Half-Year Report 2008

of the EMS Group

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Contents

The EMS Group in the first half of 2008

With its companies combined in EMS-CHEMIE HOLDING AG and with global activities in the business areas **Performance Polymers** and **Fine Chemicals / Engineering**, the EMS Group achieved **net sales revenue** of CHF 837 million (783) and a **net operating income (EBIT)** of CHF 136 million (134) in the first half of 2008.

Consolidated **net sales revenue** rose by 6.9% to CHF 837 million (783). With the same scope of consolidation*), net sales revenue would have increased by 2.7%.

Net operating income (EBIT) increased by 1.9% to CHF 136 million (134), EBITDA rose by 1.0% to CHF 163 million (162).

Net financial income amounted to CHF 2 million (36).

Due to the lower net financial income, **net income** for the first half of 2008 was CHF 111 million (133) and cash flow totalled CHF 138 million (162).

Equity decreased due to the repurchase of shares to CHF 1'076 million (31.12.2007: CHF 1'277 million). The equity ratio is 52.2% (31.12.2007: 56.1%).

*) In the Business Unit EMS-TOGO, the automotive supplier EFTEC has been fully consolidated since November 20, 2007 (previously partially consolidated).

Remarks on the business areas in the first half of 2008

Business with speciality products in the main business area **PERFORMANCE POLYMERS** was expanded further in spite of the economic slowdown. New applications were established, new products introduced. Business Unit EMS-TOGO succeeded in acquiring new business. The weakening of foreign currencies against the Swiss franc – in particular the US Dollar and Asian currencies – had a negative effect on the development of income.

The secondary business area **FINE CHEMICALS / ENGINEERING** experienced the expected decline in net sales and income due to the weaker economic environment and lower market prices.

Outlook 2008

2008 is expected to be a year of deteriorating global economic development and a continuing unfavourable currency situation for EMS as an export-focused Swiss company.

EMS will maintain its current strategy of expanding the Performance Polymers business. Great importance will be attached to the rapid introduction of new products. In view of the economic slowdown, costs and investments will be handled with caution.

For 2008, net sales revenue slightly above the previous year is expected. Due to the influence of currency exchange rates and the change to the scope of consolidation, net operating income (EBIT) will develop under-proportionally to net sales revenue and presumably will close slightly below the previous year.

M. Martullo

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

Financial report of the EMS Group for the first half of 2008

CHF million	Notes	2008 Jan-Jun	2007 Jan-Jun
Consolidated income statement (condensed)			
Net sales revenue		**837**	783
Change		**+6.9%**	+10.9%
Organic growth [1]		**+7.0%**	+8.9%
Currency effects		**-4.3%**	+2.0%
Acquisition EFTEC [2]		**+4.2%**	---
EBITDA [3]		**163**	162
Change		**+1.0%**	+10.4%
In % of net sales revenue		**19.5%**	20.6%
EBIT [4]		**136**	134
Change		**+1.9%**	+11.1%
In % of net sales revenue		**16.3%**	17.1%
Net financial income	1	**2**	36
Change		**-94.6%**	-2.0%
Net income before taxes		**138**	170
Change		**-18.5%**	+8.0%
Income taxes		**27**	36
Change		**-25.8%**	+7.5%
Net income		**111**	133
Change		**-16.5%**	+8.2%
In % of net sales revenue		**13.3%**	17.0%
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		***109***	*128*
Minority interests		***3***	*6*
Earnings per share in CHF			
Basic [5]		**4.64**	5.62
Diluted [6]		**4.47**	5.37

[1] Organic growth = growth with the same scope of consolidation and the same currencies.

[2] In the Business Unit EMS-TOGO, the automotive supplier EFTEC has been fully consolidated since November 20, 2007 (previously partially consolidated).

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

[4] EBIT = **E**arnings **B**efore **I**nterest and **T**axes
= net operating income

[5] The average weighted number of outstanding registered shares for the calculation is 23’398’067 shares on 30.06.2008 (30.06.2007: 22’723’959 shares).

6) The diluted earnings per share figure includes additional shares that could potentially be issued following the conversion of the 2% convertible bond (2002 - 25.7.2008) in registered shares of EMS-CHEMIE HOLDING AG as well as factors affecting net income (interest and taxes) from such conversion. The average weighted number of outstanding registered shares for the calculation is 24’009’340 shares on 30.06.2007 (30.06.2007: 24’973’218 shares).

CHF million	Notes	**2008 Jan-Jun**	2007 Jan-Jun
Additional key figures			
Cash flow 7)		**138**	162
In % of net sales revenue		**16.5%**	20.7%
Investments		**35**	31
In % of cash flow		**25.1%**	18.9%
Number of employees on 30.06.2008 / 31.12.2007		**2'256**	2'231

CHF millions			**2008 Jan-Jun**	2007 Jan-Jun
Consolidated cash flow statement (condensed)				
Net income			**111**	133
+/- Adjustment of items not affecting liquidity			**51**	32
+/- Changes in working capital			**-11**	11
- Taxes paid			**-43**	-60
+/- Other			**-3**	-1
Cash flow from operating activities	**A**		**105**	115
Cash flow from investing activities	**B**	1	**114**	77
Cash flow from financing activities	**C**	3	**-304**	-18
Translation difference	**D**		**5**	-2
Change in cash and cash equivalents	**(A+B+C+D)**		**-80**	172

7) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

CHF million	Notes	30.06.2008	31.12.2007
Consolidated balance sheet (condensed)			
Non-current assets		**609**	605
Intangible assets		**32**	33
Property, plant and equipment		**526**	521
Financial assets		**39**	38
Deferred income tax assets		**12**	12
Current assets		**1'451**	1'672
Inventories		**243**	276
Accounts receivable		**339**	352
Securities	1	**221**	321
Derivative financial instruments		**13**	9
Cash and cash equivalents		**634**	714
Total assets		**2'060**	2'277
Equity (incl. minority interests)	3, 4	**1'076**	1'277
Liabilities		**984**	1'000
Non-current liabilities		**395**	386
Current liabilities	2	**589**	614
Total equity and liabilities		**2'060**	2'277
Balance sheet equity ratio		**52.2%**	56.1%

CHF million		2008 Jan-Jun	2007 Jan-Jun
Consolidated changes in equity (condensed)			
Equity at 1.1.		**1'277**	1'103
Changes in fair value:			
Available-for-sale securities		**-13**	-44
Currency translation differences		**-12**	3
Net income/(expense) recognized directly in equity		**-25**	-41
Net income recognized in income statement		**111**	133
Total recognized income and expense		**86**	92
Buyout of minority interests	4	**-3**	0
Transactions with treasury shares	3	**-282**	2
Dividends paid to minority interests		**-2**	-1
Equity at 30.6.		**1'076**	1'196
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		***1'062***	*1'142*
Minority interests		***14***	*54*
Balance sheet equity ratio		**52.2%**	49.3%
Change in % against 31.12.		**-15.7%**	+8.5%
Equity per share in CHF		**45.99**	52.64

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 consolidated half-year results for EMS-CHEMIE HOLDING AG with domicile in Switzerland and for its subsidiaries, for the reporting period ending on June 30, 2008. 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, 2007, as they comprise an updating 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 or cyclical fluctuations over the business year. The 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, 2008 the EMS Group introduced the new standard IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” which does not lead to an effect on the present consolidated interim financial statements and a restatement of the previous year. In the interim consolidated financial statements, no additional disclosures are required.

Subsequent events

On July 29, 2008 it was announced that the two bonds (2% convertible bonds [2002 - 25.7.2008] and 4% debenture bonds [2002 - 29.7.2008]) of CHF 300 million each were redeemed. The redemption of the bonds was financed from the own funds without problem. No refinancing is planned.
On August 9, 2008 the Annual General Meeting approved the payment of a dividend of CHF 7.25 gross per registered share entitled to dividend and the reduction of the share capital to CHF 233’890.28 by cancellation of 1’663’842 treasury shares. On August 13, 2008 total dividends amounting to CHF 162.2 million were paid.
The interim consolidated financial statements were approved by the Board of Directors on August 25, 2008.
There were no subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Notes

1 Securities
The decrease of securities is the result of sales of securities and of the financial investments in Lonza Group AG. Furthermore convertible bonds with a nominal value of CHF 0.4 million were converted into Lonza shares (see note 2).

2 Current liabilities
Convertible bonds with a nominal value of CHF 17.1 million were converted into treasury shares and Lonza shares (see notes 1 and 3).

3 Transactions with treasury shares
From the repurchase of registered shares by virtue of put options during the period from March 28 to April 11, 2008, 1’663’842 registered shares were tendered at the price of CHF 180.00 (total: CHF 299.5 million).
A total of 17’138 treasury shares amounting to CHF 2.4 million were purchased and 7’523 treasury shares amounting to CHF 1.1 million were sold in the reporting period.
Convertible bonds with a nominal value of CHF 16.7 million were converted into 131’614 treasury shares (see note 2).

4 Buyout of minority interests
On January 1, 2008, the participation of 60% in Changchun EFTEC Chemical Products Ltd., China, was increased to 80% resulting in a goodwill of CHF 3.1 million.

Development of net sales revenue and income in the first half of 2008, by business area

CHF million	**2008 Jan-Jun**	**%-dev. prev. yr**	2007 Jan-Jun	%-dev. prev. yr
Performance Polymers				
Net sales revenue	776	+8.1%	717	+12.6%
- Organic growth [1]		+7.8%		+10.5%
- Currency effects		-4.3%		+2.1%
- Acquisition EFTEC [2]		+4.6%		---
EBITDA	148	+3.3%	143	+16.0%
- In % of net sales revenue	19.1%		20.0%	
EBIT	126	+4.8%	120	+15.7%
- In % of net sales revenue	16.2%		16.7%	
Fine Chemicals / Engineering				
Net sales revenue	61	-7.0%	66	-5.4%
- Organic growth [1]		-5.1%		-8.5%
- Currency effects		-1.9%		+3.1%
EBITDA	15	-17.2%	18	-20.3%
- In % of net sales revenue	24.6%		27.6%	
EBIT	11	-23.1%	14	-17.2%
- In % of net sales revenue	17.6%		21.3%	
EMS Group				
Net sales revenue	**837**	**+6.9%**	783	+10.9%
- Organic growth [1]		**+7.0%**		+8.9%
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