is prepared for the upswing. Greater efforts to boost our innovative strength have been applied throughout the Group, with the aim of introducing new products on the market. At the same time, capacities for higher-margin sales-drive products were increased, and a project designed to enhance the competitiveness of the EMS Group was launched. The target is to cut the cost base by at least CHF 30 million as of 2004. The project is well on course and the measures are in the implementation stage. The cost-cutting steps necessitated the departure of 11 employees in Switzerland and 14 abroad. The 18 termination notices issued at EMS-DOTTIKON this July were communicated already on 16 July 2003.

The general meeting on 16 August 2003 approved the standard share and the capital reduction by way of par value repayment. This par value repayment will be effected together with the introduction of the standard share at the beginning of November 2003. The exact date will be announced in good time. From that point in time onwards the share capital of EMS-CHEMIE HOLDING AG will consist exclusively of registered shares with a par value of CHF 0.01.

Christoph Blocher
Chairman of the Board of Directors

Financial report of the EMS Group for the first half of 2003 *)

in CHF millions	2003 Jan-Jun	2002 Jan-Jun
Consolidated income statement:		
Net sales	**614**	620
Change	**-0.9%**	-3.7%
- In local currencies	**+3.1%**	+0.4%
- With an identical scope of consolidation	**-0.4%**	-3.7%
- In local currencies and with an identical scope of consolidation	**+3.7%**	+0.4%
EBITDA [1)]	**132**	132
Change	**-0.3%**	-2.9%
In % of net sales	**21.4%**	21.3%
EBIT [2)]	**99**	98
Change	**+1.2%**	-6.7%
In % of net sales	**16.1%**	15.8%
Financial income	**4**	37
Change	**-87.9%**	-28.8%
Income taxes	**27**	24
Change	**+14.4%**	-20.0%
Minority interests	**4**	3
Change	**+40.4%**	-25.0%
Net income [3)]	**72**	108
Change	**-33.4%**	-12.2%
In % of net sales	**11.7%**	17.4%

in CHF millions	2003 Jan-Jun	2002 Jan-Jun
Additional key figures:		
Cash flow [4)]	**104**	142
In % of net sales	**17.0%**	22.9%
Investment in fixed assets	**32**	32
In % of cash flow	**30.4%**	22.3%
Earnings per div.-bearing bearer share in CHF [5)]	**137.91**	206.95
Earnings per div.-bearing reg. share in CHF [5)]	**27.58**	41.39
Number of employees on 30.6.2003 / 31.12.2002	**2'680**	2'702

[1] EBITDA = **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation and **A**mortisation
= operational cash flow

[2] EBIT = **E**arnings **B**efore **I**nterest and **T**axes

[3] Net income = profit after taxes less minority interests

[4] Cash flow = net income plus write-downs

[5] No circumstances exist that could cause a dilution of earnings per share.

*) These summarised consolidated Group financial statements are based on the individual statements of the subsidiaries per 30 June 2003. These statements were compiled according to the standard guidelines of the Group and in correspondence with the principles upon which the consolidated Group financial statements per 31 December 2002 were based.

The summarised consolidated Group financial statements are compiled in accordance with the existing 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	2003 Jan-Jun	2002 Jan-Jun
Consolidated cash flow statement		
Net income	**72**	108
+ Adjustment of items not affecting liquidity	**+42**	+64
+/- Change in working capital	**-52**	-57
- Taxes paid	**-30**	-42
+/- Others	**-6**	+11
Cash flow from operating activities A	**26**	84
Cash flow from investing activities B	**-214**	30
Cash flow from financing activities C	**-93**	510
Change of currency translation D	**-4**	10
Change in cash and cash equivalents (A+B+C+D)	**-285**	+634

in CHF millions	30.6.2003	31.12.2002
Consolidated balance sheet		
Fixed assets	**1'244**	1'331
Current assets without cash and cash equivalents	**1'330**	1'040
Cash and cash equivalents	**511**	796
Total assets	**3'085**	3'167
Shareholders' equity	**1'286**	1'289
Minority interests	**34**	31
Long-term liabilities	**1'175**	1'304
Provisions	**103**	103
Short-term liabilities	**487**	440
Total liabilities	**3'085**	3'167
Balance sheet equity ratio	**41.7%**	40.7%

in CHF millions	2003 Jan-Jun	2002 Jan-Jun
Changes in shareholders' equity		
Shareholders' equity 1.1.	**1'289**	1'437
Net income January – June	**72**	108
Others	**-75**	-47
Shareholders' equity 30.06.	**1'286**	1'498
Balance sheet equity ratio	**41.7%**	46.8%
Per dividend-bearing bearer share in CHF	**2'463.52**	2'870.50
Change in % against 31.12.	**-0.3%**	+4.2%

Development of net sales and income by business area for the first half of 2003

in CHF millions	2003 (Jan-Jun)	% dev. prev. year	2002 (Jan-Jun)	% dev. prev. year
Net sales				
EMS Group	**614**	**-0.9%**	620	-3.7%
- Performance Polymers	473	+3.3%	458	-4.8%
- Fine Chemicals	92	-10.1%	102	+4.1%
- Engineering	49	-17.5%	60	-7.7%
EBITDA [1]				
EMS Group	**132**	**-0.3%**	132	-2.9%
In % of net sales	**21.4%**		21.3%	
- Performance Polymers	93	+2.7%	91	+2.2%
In % of net sales	19.8%		19.9%	
- Fine Chemicals	26	-5.2%	27	-18.2%
In % of net sales	27.9%		26.5%	
- Engineering	13	-10.1%	14	+0.0%
In % of net sales	25.4%		23.3%	
EBIT [2]				
EMS Group	**99**	**+1.2%**	**98**	**-6.7%**
In % of net sales	**16.1%**		15.8%	
- Performance Polymers	74	+5.0%	70	+1.4%
In % of net sales	15.5%		15.3%	
- Fine Chemicals	18	-5.4%	19	-26.9%
In % of net sales	19.6%		18.6%	
- Engineering	8	-14.4%	9	-10.0%
In % of net sales	15.6%		15.0%	

[1] EBITDA = **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation and **A**mortisation
= operational cash flow

[2] EBIT = **E**arnings **B**efore **I**nterest and **T**axes

Remarks on the first-half 2003 performance of the individual business areas

In the **Performance Polymers** business area, all business units were able to meet their growth targets. EMS-GRIVORY (metal substitution) reports a very satisfactory course of business with additional volumes sold in Europe in particular. EMS-GRILTECH made further progress on the technical adhesives market. EMS-TOGO profited especially from the enduringly good progress of the Chinese automobile market.

In the **Fine Chemicals** business area, sales of EMS-PRIMID – the leading supplier of weather-resistant PMC hardeners – are as expected, although investment in this field was perceptibly sluggish in the USA and Europe. Specialising in the field of exclusive synthesis primarily for the pharmaceuticals industry, EMS-DOTTIKON was held back by the excess capacities extant in this market, and has hence not yet been able to meet the improvement targets set for the unit.

The **Engineering** business area now comprises only the business units EMS-PATVAG and INVENTA-FISCHER due to the fact that POWER STATION is no longer relevant to the current business year. The decline in sales and income in the segment is essentially attributable to this divestment. EMS-PATVAG, Europe's No. 1 in the airbag ignitor business, continued to boost sales and income in the face of a general decline in the automobile industry, albeit at a reduced pace compared with the previous years. Launched last year, sales to the USA are developing according to plan. Previously delayed to some extent, the investment activities of plant manufacturer INVENTA-FISCHER in primary market China have now recovered, which in turn has generated a significant upturn in orders received.

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