Finance Report 2009

Excerpt from the
47th Annual Report 2009/2010

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Contents

Share Performance

	2009	2008	2007	2006	2005
Number of registered shares	23 389 028	23 389 028 [1]	25 052 870	25 052 870	25 052 870
Number of					
Shares entitled to dividend	22 373 911	22 373 911	24 025 654	22 718 364	23 810 571
Treasury shares	1 015 117	1 015 117	1 027 216	2 334 506	1 242 299
Information per share (in CHF):					
Dividend per share	10.00 [2]	5.00	7.25	8.00	6.50
Of which ordinary dividend	5.00	5.00	6.00	5.50	5.00
Of which special dividend	5.00	–	1.25	2.50	1.50
Earnings per share	9.66	9.25	12.14	12.99	7.30
Cash flow per share [3]	12.47	11.95	15.22	15.67	9.85
Equity per share [4]	45.67	42.61	54.71	48.15	44.64
Stock prices [5]					
High	125.00	165.22	170.00	147.00	116.90
Low	80.00	82.25	144.06	117.00	93.43
At December 31	123.80	88.50	166.60	146.60	116.50
Market capitalisation on December 31 (CHF millions)	2 895.6	2 069.9	4 173.8	3 672.8	2 918.7

Registered shares are listed on the SIX Swiss Exchange.

	Security number	ISIN	Investdata/Reuters
EMS-CHEMIE	1.644.035	CH0016440353	EMSN

1) As part of a share buyback, 1 663 842 registered shares were canceled on November 3, 2008.
2) Proposal of the Board of Directors.
3) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
4) Inclusive non-controlling interests.
5) Source: Bloomberg

Key Figures 2005 – 2009

CHF millions	2009	2008	2007	2006	2005
Net sales revenue	1 197.7	1 503.9	1 552.4	1 395.9	1 253.3
Change in % against previous year	–20.4%	–3.1%	+11.2%	+11.4%	+9.1%
Change in local currencies	-17.6%	+0.8%	+9.2%	+10.3%	+8.4%
Of which in Switzerland	4.7%	5.1%	5.0%	4.8%	4.4%
Net operating income (EBIT)	221.8	219.6	270.2	246.8	216.4
Change in % against previous year	+1.0%	–18.7%	+9.5%	+14.1%	+6.4%
In % of net sales revenue	18.5%	14.6%	17.4%	17.7%	17.3%
Net financial income	27.9	37.5	63.7	118.3	10.9
Change in % against previous year	–25.5%	–41.1%	–46.1%	+981.2%	–40.2%
Income taxes	28.5	41.9	40.1	57.4	45.5
Net income	221.2	215.2	293.8	307.7	181.9
Change in % against previous year	+2.8%	–26.7%	–4.5%	+69.2%	+0.8%
In % of net sales revenue	18.5%	14.3%	18.9%	22.0%	14.5%
Cash flow [1]	279.0	273.4	355.3	358.8	239.0
Change in % against previous year	+2.1%	–23.0%	–1.0%	+50.1%	–3.2%
In % of net sales revenue	23.3%	18.2%	22.9%	25.7%	19.1%
Investments	37.6	63.7	71.9	64.3	48.8
In % of cash flow	13.5%	23.3%	20.2%	17.9%	20.4%
Balance sheet total	1 711.3	1 679.4	2 277.1	2 328.6	2 350.4
Assets					
Current assets	1 141.9	1 083.6	1 671.8	1 733.0	1 816.9
Non-current assets	569.4	595.9	605.3	595.6	533.5
Equity and liabilities					
Current liabilities	417.0	221.2	614.2	339.0	315.0
Non-current liabilities	272.5	482.9	386.2	886.8	952.6
Equity [2]	1 021.7	975.3	1 276.7	1 102.7	1 082.9
Balance sheet equity ratio	59.7%	58.1%	56.1%	47.4%	46.1%
Return on equity	21.7%	22.1%	23.0%	27.9%	16.8%
Number of employees on December 31 [3]	2 106	2 165	2 231	2 061	2 055

[1] Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
[2] Inclusive non-controlling interests.
[3] Excluding apprentices (2009: 137; 2008: 129; 2007: 109; 2006: 112; 2005: 119).

Consolidated Income Statement

	Notes	2009 (CHF '000)	2008 (CHF '000)
Net sales revenue from goods and services		1 197 732	1 503 947
Inventory changes, semi-finished and finished goods		(16 595)	(31 057)
Capitalised costs and other operating income	1	66 349	56 021
Operating income		1 247 486	1 528 911
Material expenses		664 546	911 010
Personnel expenses	2	195 240	216 252
Depreciation and amortisation	8, 23	57 792	58 198
Other operating expenses	3	108 103	123 894
Operating expenses		1 025 681	1 309 354
NET OPERATING INCOME (EBIT)		221 805	219 557
Income from equity-valuation of associated companies		4 971	427
Financial income	5	34 906	67 876
Financial expenses	6	11 943	30 792
NET FINANCIAL INCOME		27 934	37 511
NET INCOME BEFORE TAXES		249 739	257 068
Income taxes	7	28 518	41 858
NET INCOME		221 221	215 210
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		216 138	211 803
Non-controlling interests	16	5 083	3 407
Earnings per share in CHF:			
Basic	26	9.66	9.25
Diluted	26	9.66	9.25

Consolidated Statement of Comprehensive Income

	Notes	2009 (CHF '000)	2008 (CHF '000)
Net income recognised in income statement		221 221	215 210
Net changes in fair value, after taxes: Available-for-sale securities	15	(28 229)	(76 671)
Net changes from cash flow hedges, after taxes	12	(27 730)	35 539
Currency translation differences		(4 140)	(10 370)
Other comprehensive income, after taxes		(60 099)	(51 502)
TOTAL COMPREHENSIVE INCOME		161 122	163 708
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		156 627	159 575
Non-controlling interests	16	4 495	4 133

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	31.12.2009 (CHF '000)	31.12.2008 (CHF '000)
NON-CURRENT ASSETS		569 360	595 872
Intangible assets	8	26 114	30 292
Property, plant and equipment	8	499 037	515 628
Financial assets		36 696	33 775
Investments in associated companies	8	16 600	14 836
Other investments	8	183	183
Other non-current financial assets	8	19 913	18 756
Derivative financial instruments	12	644	7 783
Deferred income tax assets	7	6 869	8 394
CURRENT ASSETS		1 141 930	1 083 555
Inventories	9	217 864	242 726
Accounts receivable			
Trade accounts receivable	10	203 569	170 742
Income tax assets		575	3 382
Other receivables	11	35 806	49 518
Securities		187 163	136 098
Derivative financial instruments	12	7 849	33 189
Cash and cash equivalents	13	489 104	447 900
TOTAL ASSETS		1 711 290	1 679 427
EQUITY		1 021 724	975 302
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 004 851	960 094
Share capital	14	234	234
Retained earnings and reserves		788 479	748 057
Net income		216 138	211 803
Equity, attributable to non-controlling interests	16	16 873	15 208
LIABILITIES		689 566	704 125
Non-current liabilities		272 547	482 929
Bonds	17	0	154 209
Option component of convertible bonds		0	10 933
Derivative financial instruments	12	45	0
Bank loans	18	150 000	150 000
Other non-current liabilities	19	22 324	12 352
Deferred income tax liabilities	7	80 875	99 666
Provisions	20	19 303	55 769
Current liabilities		417 019	221 196
Bonds	17	156 428	0
Option component of convertible bonds		0	0
Derivative financial instruments	12	104	3 059
Bank loans	18	7 927	16 507
Trade accounts payable		98 638	70 842
Income tax liabilities		39 562	34 036
Provisions	20	1 903	9 599
Other current liabilities	21	112 457	87 153
TOTAL EQUITY AND LIABILITIES		1 711 290	1 679 427

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(CHF '000)	Share capital	Capital reserves (share premium)	Retained earnings	Treasury shares	Gains/ (losses) from securities arising from IAS 39	Hedging reserves from IAS 39	Trans-lation differences	Equity, attributable to share-holders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
At 31. 12. 2006	251	2 176	1 184 604	(267 873)	147 099	0	(11 372)	1 054 885	47 828	1 102 713
Other comprehensive income, after taxes					(32 442)		(6 945)	(39 387)	175	(39 212)
Net income recognised in income statement			283 335					283 335	10 419	293 754
Buyout of non-controlling interests								0	(38 901)	(38 901)
Transactions with treasury shares (incl. converted treasury shares)		21 881		133 354				155 235		155 235
Dividends paid			(194 480)					(194 480)	(2 457)	(196 937)
At 31. 12. 2007	251	24 057	1 273 459	(134 519)	114 657	0	(18 317)	1 259 588	17 064	1 276 652
Other comprehensive income, after taxes					(76 671)	35 539	(11 096)	(52 228)	726	(51 502)
Net income recognised in income statement			211 803					211 803	3 407	215 210
Transactions with non-controlling interests (see note 16)								0	(2 424)	(2 424)
Transactions with treasury shares (incl. converted treasury shares) (see note 14)		(1 462)		4 116				2 654		2 654
Redemption of share capital (see note 14)	(17)		(299 475)					(299 492)		(299 492)
Dividends paid			(162 231)					(162 231)	(3 565)	(165 796)
At 31. 12. 2008	234	22 595	1 023 556	(130 403)	37 986	35 539	(29 413)	960 094	15 208	975 302
Other comprehensive income, after taxes					(28 229)	(27 730)	(3 552)	(59 511)	(588)	(60 099)
Net income recognised in income statement			216 138					216 138	5 083	221 221
Dividends paid			(111 870)					(111 870)	(2 830)	(114 700)
At 31. 12. 2009	234	22 595	1 127 824	(130 403)	9 757	7 809	(32 965)	1 004 851	16 873	1 021 724

	2009	2008
Balance sheet equity ratio	59.7%	58.1%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2008: KCHF 47) not eligible for distribution. The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closes on April 30, 2010, was communicated on February 12, 2010. On April 13, 2010 the distribution of a special dividend in addition was announced. The change in other comprehensive income and income taxes recognised directly in equity amounts to KCHF 504 (2008: KCHF – 8 132) on securities, KCHF – 2 356 (2008: KCHF 3 019) on hedge accounting according to IAS 39 and KCHF 0 (2008: KCHF – 124) on transactions with treasury shares. The translation differences contain KCHF 0 (2008: KCHF 1 998) from IAS 21 "Net investment in a foreign operation".

For further information and data refer to page 4, "Spotlight on Share Performance".

Consolidated Statement of Cash Flows

	Notes	2009 (CHF '000)	2008 (CHF '000)
Net income		221 221	215 210
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	8, 23	57 792	58 198
(Profit) / loss from disposal of property, plant and equipment	3	909	5 474
Increase / (decrease) of provisions	20	(37 491)	(18 233)
Increase / (decrease) of other non-current liabilities		251	(205)
(Income) / loss from sale of fully consolidated companies	1	(2 414)	0
(Income) / expenses from the equity-valuation of associated companies		(4 971)	(427)
Unrealised currency translation (gains) / losses on foreign exchange positions		(1 420)	11 423
Change assets and liabilities of post-employment benefits, net	8, 19	(1 162)	(1 210)
Net interest expense	5, 6	8 646	379
Dividends on available-for-sale securities	5	(2 428)	(2 868)
Income from sale of available-for-sale securities	5	(12 028)	(10 616)
Expenses for income taxes	7	28 518	41 858
Changes in net working capital		49 344	(17 425)
Taxes paid		(37 794)	(56 706)
Interest paid		(6 904)	(13 641)
Provisions used	20	(7 835)	(2 269)
CASH FLOW FROM OPERATING ACTIVITIES A		252 234	208 942
(Purchase) of intangible assets and property, plant and equipment	8	(37 562)	(63 712)
Disposal of intangible assets and property, plant and equipment	3, 8	820	322
(Purchase) of financial assets	8	(169)	(31)
Disposal of financial assets	8	62	3 252
(Purchase) of available-for-sale securities		(141 236)	(66 616)
Disposal of available-for-sale securities		73 970	109 121
Interest received		1 232	13 809
Dividends received		4 343	5 146
Cash outflow from purchase of fully consolidated companies and non-controlling interests	24	(1 817)	(2 642)
Cash inflow from sale of fully consolidated companies		624	0
Cash inflow from non-controlling interests due to founding of fully consolidated companies	16	0	423
Cash inflow from sale of associated companies		30	0
(Increase) / decrease of interest-bearing assets		6 800	42 899
CASH FLOW FROM INVESTING ACTIVITIES B		(92 903)	41 971
Capital redemption (nominal value and premium)		0	(299 492)
Dividends paid		(111 870)	(162 231)
Dividends paid to non-controlling interests	16	(2 830)	(3 565)
(Purchase) of treasury shares		0	(17 505)
Sale of treasury shares		0	2 984
Increase in interest-bearing liabilities		6 469	161 852
(Decrease) in interest-bearing liabilities		(8 244)	(214 990)
CASH FLOW FROM FINANCING ACTIVITIES C		(116 475)	(532 947)
TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENTS D		(1 652)	16 195
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		41 204	(265 839)
Cash and cash equivalents at 1.1.		447 900	713 739
Increase / (decrease) of cash and cash equivalents		41 204	(265 839)
Cash and cash equivalents at 31.12.	13	489 104	447 900

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated accounting principles

General information on the consolidated financial statements

The consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows of the EMS Group. The consolidation is based on individual financial statements of subsidiaries prepared according to uniform Group accounting principles and in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They also comply with Swiss law.

The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period in which they are determined to be necessary.

Changes to the consolidated accounting principles

The IASB published a series of new and revised standards and interpretations, which took effect in financial year 2009 and were implemented by the EMS Group on January 1, 2009. This has no material effect on the consolidated financial statements of the EMS Group.

IAS 1 (revised) "Presentation of Financial Statements" requires among other things additional disclosure of the statement of comprehensive income. EMS Group has opted for separate disclosure of the calculation of total comprehensive income.

IFRS 8 "Operating Segments": Internal reporting to the Board of Directors (= Chief Operating Decision Maker) is based on the two business areas of "Performance Polymers" and "Fine Chemicals / Engineering". The same accounting principles are applied as for the consolidated financial statements. Since January 1, 2009 the EMS-GRILTECH business unit has been included in the "Fine Chemicals / Engineering" business area. The segment information for the previous year was adjusted accordingly. This adjustment concerns disclosures only, and has no effect on the consolidated financial statements of the EMS Group.

The following change was made in relation to valuation principle from the previous year:
IAS 19 "Employee Benefits": EMS Group decided to change the amortisation period for the recognition of actuarial losses from two years to employees' average service life. This change is a consequence of the development of unrecognised actuarial gains and losses (see note 2).

Consistency

The principles of valuation and consolidation remain unchanged from the previous year, with the exception of the changes described above. For comparative purposes, certain prior-year amounts have been reclassified and amended to conform to the current year consolidated financial statements.

Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, holding more than 50% of the voting rights, or by contracts or other agreements (see note 30 "List of subsidiaries and non-controlling interests").

The equity method of accounting is applied for the associated companies, which are not directly or indirectly controlled by EMS-CHEMIE HOLDING AG (shareholding normally between 20% and 50% of voting rights).

Shares in other companies (less than 20% of voting rights) are valued at their fair value.

Standards that have been approved but not yet applied

The following new and revised standards and interpretations, as they are relevant for the EMS Group, were approved but do not come into effect until a later date and were not applied early in the present consolidated financial statements.

Standard/Interpretation		Entry into force	Planned application by the EMS Group
IAS 39 rev. – Financial instruments: Recognition and Measurement – Amendments for Eligible Hedged Items	*	July 1, 2009	Financial year 2010
IFRS 3 rev. – Business Combinations	***	July 1, 2009	Financial year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners	*	July 1, 2009	Financial year 2010
IAS 27 rev. – Consolidated and Separate Financial Statements	***	July 1, 2009	Financial year 2010
Improvements to IFRSs (April 2009)	*	July 1, 2009 January 1, 2010	Financial year 2010
IFRIC 14 rev. – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	*	January 1, 2011	Financial year 2011
IFRS 9 – Financial Instruments: Classification and Measurement	**	January 1, 2013	Financial year 2013

* There are not expected to be any significant implications for the consolidated financial statements of the EMS Group.
** The effects on the consolidated financial statements of the EMS Group cannot yet be sufficiently determined.
*** These Standards will have an effect on transactions effective on or after January 1, 2010.

Method of consolidation

The financial statements of majority-owned companies are fully consolidated. Assets and liabilities, income and expenses are incorporated in full. Capital consolidation is effected using the purchase method. Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealised profits from intercompany deliveries are eliminated in the income statement. All assets and liabilities of acquired companies are valued according to the accounting principles of the EMS Group at the time of acquisition. Any positive difference between the resulting fair value of shareholders' equity and the cost of acquisition is capitalised as goodwill. Results for acquired companies are included in consolidation as from the date on which control was transferred.

Upon the acquisition of non-controlling interests in a fully consolidated company, any difference between the purchase price and the carrying amount of such non-controlling interests at the time of acquisition is capitalised as goodwill. No fair value adjustments are recognised.

In case of disposal of companies the deconsolidation is effected through the income statement from the date control is relinquished, whereby the companies' results are included in the consolidation up to such date.

Balance sheet date

The balance sheet date of subsidiaries is December 31. The balance sheet date of EMS-CHEMIE HOLDING AG is April 30. In accordance with uniform Group accounting principles an interim closing is prepared for the holding company as of December 31.

Valuation principles

The consolidated financial statements are based on historical costs except for securities, other investments and derivative financial instruments, which are valued at fair value, as well as bonds, which are measured at amortised cost.

Intangible assets (excluding goodwill)

This item consists of acquired patents, trademarks, software and other intangible assets. Other intangible assets are measured at cost less amortisation and impairments. Amortisation of patents, trademarks and software is calculated using the straight-line method based on their limited useful economic lives, generally over 3 to 12 years.

Goodwill

This item consists of goodwill acquired in a business combination. Goodwill represents the difference between consideration paid and the fair value of the net assets and contingent liabilities acquired. Goodwill is subject to an annual impairment test.

Property, plant and equipment

Property, plant and equipment are shown at purchase price or manufacturing cost less depreciation and impairments. Assets are depreciated using the straight-line method over their estimated useful lives. Useful lives are estimated in terms of the asset's physical life expectancy, corporate policy on asset renewals and technological and commercial obsolescence. The value of the capitalised property, plant and equipment is periodically reviewed.
An impairment loss is recorded when the carrying amount exceeds the recoverable amount.

Repairs and maintenance are expensed as incurred. Investments in improvements or renewals of assets are capitalised if they significantly extend service life, increase capacity or provide a substantial improvement in the quality of production performance.

Depreciation periods are as follows:
– Land: normally not depreciated
– Plant under construction: normally not depreciated
– Buildings: 25 – 50 years
– Technical plant and machinery: 7 – 25 years
– Other property, plant and equipment: 5 – 15 years

Leases

There are no assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance lease) in the EMS Group. Payments on leased assets defined as "operating lease" and having a rental character are expensed over the lease period.

Financial assets within non-current assets

Shares in associated companies are included using the equity method.
Other investments are classified as available-for-sale. The valuation is the same as described under "securities".

Inventories

Inventories used for production are valued at their historical purchase or production cost or at their net realisable value, whichever is lower. Inventories are valued using the "fifo" (first-in, first-out) method. Besides individual costs, the cost of production also includes a proportionate allocation of manufacturing overheads.

Accounts receivable

This item is measured on the basis of the original invoiced amount less allowances for doubtful accounts. Such allowances are formed if there are objective indications that outstanding amounts will not or only partially be collected. The allowance represents the difference between the invoiced amount and the recoverable amount.

Securities

Securities include marketable securities traded on stock exchanges and are classified as available-for-sale. Initial measurement of all security transactions is done at the date of fulfillment of the contract (settlement date accounting) at fair value including transaction costs. Subsequent measurement is done at fair value with changes recorded in equity and only transferred to the income statement at the moment of the sale or in case of an impairment. Impairment is assumed when there is a significant or prolonged decline in the fair value below its cost. According to the guidelines of the EMS Group a significant or prolonged decline exists if the fair value of securities is below its cost for a period of nine months or by more than 20%. If the decline in fair value is less than 20% or lasts less than nine months, management decides whether the loss has to be considered permanent.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank account balances and short or medium-term deposits maturing within three months. Cash and cash equivalents are valued at their nominal value.

This definition is also used for the cash flow statement.

Bonds and non-current bank loans

Convertible bonds are split into a liability component and an option component at date of issue and are shown separately in the balance sheet.
On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the terms, but without the conversion option. At date of issue the value of the option component results by deduction of the liability component from the proceeds of the bond issue. With conventional convertible bonds, the holder acquires the right to convert into shares of the issuer. The option therefore constitutes an equity component. In the case of the convertible bond issued by the EMS Group, there is an option to convert into registered shares of Lonza Group AG. The option component is therefore treated as a debt instrument, and is measured at fair value in subsequent years and adjusted through the income statement. The valuation of the option component is based on the Black-Scholes model.

Non-current bank loans are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, non-current bank loans are stated at amortised cost.

Bonds and non-current bank loans are classified as current if they are due to be repaid within twelve months after the balance sheet closing date, even if an agreement has been concluded on the long-term refinancing or rescheduling of payment commitments after the balance sheet closing date but prior to the approval of the financial results for publication.

Liabilities and deferred income

This item includes current and non-current debts, valued at the amount of repayment, and deferred income.

Provisions

Provisions are set up for legal or other liabilities if these liabilities resulting from a past event and existing at balance sheet date will most probably bring about a cash outflow and if the amounts can be reliably estimated. A provision is recognised when the probability is above 50%. Such a provision is valued in accordance with management's best estimate of the weighted possibility.

If the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

All subsidiaries in Switzerland have their own, legally independent pension plans that are independently managed. They are financed through contributions from employers and employees. Present and former employees (or their surviving dependants) will receive benefits upon reaching the age limit and/or in the event of incapacity or death. For the purposes of the consolidated financial statements, future pension obligations are calculated on the basis of actuarial methods complying with IFRS. In the case of defined benefit obligations, the present value of the projected benefit obligation is assessed using the projected unit credit method on the basis of completed and expected years of service, the expected pay trend and the adjustment of pensions. Costs for this provision ("expense recognised in the income statement") are calculated annually and carried to the income statement. Changes in actuarial assumptions are recognised in the income statement on a straight-line basis over employees' average service life when they exceed the limit of 10% of the plan assets or 10% of the plan obligations. Employees of subsidiaries abroad are insured by governmental institutions or independent defined contribution pension plans.

Derivative financial instruments

Initial measurement of all derivative financial instruments is done at the date of transaction (trade date accounting) at fair value excluding transaction costs. Subsequent measurement is done at fair value within the balance sheet position derivative financial instruments. Changes in fair value are shown within the financial income.

Hedge accounting

Hedge accounting as defined by IAS 39 is used for the hedging of currency risks. This includes the use of cash flow hedges, which hedge future purchases and sales in foreign currencies with a high likelihood of occurrence. At initial recognition of cash flow hedges, the effective portion of hedging instruments is recognised in equity and the ineffective portion immediately in the income statement. Gains and losses from cash flow hedges shown in equity are transferred to the income statement on the date on which the forecasted transaction affects the income statement.

The goal of hedge accounting is to match the impact of the hedged item and the hedging instrument in the income statement.

Net sales revenue

Billings for goods and services are recognised as sales when the main risks and benefits incidental to ownership are transferred. Net sales revenue is stated after deduction of value added taxes and any deduction of discounts and credits.

Research and development costs

Research and development costs are charged to the income statement for the year in which they incur under the following headings: wages and salaries, material expenses and amortisation on research and development assets. Development costs are capitalised only and insofar as it can be assumed with a high degree of probability that sufficient future income will be generated to cover the costs arising in connection with the development of the product or process.

Impairment

The carrying amounts of non-current assets not valued at fair value are reviewed at balance sheet date. If there are any indications of permanent impairment, the recoverable amount is determined. The recoverable amount corresponds to the higher of the net selling price or the value in use. In cases where the carrying amount is higher than the recoverable amount, the difference is booked in the income statement.

For the impairment test the corporate assets are collected at the lowest level, for which cash flows can identified separately (cash-generating units). For estimating the value in use, the future cash flows are discounted to the present value with a discount rate before taxes which includes the current market expectations, the time value of money and the specific risks of the assets.

Fair values

The carrying amounts for securities and financial assets stated at fair value are calculated at stock-exchange prices applicable on the balance sheet date. Values for derivative financial instruments are based on replacement values or recognised valuation models such as option price models (Black-Scholes). If there is no separate disclosure in the notes to the consolidated financial statements of the EMS Group, the fair values are considered to be in line with the carrying amounts at the balance sheet date.

Foreign currencies

The financial statements of the individual Group companies are presented in the currency of the primary economic environment in which the respective company operates (functional currency). The consolidated financial statements are prepared in Swiss francs, the Group's reporting currency.

Financial statements in foreign currencies are translated as follows: current assets, non-current assets and liabilities at year-end exchange rates. All items in the income statement and the net income are translated using the average exchange rate for the year. The exchange rate differences are carried to equity without affecting net income (translation adjustment).

In case of disposal of a subsidiary abroad, the translation difference, accumulated during the period when the subsidiary was a consolidated company, is added to profit (or loss) from sale of this company.

The foreign currency positions in the financial statements of the consolidated companies are translated as follows: Foreign currency transactions are translated at the exchange rate of the transaction day. At year-end the balances of monetary foreign currencies are translated at the exchange rate prevailing at year-end. The differences are recognised in the income statement (transaction gains and losses).

The most important exchange rates are:

			Average exchange rates		Year-end exchange rates	
		Unit	2009	2008	2009	2008
Euro	EUR	1	1.510	1.586	1.488	1.490
US Dollar	USD	1	1.086	1.082	1.030	1.055
Japanese Yen	JPY	100	1.160	1.050	1.120	1.170
Chinese Renminbi	CNY	100	15.93	15.58	15.09	15.47
Taiwan Dollar	TWD	100	3.283	3.428	3.208	3.216

Income taxes

Provisions for deferred income taxes are recognised to reflect the tax impact on differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes. These provisions are continuously adjusted to take account of any changes to local fiscal law. Provisions for deferred taxation are set up using the balance sheet liability method, under which deferred tax assets or liabilities are set up for all temporary differences between the tax values and the values entered in the consolidated financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Earnings per share

Earnings per share are based on the consolidated net income attributable to the shareholders of EMS-CHEMIE HOLDING AG, which is divided by the weighted average number of shares issued. The diluted earnings per share figure additionally includes all the shares that could potentially be issued following the exercising of option or conversion rights, for instance.

Segment reporting

Internal reporting to the Board of Directors (= Chief Operating Decision Maker) is based on the two business areas of "Performance Polymers" and "Fine Chemicals / Engineering". The same accounting principles are applied as for the consolidated financial statements.

The strategy, and therefore the allocation of resources, is decided by the Board of Directors. The yearly budgets and medium-term plans of the two business areas are approved by the Board of Directors. The operative performance is controlled by the Board of Directors quarterly. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment.

Financial risk management

General

Risk management constitutes an integral part of planning and reporting activities at the EMS Group. At Senior Management and Business Unit level, risks are identified annually as part of medium-term planning procedure and preparation of the budget for the following year. They are then weighted according to the risk level and probability of its occurrence. In the course of planning discussions, the CEO and CFO report to the Board of Directors on the magnitude of these risks and the implementation status of the measures taken to counter them. The policy for the risk management remains unchanged from the previous year.

The EMS Group is exposed to various financial risks arising from its business activities such as credit risks, liquidity risks and market risks. The financial risks are reported monthly to the Board of Directors. The specific financial risks are described below.

Credit risks

Credit risks arise from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations. Fixed-term deposits and derivative financial instruments are only entered into with counterparties that have a high credit standing. Trade receivables are subject to a policy of active risk management focusing on the assessment of country risk, credit availability, ongoing evaluation of credit standing and account monitoring procedures. There are no significant concentrations within counterparty credit risks. Within trade receivables, this is due to the EMS Group's large number of customers and their wide geographical spread, which has been permanently verified. Country risk limits and exposures are continuously monitored. The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to high-quality counterparties, ongoing reviews of credit ratings, and limiting individual aggregate credit exposure accordingly. There are no collateral or similar contracts.

Liquidity risks

Liquidity risk is the risk that the EMS Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The cash flows and liquidity requirements of the EMS Group are supervised by central treasury. The goal is to have the liquidity required for day-to-day operations available at all times.

Market risks

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency risks

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The EMS Group operates internationally and is exposed to exchange rate risk. The EMS Group uses partly derivative financial instruments in the usual course of business to cover the risks. The EMS Group's treasury unit conducts the trade by order of Senior Management or Head of Business Unit, monitors exposure and prepares the relevant reports, which are submitted monthly to Senior Management and the Board of Directors. The liquidity required for day-to-day operations must be available at all times.

Other price risks: securities risks

Among "other price risks" are securities risks. Available-for-sale securities and the option component of convertible bonds can be influenced by changes in fair values.

Available-for-sale securities are held for fund management purposes. The risk of loss in value is reduced by reviews prior to investing and continuous monitoring of the performance of investments and changes in their risk profile.

Capital management

The capital managed by the EMS Group consists of the consolidated equity including non-controlling interests. The EMS Group has set the following goals for the management of its capital:
– maintaining a healthy and sound balance sheet structure based on continuing values;
– ensuring the necessary financial resources to be able to make investments and acquisitions;
– achieving a return for shareholders that is appropriate to the risk;
– distribution of financial resources not required for operational business to the shareholders.

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The EMS Group aims for a balance sheet equity ratio between 40% and 60%. The balance sheet equity ratio is 59.7% as at December 31, 2009 (December 31, 2008: 58.1%). The EMS Group has no external minimum capital requirements.

Treasury shares are bought and sold on the basis of active management. The EMS Group does not have any financial covenants with minimal capital requirements.

There were no changes in the EMS Group's approach to capital management in the reporting period.

Significant estimates and assumptions made by management

Impairment of non-current assets

To ascertain whether impairment has occurred, estimates are made of the expected future cash flows arising from the use and possible disposal of such assets. Significant assumptions are made in relation to such calculations, including sales figures, margins and discounting rates. It is also possible for useful lives to be reduced, the intended use of property, plant and equipment to change, production sites to be relocated or closed, and production plants to generate lower-than-expected sales in the medium term. The carrying amounts for property, plant and equipment and intangible assets are shown in note 8.

Provisions for litigation risks and other provisions

In the course of their ordinary business operations, Group companies may be involved in legal proceedings. Provisions for litigation risks and other provisions are measured using available information on the basis of the realistically expected net cash outflow, if considered necessary. Other provisions primarily cover warranty claims arising from the sale of goods or services. Future reporting periods may therefore be affected by changes in the estimates of expected or actual cash outflows. The carrying amounts for provisions are shown in note 20.

Securities

The EMS Group has classified this item as available-for-sale, which means that fluctuations in the fair value are recognised in equity until the date of sale, provided there is no lasting impairment. The assessment as to whether impairment has occurred depends on the duration and extent of the decline based on clear criteria. However, it also requires that management makes estimates with regard to future economic developments. The fair value of securities is shown in the balance sheet.

Employee benefits

The EMS Group operates various retirement plans on behalf of its employees. In the case of defined benefit plans, statistical assumptions are made in order to estimate future developments. When parameters alter due to changes in the economic situation or different market conditions, subsequent results may differ significantly from the actuarial opinions and calculations. The carrying amounts of reported employee retirement assets and liabilities are shown in notes 8 and 19.

Taxes

Measurement of current direct and indirect tax liabilities is subject to interpretation of the tax legislation in the countries concerned. The accuracy of tax declarations and appropriateness of liabilities are judged in the context of final assessments or inspections by the tax authorities. Furthermore, the judgment as to whether tax-loss carry forwards can be capitalised requires critical assessment of their usability in terms of netting with future profits, which are dependent on numerous imponderables.

Segment Information

Segment information by business area

	Performance Polymers		Fine Chemicals/ Engineering		Elimination		Total	
(CHF '000)	2009	2008	2009	2008	2009	2008	2009	2008
Net sales revenue with third parties	986 090	1 240 824	211 642	263 123			1 197 732	1 503 947
Net sales revenue with other segments	12	131	0	0	(12)	(131)	0	0
Total net sales revenue	986 102	1 240 955	211 642	263 123	(12)	(131)	1 197 732	1 503 947
EBITDA	238 933	236 258	40 664	41 497	0	0	279 597	277 755
Depreciation, amortisation and impairments [1]	46 690	44 434	11 102	13 764	0	0	57 792	58 198
Net operating income (EBIT)	192 243	191 824	29 562	27 733	0	0	221 805	219 557
Net financial income							27 934	37 511
Net income before taxes							249 739	257 068
Income taxes							(28 518)	(41 858)
Net income							221 221	215 210

	Performance Polymers		Fine Chemicals/ Engineering		Non-segment assets/ liabilities		Total	
(CHF '000)	2009	2008	2009	2008	2009	2008	2009	2008
Segment assets [2]	836 890	879 500	181 533	201 093	692 867	598 834	1 711 290	1 679 427
Segment liabilities [3]	346 647	350 873	28 564	21 603	314 355	331 649	689 566	704 125
Investments	29 688	47 394	7 874	16 318			37 562	63 712
Income from equity-valuation of associated companies	4 971	427	0	0			4 971	427

For a description of the business areas see pages 5 – 7 ("General Information on the Financial Year").

Segment information by geographical region

	Total net sales revenue (customers)		Total net sales revenue (production)		Segment assets [2]	
(CHF '000)	2009	2008	2009	2008	2009	2008
Switzerland	55 844	76 146	639 247	813 397	571 704	650 817
European Union (EU)	702 241	892 223	317 660	377 212	207 643	185 552
North America	128 089	174 796	99 268	126 028	96 724	96 541
Asia	243 352	300 248	141 557	187 310	142 352	147 683
Others	68 206	60 534	0	0	0	0
Subtotal segments	1 197 732	1 503 947	1 197 732	1 503 947	1 018 423	1 080 593
Non-segment assets					692 867	598 834
Total	1 197 732	1 503 947	1 197 732	1 503 947	1 711 290	1 679 427

Invoicing and cost attribution between segments are subject to the same conditions as with third parties.

Most important customers

No single customer accounts for more than 10% of total net sales revenue.

[1] See note 8.
[2] Segmented assets: Assets without cash and cash equivalents, securities, fixed deposits in other current and non-current financial assets and investments in associated companies.
[3] Segmented liabilities: Liabilities without current and non-current bank loans, bonds and option component of convertible bonds.

Consolidated Income Statement

Notes		2009 (CHF '000)	2008 (CHF '000)
1	Capitalised costs and other operating income		
	Capitalised costs	5 401	10 543
	Other operating income	58 528	45 478
	Income from sale of fully consolidated companies	2 414	0
	Income from purchase of fully consolidated companies (see note 24)	6	0
	Total capitalised costs and other operating income	66 349	56 021
2	Personnel expenses		
	Wages and salaries	156 900	172 905
	Subcontractor salaries	901	5 348
	Expenses for defined benefit plans	6 930	8 413
	Legal / contractual social insurance	30 509	29 586
	Total personnel expenses	195 240	216 252
	The change mentioned in the consolidated accounting principles in relation to valuation principle means that expenses for defined benefit plans are CHF 6.0 million lower in financial year 2009.		
	Employee benefits		
	The following figures give an overview of the Swiss pension plans:		
	Present value of funded obligations	(338 517)	(404 442)
	Fair value of plan assets	395 177	377 919
	Surplus / (deficit) in defined benefit obligations	56 660	(26 523)
	Liability for long-service leave	0	0
	Cash-settled share-based payment liability	0	0
	Total employee benefits	56 660	(26 523)
	Unrecognisable amount	(13 688)	(12 760)
	Actuarial (income) / losses, not accounted for	(28 556)	52 537
	Total recognised net assets in the Group balance sheet for independent defined benefit plans	14 416	13 254
	There are no unfunded obligations. The Group makes contributions to a contributory defined benefit plan that provides pensions for employees upon retirement, disability and death. The plan entitles a retired employee to receive an annual payment equal to 6.8 % (2008: 6.8 %) of the retirement assets. Disability and death pensions are defined as fixed ratios of the salary insured.		

Notes	2009 (CHF '000)	2008 (CHF '000)
The balance sheet shows the following:		
Surplus recognised in financial assets as pension assets (see note 8)	18822	17993
Deficit recognised in other non-current liabilities as liabilities from employee benefits (see note 19)	(4406)	(4739)
Total recognised net assets in the Group balance sheet	14416	13254
Plan assets consist of the following:		
Loans to the employer	2624	4279
Liquid assets	102870	238284
Real estate	87698	21180
Bonds	31012	75022
Other equities	170973	39154
Total plan assets	395177	377919
Movement in the liability for defined benefit obligations		
Liability for defined benefit obligations at 1.1.	404442	453718
Benefits paid by the plan	(22201)	(16893)
Current service costs and interest (see below)	23814	32226
Effect of curtailments	29	899
Settlements	(7015)	(11191)
Actuarial (gains) / losses (see next page)	(60552)	(54317)
Liability for defined benefit obligations at 31.12.	338517	404442
Movement in plan assets		
Fair value of plan assets at 1.1.	377919	437196
Contributions paid into the plan	14060	17307
Benefits paid by the plan	(22201)	(16893)
Expected return on plan assets	13226	17488
Settlements	(7015)	(11191)
Actuarial gains / (losses) (see next page)	19188	(65988)
Fair value of plan assets at 31.12.	395177	377919
Expense recognised in the income statement		
Current service costs	13090	17939
Interest on obligation	10724	14287
Expected return on plan assets	(13226)	(17488)
Recognised actuarial gains and losses (see next page)	1353	3103
Effect of curtailments	29	899
Effect of the limit in paragraph 58 (b)	928	(2643)
Employees' contributions	(5968)	(7684)
ERIS (Expense Recognised in the Income Statement)	6930	8413
The expense is recognised in personnel expenses.		

Notes		2009 (CHF '000)	2008 (CHF '000)
	Change of recognised net assets		
	At 1.1.	13 254	12 044
	ERIS (Expense Recognised in the Income Statement)	(6 930)	(8 413)
	Employer's contribution	8 092	9 623
	At 31.12.	14 416	13 254
	Actual return on plan assets	29 042	(39 054)
	Not recognised actuarial (gains) / losses		
	Cumulative amount at 1.1.	52 537	43 969
	Actuarial (gains) / losses of the period	(79 740)	11 671
	Amortisation during the period	(1 353)	(3 103)
	Cumulative amount at 31.12.	(28 556)	52 537
	Actuarial assumptions		
	Actuarial assumptions at the reporting date (expressed as weighted averages):		
	Discount rate at 31.12.	3.3%	3.5%
	Expected return on plan assets at 1.1.	3.5%	4.0%
	Future salary increases	1.0%	1.5%
	Future pension increases	0.5%	0.5%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments. In Switzerland health care costs are not paid to employees.

Historical information	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	(338 517)	(404 442)	(453 718)	(448 396)	(429 733)
Fair value of plan assets	395 177	377 919	437 196	423 887	402 356
Surplus / (deficit) in defined benefit obligations	56 660	(26 523)	(16 522)	(24 509)	(27 377)
Experience gains / (losses) arising on plan liabilities	59 789	(16 177)	1 901	(5 381)	0
Experience gains / (losses) arising on plan assets	19 188	(65 988)	(1 138)	(87)	41 437

The Group expects to pay KCHF 7 264 (2009: KCHF 8 015) in contributions to defined benefit plans in 2010.

Notes		2009 (CHF '000)	2008 (CHF '000)
3	**Other operating expenses**		
	Rents	10 309	12 139
	Repairs and maintenance	19 685	21 182
	Insurance, duties, fees	7 174	8 007
	Energy	27 228	30 821
	Administration, promotion	26 886	31 138
	Losses on disposal of property, plant and equipment, net	909	5 474
	Other operating expenses	15 912	15 133
	Total other operating expenses	108 103	123 894
4	**Research and development**		
	Expenditures for research and development amount to	39 149	48 155
	In percent of net sales revenue	3.3%	3.2%

Notes		2009 (CHF '000)	2008 (CHF '000)
5	Financial income		
	Interest income from related parties	0	361
	Other interest income	1 212	11 496
	Interest income on loans and receivables	5	7
	Interest income on held-to-maturity investments	0	571
	Total interest income	1 217	12 435
	Dividends on available-for-sale securities	2 428	2 868
	Foreign exchange gains, net	8 300	0
	Income from sale of available-for-sale securities, net	12 028	10 616
	Fair value adjustments on derivative financial instruments, net	10 933	34 647
	Income from conversion of bonds	0	5 980
	Income from repurchase of own bonds	0	1 330
	Total financial income	34 906	67 876
6	Financial expenses		
	Interest expenses to associated companies	82	75
	Other interest expenses	3 546	1 247
	Interest expenses on financial liabilities measured at amortised cost	6 235	11 492
	Total interest expenses	9 863	12 814
	Foreign exchange losses, net	0	16 500
	Bank charges and commissions	2 080	1 478
	Total financial expenses	11 943	30 792
7	Income taxes		
	Current income taxes	45 999	34 497
	Deferred income taxes	(17 481)	7 361
	Total income taxes	28 518	41 858

The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The expected income tax rate corresponds to the weighted average of the tax rates in the tax jurisdictions in which the EMS Group operates. Due to the mix of the EMS Group's taxable income and changes in some local tax rates, the expected income tax rate changes from year to year. The effective income tax expenses differed from the expected income tax expenses as follows:

Breakdown of the income tax expenses

	2009 (CHF '000)	2008 (CHF '000)
Net income before income taxes	249 739	257 068
Expected income tax rate	17.1%	21.0%
Expected income taxes	42 724	54 083
Use of tax losses carried forward not capitalised	(2 751)	(1 122)
Change in deferred tax assets not having been set up	2 946	(2 764)
Tax exemption / Expenses not being deductible for tax purposes	(1 754)	(1 294)
Taxes from previous years and tax holidays	(5 007)	(7 031)
Impact of changed deferred income tax rates	(7 705)	(172)
Other	65	158
Effective income taxes	28 518	41 858
Effective income tax rate	11.4%	16.3%

Notes	2009 (CHF '000)		2008 (CHF '000)	

Deferred income taxes:
Change in recognised assets / liabilities

	2009 Deferred income tax assets	2009 Deferred income tax liabilities	2008 Deferred income tax assets	2008 Deferred income tax liabilities
At 1.1.	8394	99666	12403	105029
Change in scope of consolidation	216	0	0	0
Increase via income statement	1882	729	45	8498
Decrease via income statement	(3627)	(19955)	(3808)	(4900)
Income taxes recognised directly in equity	0	504	0	(8132)
Translation differences	4	(69)	(246)	(829)
At 31.12.	6869	80875	8394	99666

Note to the deferred income tax liabilities

	2009	2008
Calculation according to the "balance sheet liability method":		
Deferred income taxes on non-current assets	66542	76670
Deferred income taxes on current assets	10738	20683
Deferred income taxes on liabilities	3595	2313
Total deferred income tax liabilities	80875	99666

Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.

Tax loss carryforwards

	2009 Tax loss carryforwards	2009 Tax effect	2008 Tax loss carryforwards	2008 Tax effect
Total tax loss carryforwards not considered in the balance sheet	52922	17612	41519	12011
Of which to be carried forward for up to:				
1 year	0	0	0	0
2 years	0	0	0	0
3 years	0	0	0	0
4 years	6957	1391	159	33
5 years	0	0	10136	2128
More than 5 years	45965	16221	31224	9850

Notes

8 Intangible assets, property, plant and equipment, financial assets

I. Intangible assets

(CHF '000)	Goodwill	Patents, trade-marks	Others	Total
At 1.1.2008				
Cost	17983	13297	26026	57306
Accumulated amortisation and impairment	0	(12164)	(12103)	(24267)
Net book value	17983	1133	13923	33039
2008				
At 1.1.	17983	1133	13923	33039
Additions	3161	49	570	3780
Disposals	0	0	(72)	(72)
Amortisation	0	(938)	(5001)	(5939)
Reclassifications	0	5	651	656
Translation differences	(422)	(50)	(700)	(1172)
At 31.12.	20722	199	9371	30292
Cost	20722	4088	24645	49455
Accumulated amortisation and impairment	0	(3889)	(15274)	(19163)
Net book value	20722	199	9371	30292
2009				
At 1.1.	20722	199	9371	30292
Change in scope of consolidation	0	0	5	5
Additions	0	66	195	261
Disposals	0	(60)	(28)	(88)
Amortisation	0	(75)	(4434)	(4509)
Reclassifications	0	0	328	328
Translation differences	(197)	3	19	(175)
At 31.12.	20525	133	5456	26114
Cost	20525	253	24559	45337
Accumulated amortisation and impairment	0	(120)	(19103)	(19223)
Net book value	20525	133	5456	26114

The other intangible assets mainly contain customer related intangibles and capitalised software usage rights.

The addition in goodwill results from the buyout of the minorities at Changchun EFTEC Chemicals Products Ltd. as at January 1, 2008 (see note 16) and concerns the segment "Performance Polymers".

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 20525 (2008: KCHF 20722) is the Business Unit EMS-EFTEC (segment "Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:
- The cash flows for the first three years were determined on the basis of medium-term plans.
- The cash flows of the following years were calculated with an annual growth rate of 1%.
- The discount rate before taxes is 11%.

The projections are based on knowledge and experience and also on judgements made by management as to the probable economic development of the relevant markets.

Impairment testing as of the closing date confirmed the recoverability of goodwill.

Notes

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction	Total
At 1.1.2008						
Cost	20456	293374	802688	60787	60011	1237316
Accumulated depreciation and impairment	(1387)	(168869)	(504764)	(40896)	0	(715916)
Net book value	19069	124505	297924	19891	60011	521400
2008						
At 1.1.	19069	124505	297924	19891	60011	521400
Additions	67	607	3133	1976	57310	63093
Disposals	(352)	(3541)	(1403)	(422)	(6)	(5724)
Depreciation	(66)	(8684)	(32447)	(4415)	0	(45612)
Impairment	0	0	(6288)	(143)	(216)	(6647)
Reclassifications	803	22994	48044	2875	(75482)	(766)
Translation differences	(798)	(4264)	(3844)	(1131)	(79)	(10116)
At 31.12.	18723	131617	305119	18631	41538	515628
Cost	20156	300628	844057	60398	41538	1266777
Accumulated depreciation and impairment	(1433)	(169011)	(538938)	(41767)	0	(751149)
Net book value	18723	131617	305119	18631	41538	515628
2009						
At 1.1.	18723	131617	305119	18631	41538	515628
Change in scope of consolidation	0	0	1953	69	411	2433
Additions	1219	2053	4631	1795	27603	37301
Disposals	0	(336)	(878)	(393)	(34)	(1641)
Depreciation	(69)	(8021)	(33917)	(4088)	(217)	(46312)
Impairment	0	(3562)	(3409)	0	0	(6971)
Reclassifications	0	13972	11437	990	(26727)	(328)
Translation differences	34	(659)	(774)	(21)	347	(1073)
At 31.12.	19907	135064	284162	16983	42921	499037
Cost	21390	306998	814023	55903	42921	1241235
Accumulated depreciation and impairment	(1483)	(171934)	(529861)	(38920)	0	(742198)
Net book value	19907	135064	284162	16983	42921	499037

Fire insurance value is KCHF 1552192 (2008: KCHF 1474586).
Property, plant and equipment are insured at replacement values.

Due to the yearly systematic review and check of usability of manufacturing line, the following impairments were booked:

Year	**Amount**	**Segment**
2009:	KCHF 6971	Performance Polymers
2008:	KCHF 6647	Performance Polymers

Notes

III. Financial assets

(CHF '000)	Investments in associated companies	Other investments	Other non-current financial assets: Pension assets IAS 19	Other non-current financial assets: Other non-current financial assets	Total
At 1.1. 2008					
Cost / Fair value	16934	182	17004	4626	21630
Accumulated depreciation / amortisation and impairment	0	0	0	(670)	(670)
Net book value	16934	182	17004	3956	20960
2008					
At 1.1.	16934	182	17004	3956	20960
Additions / Increase	0	1	989	30	1019
Disposals / Decrease	(1851)	0	0	(3252)	(3252)
Translation differences	(247)	0	0	29	29
At 31.12.	14836	183	17993	763	18756
Cost / Fair value	14836	183	17993	812	18805
Accumulated depreciation / amortisation and impairment	0	0	0	(49)	(49)
Net book value	14836	183	17993	763	18756
2009					
At 1.1.	14836	183	17993	763	18756
Change in scope of consolidation	0	0	0	240	240
Additions / Increase	1942	0	829	169	998
Disposals / Decrease	(49)	0	0	(62)	(62)
Translation differences	(129)	0	0	(19)	(19)
At 31.12.	16600	183	18822	1091	19913
Cost / Fair value	16600	183	18822	1133	19955
Accumulated depreciation / amortisation and impairment	0	0	0	(42)	(42)
Net book value	16600	183	18822	1091	19913

The other non-current financial assets mainly contain loans to third parties.

Notes		2009 (CHF '000)	2008 (CHF '000)
9	Inventories		
	Raw materials and supplies	74 918	85 726
	Semi-finished goods, work in progress	9 507	8 027
	Finished products	161 068	176 750
	Value adjustments	(27 629)	(27 777)
	Total inventories	217 864	242 726
10	Trade accounts receivable		
	Trade accounts receivable from associated companies	117	0
	Trade accounts receivable from third parties	211 929	178 730
	Allowances for doubtful accounts	(8 477)	(7 988)
	Total trade accounts receivable	203 569	170 742
	Allowances for doubtful accounts are determined on the basis of historical losses and recognisable individual risks.		
	Due dates of trade accounts receivable		
	Not due	191 299	148 313
	Overdue <30 days	17 163	23 788
	Overdue 30 to 90 days	1 768	4 091
	Overdue >90 days	1 816	2 538
	Total	212 046	178 730
	The movement of the allowances for doubtful accounts on trade accounts receivable is as follows:		
	At 1.1.	7 988	7 789
	Increase / Decrease	541	689
	Translation differences	(52)	(490)
	At 31.12.	8 477	7 988
11	Other receivables		
	Receivables from associated companies	188	91
	Other receivables	25 024	36 327
	Prepayments and accrued income	10 594	13 100
	Total other receivables	35 806	49 518

Notes				2009 (CHF '000)	2008 (CHF '000)
12	Derivative financial instruments				
	The following summary shows the most important derivative financial instruments:				
	Financial instruments at fair value classified through profit or loss				
	Currency SWAPS and forward rate agreements	EUR/CHF	Notional amount CHF	3721	39070
			Positive replacement value CHF	3	214
			Negative replacement value CHF	0	955
		JPY/CHF	Notional amount CHF	1350	530
			Positive replacement value CHF	6	3
			Negative replacement value CHF	0	0
		USD/CHF	Notional amount CHF	1193	38790
			Positive replacement value CHF	8	702
			Negative replacement value CHF	0	171
		CZK/CHF	Notional amount CHF	11315	4680
			Positive replacement value CHF	0	0
			Negative replacement value CHF	125	136
		AUD/CHF	Notional amount CHF	1395	0
			Positive replacement value CHF	0	0
			Negative replacement value CHF	20	0
		GBP/EUR	Notional amount CHF	0	7583
			Positive replacement value CHF	0	0
			Negative replacement value CHF	0	47
	Currency options	EUR/CHF	Notional amount CHF	0	30270
			Positive replacement value CHF	0	40
			Negative replacement value CHF	0	295
	Total		Notional amount CHF	18974	120923
			Positive replacement value CHF	17	959
			Negative replacement value CHF	145	1604
	Thereof: Current portion		Notional amount CHF (<12 months)	13359	120923
			Positive replacement value CHF (<12 months)	17	959
			Negative replacement value CHF (<12 months)	100	1604
	Non-current portion		Notional amount CHF (1–5 years)	5615	0
			Positive replacement value CHF (1–5 years)	0	0
			Negative replacement value CHF (1–5 years)	45	0

Notes				2009 (CHF '000)	2008 (CHF '000)
	Financial instruments effective for hedge accounting purposes				
	Currency SWAPS and forward rate agreements	EUR/CHF	Notional amount CHF	115 817	296 590
			Positive replacement value CHF	1 332	15 820
			Negative replacement value CHF	4	0
		JPY/CHF	Notional amount CHF	88 278	155 979
			Positive replacement value CHF	7 144	16 353
			Negative replacement value CHF	0	1 455
		USD/CHF	Notional amount CHF	0	89 833
			Positive replacement value CHF	0	5 644
			Negative replacement value CHF	0	0
	Currency options	JPY/CHF	Notional amount CHF	0	21 200
			Positive replacement value CHF	0	2 196
			Negative replacement value CHF	0	0
	Total		Notional amount CHF	204 095	563 602
			Positive replacement value CHF	8 476	40 013
			Negative replacement value CHF	4	1 455
	Thereof: Current portion		Notional amount CHF (<12 months)	194 445	496 344
			Positive replacement value CHF (<12 months)	7 832	32 230
			Negative replacement value CHF (<12 months)	4	1 455
	Non-current portion		Notional amount CHF (1–5 years)	9 650	67 258
			Positive replacement value CHF (1–5 years)	644	7 783
			Negative replacement value CHF (1–5 years)	0	0

Derivative financial instruments were mostly effected for hedging purposes. Currency SWAPS, forward rate agreements and currency option contracts are used for the hedging of future purchases and sales in foreign currencies.

The replacement value is understood as beeing the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.

	2009 (CHF '000)	2008 (CHF '000)
Net changes from cash flow hedges in equity, after taxes		
At 1.1.	35 539	0
Transfer to consolidated income statement	(30 775)	0
Fair value adjustments	689	38 558
Income taxes recognised directly in equity	2 356	(3 019)
Total net changes from cash flow hedges in equity, after taxes	(27 730)	35 539
At 31.12.	7 809	35 539

Notes		2009 (CHF '000)	2008 (CHF '000)
13	Cash and cash equivalents		
	Deposits	488 083	446 488
	Cash and cash equivalents	1 021	1 412
	Total cash and cash equivalents	489 104	447 900

Notes	2009 (CHF '000)	2008 (CHF '000)

14 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12.2007	CHF 0.01	25 052 870	1 027 216	24 025 654	251
Purchase of treasury shares		–	132 114	(132 114)	–
Sale of treasury shares		–	(9 023)	9 023	–
Repurchase of registered shares via put options		–	1 663 842	(1 663 842)	–
Redemption of share capital		(1 663 842)	(1 663 842)	–	(17)
Converted treasury shares (see note 17)		–	(135 190)	135 190	–
At 31.12.2008	CHF 0.01	23 389 028	1 015 117	22 373 911	234
Purchase of treasury shares		–	–	–	–
Sale of treasury shares		–	–	–	–
At 31.12.2009	CHF 0.01	23 389 028	1 015 117	22 373 911	234

15 Net changes in fair value in equity, after taxes: available-for-sale securities

	2009	2008
At 1.1.	37 986	114 657
Transfer into consolidated income statement	(1 986)	(31 168)
Fair value adjustments	(25 739)	(53 635)
Income taxes recognised directly in equity due to fair value adjustments	(504)	8 132
Total net changes in fair value, after taxes: available-for-sale securities	(28 229)	(76 671)
At 31.12.	9 757	37 986

16 Non-controlling interests

This item reflects the non-controlling interests in capital and profit / loss for the year. Minorities own significant shares in EMS-UBE Ltd., EFTEC Asia Pte. Ltd., Shanghai EFTEC Chemical Products Ltd., Wuhu EFTEC Chemical Products Ltd. (from August 31, 2008) and Changchun EFTEC Chemical Products Ltd. (until January 1, 2008). The change in non-controlling interests is as follows:

	2009	2008
At 1.1.	15 208	17 064
Founding with non-controlling interests	0	423
Buyout of non-controlling interests (see note 24)	0	(2 847)
Dividends paid	(2 830)	(3 565)
Net income	5 083	3 407
Translation differences	(588)	726
At 31.12.	16 873	15 208

Notes		2009 (CHF '000)	2008 (CHF '000)
17	Bonds		
	Current bond: EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.: 2.5% convertible bond 2002 – 23. 4. 2010	156 428	–
	Total current bond	156 428	–
	Non-current bond: EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.: 2.5% convertible bond 2002 – 23. 4. 2010	–	154 209
	Total non-current bond	–	154 209
	The option component of the convertible bond is separately stated in the balance sheet. The convertible bond is stated less converted shares or shares repurchased via the stock exchange. The discount rate for the convertible bond is 4.00%. The convertible bond contains standard covenants and offers standard anti-dilution protection.		
	Details to the bond issued:		
	2.5% convertible bond 2002 – 23.4.2010 (nominal CHF 350 million)		
	Each bond of CHF 5000 can be converted at any time during the conversion period (23. 4. 2002 – 13. 4. 2010) into 40 registered shares of Lonza Group AG (conversion price per Lonza share: CHF 125).		
	The net present value is as follows:		
	Present value issued bond	348 415	343 428
	Present value repurchased bond	(191 987)	(189 219)
	At 31.12.	156 428	154 209
	Fair value at 31.12.	157 533	160 303
18	Bank loans		
	The non-current bank loans are composed as follows: CHF: Average interest rate: 1.90% (2008: 1.90%)	150 000	150 000
	Total non-current bank loans	150 000	150 000
	The non-current bank loans have a fixed interest rate. The fair value amounts to KCHF 151 674 (2008: KCHF 150 000). In 2008 the fair value corresponded to the carrying amount, as the bank loans were agreed in December 2008.		
	The current bank loans are composed as follows:		
	JPY: Average interest rate: 0.73% (2008: 1.21%)	6 720	15 269
	CNY: Average interest rate: 5.31% (2008: 5.58%)	1 207	1 238
	Total current bank loans	7 927	16 507
	The carrying amounts of current bank loans correspond to their fair values, as the interest rates are variable.		

Notes		2009 (CHF '000)	2008 (CHF '000)
19	Other non-current liabilities		
	Other non-current liabilities	3737	3921
	Liabilities from employee benefits IAS 19	18587	8431
	Total other non-current liabilities	22324	12352

Liabilities from employee benefits IAS 19 include KCHF 4406 (2008: KCHF 4739) liabilities from Swiss pension plans (see note 2).
The increase in liabilities from employee benefits IAS 19 is mainly explained by the acquisition of EMS-CHEMIE (Neumünster) (see note 24).

20 Provisions

(CHF '000)	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
At 31.12.2008	1447	9599	42428	11894	65368
Change in scope of consolidation	0	0	0	1124	1124
Increase via income statement	155	0	3315	369	3839
Decrease via income statement	0	(3011)	(38195)	(124)	(41330)
Amounts used	(225)	(4773)	(2780)	(57)	(7835)
Translation differences	(11)	88	(11)	(26)	40
At 31.12.2009	1366	1903	4757	13180	21206
Of which: Current portion of provisions	0	1903	0	0	1903
Non-current portion of provisions	1366	0	4757	13180	19303

Pension liabilities mainly contain provisions for payments to governmental institutions or independent defined contribution pension plans of subsidiaries abroad.
An average cash outflow >5 years is expected. There is no discount, as the fair value of the pension liabilities is already discounted at the time the liability is calculated.

The provisions for restructuring costs concern the merger of sites in the USA ("Performance Polymers" business area) and the relocation of businesses in the "Fine Chemicals/Engineering" business area; the last one was concluded in 2009.

Within the provisions for litigation risks, the risk arising from litigation processes is adequately covered as at the time of preparation of the financial statements. CHF 3 million of the guarantee for warranties (see note 28) was used in 2009; the remaining CHF 16 million was reversed. A further CHF 22 million of the decrease is in connection with an adjusted estimate of a litigation risk, which is no longer regarded as probable. The reversal was made in the income statement via other operating income.
The increase of CHF 3 million is mainly due to a litigation risk regarded as probable.

Warranty provisions are mainly included within other provisions.

The non-current provisions for litigation risks and the non-current other provisions are expected with an average maturity of 2.5 years.
The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be <3% as per December 31, 2009.

Notes		2009 (CHF '000)	2008 (CHF '000)
21	Other current liabilities		
	Advances from customers	2 981	3 645
	Prepaid expenses and deferred income	73 892	46 525
	Other current liabilities to related parties	0	22
	Other current liabilities to associated companies	3 583	2 428
	Liabilities to social security institutions	4 473	6 125
	Other current liabilities	27 528	28 408
	Total other current liabilities	112 457	87 153
22	Liabilities, net / (net cash position)		
	Bonds (see note 17)	156 428	154 209
	Option component of convertible bonds	0	10 933
	Pension liabilities (see note 20)	1 366	1 447
	Bank loans (see note 18)	157 927	166 507
	Other current liabilities to related parties (see note 21)	0	22
	Interest-bearing liabilities	315 721	333 118
	less		
	Receivables from associated companies (see note 11)	188	91
	Securities	187 163	136 098
	Deposits (see note 13)	488 083	446 488
	Interest-bearing liabilities, net / (cash, net)	(359 713)	(249 559)
	less		
	Cash and cash equivalents (see note 13)	1 021	1 412
	Liabilities, net / (net cash position)	(360 734)	(250 971)

Notes		2009 (CHF '000)	2008 (CHF '000)
23	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
	Amortisation intangible assets	4 509	5 939
	Depreciation property, plant and equipment	46 312	45 612
	Impairment property, plant and equipment	6 971	6 647
	Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	57 792	58 198
	For the breakdown of the depreciation, amortisation and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		
24	Purchase / disposal of fully consolidated companies		
	Cash outflow from purchase of fully consolidated companies and non-controlling interests		
	Acquisition of EMS-CHEMIE (Neumünster)		
	On November 16, 2009, EMS Group acquired EMS-CHEMIE (Neumünster) Holding GmbH, EMS-CHEMIE (Neumünster) GmbH & Co. KG and EMS-CHEMIE (Neumünster) Verwaltungs GmbH (former Nexis Group, Germany).		
	From November 16, 2009 to December 31, 2009, the acquired business contributed net sales revenue of CHF 4.2 million and a net loss of CHF 0.4 million to the EMS Group. If the acquisition had occurred on January 1, 2009, Group net sales revenue would have been CHF 36.7 million higher, while net income would have been CHF 1.3 million lower. These amounts have been calculated using the Group's accounting policies.		
	Net assets acquired and goodwill are shown as follows:		
	Purchase price in cash and cash equivalents	3 778	
	Direct costs relating to the acquisition	323	
	Total purchase price	4 101	
	(Amount of assets acquired)	(4 107)	
	Goodwill / (negative goodwill)	(6)	

Notes

The acquisition of EMS-CHEMIE (Neumünster) has been accounted for using the purchase method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:

(CHF '000)	Assets and liabilities included at acquisition date in consolidated financial statements	Adjustment through purchase price allocation	Assets and liabilities immediately before the combination
Intangible assets	5	0	5
Property, plant and equipment	3163	840	2323
Other non-currents assets	456	216	240
Inventories	7980	1080	6900
Trade accounts receivable	4918	(101)	5019
Other receivables	308	0	308
Cash and cash equivalents	2284	0	2284
Non-current liabilities	(7988)	12917	(20905)
Trade accounts payable	(806)	0	(806)
Other current liabilities	(6213)	(641)	(5572)
Fair value of assets acquired	4107	14311	(10204)
Goodwill / (negative goodwill)	(6)		
Total cost of the business combination	4101		

Purchase price paid	4101
Cash and cash equivalents of subsidiary acquired	(2284)
Cash outflow from purchase of fully consolidated companies	1817

Buyout of non-controlling interests at Changchun EFTEC Chemical Products Ltd.

On January 1, 2008, the participation of 60% was increased to 80%. The purchase price was KCHF 2642. At the same time it was agreed by contract that the participation will be increased to 100% on January 1, 2011. The purchase price was discounted to the value as per January 1, 2008, for the calculation of goodwill (see note 8). Total goodwill amounted to KCHF 3161.

Notes		2009 (CHF '000)	2008 (CHF '000)
25	Contingent liabilities		
	Contingent liabilities at the end of the year amount to	12 447	24 208
	This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).		
26	Earnings per share – EPS		
	Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
	Details of earnings per share:		
	Basic earnings per share		
	Weighted average of registered shares outstanding	22 373 911	22 887 970
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	216 138	211 803
	Basic earnings per share (CHF)	9.66	9.25
	There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
27	Significant shareholders		
	EMESTA HOLDING AG, Zug, 12 091 291 registered shares (2008: 12 091 291 registered shares) Amount of holding	51.70%	51.70%
	Miriam Blocher, 2 079 000 registered shares (2008: 2 079 000 registered shares) Amount of holding	8.89%	8.89%
	No other representation of significant shareholders is known to the Board of Directors.		

Notes		2009 (CHF '000)	2008 (CHF '000)
28	Transactions with related parties		

EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Senior Management as well as the close members of their families and associated companies are regarded as related parties. For financial key figures of the significant associated company, see note 32.

The members of the Board of Directors or Senior Management as well as the close members of their families did not receive any credits, advances or other types of loans. No related party transactions took place with them.

The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the annual report 2009 / 2010 in the financial statements of EMS-CHEMIE HOLDING AG.

Breakdown of the total compensation	2009 (CHF '000)	2008 (CHF '000)
Short-term employee benefits to the members of the Board of Directors and Senior Management	2711	2917
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	2711	2917

The detailed disclosures of compensation as per Swiss law can be found in the financial statements of EMS-CHEMIE HOLDING AG.

Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG of the members of the Board of Directors and members of the Senior Management as well as their related parties are as follows:

Board of Directors	Number of shares	
Dr U. Berg, Chairman	2350	1500
M. Martullo, Vice-Chairman and CEO *	558805	558805
Dr H. J. Frei, Member	1720	1720
Dr W. Prätorius, Member	0	0
E. Appel, Member (until August 8, 2009)	–	1200
Total Board of Directors	562875	563225

* Excluding EMESTA HOLDING AG, in which M. Martullo holds a 49.9% stake (see note 27).

Notes		2009	2008
	Senior Management	Number of shares	
	M. Martullo, Vice-Chairman and CEO *	shown under "Board of Directors"	
	P. Germann, CFO	0	0
	Dr R. Holderegger, Member (from October 9, 2009)	0	–
	R. Fintschin, Member (until October 8, 2009)	–	750
	Total Senior Management	0	750

* Excluding EMESTA HOLDING AG, in which M. Martullo holds a 49.9% stake (see note 27).

Neither the members of the Board of Directors and the Senior Management nor their related parties have any conversion rights or options in EMS-CHEMIE HOLDING AG.

In connection with the sale of Atisholz to EMESTA HOLDING AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties. This guarantee was CHF 19 million at December 31, 2008. CHF 3 million were used in 2009 (2008: –) (see note 20). The remaining CHF 16 million were reversed in 2009 as there was no further obligation against EMESTA HOLDING AG as per December 31, 2009.

29 Subsequent events

On January 21, 2010, it was announced that the automotive aftermarket business "EFTEC Aftermarket" was sold.
On February 15, 2010, it was announced that EMS-CHEMIE HOLDING AG sold 1 015 117 treasury shares, corresponding to a shareholding of 4.34% in EMS, to the main shareholder EMESTA HOLDING AG.
The consolidated financial statements were approved by the Board of Directors on March 31, 2010 and need to be approved by the Annual General Meeting on August 14, 2010.
Between December 31, 2009 and March 31, 2010 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

30 List of subsidiaries and non-controlling interests (at 31.12.2009)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-MANAGEMENT SERVICES (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
BUSINESS AREA PERFORMANCE POLYMERS		
EMS-CHEMIE AG	Domat/Ems	Switzerland
EMS-CHEMIE (France) S.A.	Boulogne	France
EMS-CHEMIE (UK) Ltd.	Stafford	UK
EMS-CHEMIE (Japan) Ltd.	Tokyo	Japan
EMS-UBE Ltd.	Ube	Japan
EMS-CHEMIE (Italia) S.r.l.	Milano	Italy
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Taiwan) Ltd.	Hsin Chu Hsien	Taiwan (R. O. C.)
EMS-CHEMIE (China) Ltd.	Shanghai	China (People's Rep.)
EMS-CHEMIE (Suzhou) Ltd.	Suzhou	China (People's Rep.)
EMS-GRILON HOLDING Inc.	Wilmington, DE	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC Europe Holding AG	Zug	Switzerland
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Montataire Cedex	France
EFTEC Engineering GmbH	Markdorf	Germany
EFTEC Ltd.	Rhigos	UK
EFTEC NV	Genk	Belgium
EFTEC S.A.	Zaragoza	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
EFTEC Shroff (India) Ltd.	Mumbai	India
EFTEC (China) Ltd.	Hong Kong	China (People's Rep.)
Shanghai EFTEC Chemical Products Ltd.	Shanghai	China (People's Rep.)
Changchun EFTEC Chemical Products Ltd.	Changchun	China (People's Rep.)
Wuhu EFTEC Chemical Products Ltd.	Wuhu	China (People's Rep.)
D PLAST – EFTEC a.s.	Zlín	Czech Republic
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Troy, MI	USA
EFTEC Latin America S.A.	Panama City	Panama
EFTEC Brasil Ltda.	Sorocaba	Brazil
EFTEC Aftermarket GmbH	Lügde	Germany
BUSINESS AREA FINE CHEMICALS / ENGINEERING		
EMS-GRILTECH *		
EMS-PATVAG AG in Liquidation	Domat/Ems	Switzerland
EMS-PATVAG s.r.o.	Brankovice	Czech Republic
EMS-METERING AG	Domat/Ems	Switzerland
EMS-CHEMIE (Neumünster) Holding GmbH	Neumünster	Germany
EMS-CHEMIE (Neumünster) GmbH & Co. KG	Neumünster	Germany
EMS-CHEMIE (Neumünster) Verwaltungs GmbH	Neumünster	Germany

Category: P = Production V = Trade, sale
D = Financing, various

Consolidation: K = Fully consolidated
E = Equity valuation

Currency	Share capital (in '000)	Holding Group	Holding direct	Category	Consolidation
CHF	234			D	K
CHF	60	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	100	100.00%	100.00%	D	K
CHF	100	100.00%	100.00%	P,V	K
EUR	1 951	100.00%	100.00%	V	K
GBP	1 530	100.00%	100.00%	V	K
JPY	210 000	100.00%	100.00%	V	K
JPY	1 500 000	66.67%	66.67%	P,V	K
EUR	1 300	100.00%	100.00%	V	K
EUR	2 556	100.00%	100.00%	P,V	K
TWD	281 000	100.00%	100.00%	P,V	K
CNY	5 000	100.00%	100.00%	V	K
CNY	98 693	100.00%	100.00%	P	K
USD	2 420	100.00%	95.87%	D	K
USD	11 285	100.00%	100.00%	P,V	K
CHF	8 000	100.00%	70.00%	D	K
CHF	2 500	100.00%	100.00%	P,V	K
EUR	8	100.00%	100.00%	V	K
EUR	25	100.00%	100.00%	P,V	K
GBP	352	100.00%	100.00%	P,V	K
EUR	1 240	100.00%	100.00%	P,V	K
EUR	944	100.00%	100.00%	P,V	K
USD	3 518	80.00%	80.00%	D,V	K
THB	49 500	80.00%	100.00%	P,V	K
INR	15 000	39.20%	49.00%	P,V	E
USD	3 700	80.00%	100.00%	D	K
CNY	20 750	48.00%	60.00%	P,V	K
CNY	27 500	80.00%	100.00%	P,V	K
CNY	6 650	48.00%	60.00%	P,V	K
CZK	47 569	50.00%	50.00%	P,V	E
USD	750	100.00%	100.00%	D	K
USD	38 222	100.00%	100.00%	P,V	K
USD	0	100.00%	88.50%	D	K
BRL	541	100.00%	100.00%	P	K
EUR	1 023	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	P,V	K
CZK	30 000	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	D	K
EUR	25	100.00%	100.00%	D	K
EUR	3 000	100.00%	100.00%	P,V	K
EUR	25	100.00%	100.00%	D	K

* EMS-GRILTECH is a reporting unit within EMS-CHEMIE AG

Notes		2009 (CHF '000)	2008 (CHF '000)

31 Change in scope of consolidation

Fully consolidated:
Addition:
EMS-CHEMIE (Neumünster) Holding GmbH, EMS-CHEMIE (Neumünster) GmbH & Co. KG and EMS-CHEMIE (Neumünster) Verwaltungs GmbH: These companies were acquired on November 16, 2009 (see note 24).

32 Significant associated company

D PLAST – EFTEC a.s.

Domicile		Zlín, Czech Republic
Percentage held		50.00%
Financial year		January 1, 2009 – December 31, 2009
Category		Production, Sale
Currency		CZK
Net sales revenue	KCHF	39 085
Net income	KCHF	7 925
Assets	KCHF	36 579
Equity	KCHF	25 933
Liabilities	KCHF	10 646

33 Risk management

	2009	2008
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 8)	1 091	763
Trade accounts receivable (see note 10)	203 569	170 742
Receivables from associated companies (see note 11)	188	91
Derivative financial instruments (see note 12)	8 493	40 972
Cash and cash equivalents (see note 13)	489 104	447 900
Total financial assets	702 445	660 468

The maximum credit risk is equal to the carrying amount of the respective assets.
There are no collateralised financial assets. For the analysis of due dates and allowances for doubtful accounts on trade accounts receivable, see note 10.

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2009 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 17)	156428	161089	161089	0	0
Current bank loans (see note 18)	7927	7927	7927	0	0
Non-current bank loans (see note 18)	150000	156750	2850	153900	0
Trade accounts payable	98638	98638	98638	0	0
Other current liabilities to associated companies (see note 21)	3583	3583	3583	0	0
Derivative financial liabilities:					
Option component of convertible bonds	0	0	0	0	0
Derivative financial instruments (see note 12)	149	149	104	45	0
Total financial liabilities	416725	428136	274191	153945	0

At 31.12.2008 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 17)	154209	165018	3929	161089	0
Current bank loans (see note 18)	16507	16507	16507	0	0
Non-current bank loans (see note 18)	150000	159600	2850	156750	0
Trade accounts payable	70842	70842	70842	0	0
Other current liabilities to related parties (see note 21)	22	22	22	0	0
Other current liabilities to associated companies (see note 21)	2428	2428	2428	0	0
Derivative financial liabilities:					
Option component of convertible bonds	10933	0	0	0	0
Derivative financial instruments (see note 12)	3059	3059	3059	0	0
Total financial liabilities	408000	417476	99637	317839	0

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bonds and the non-current bank loans have a fixed interest rate. The valuation of the bonds is at amortised costs. There are no derivative financial instruments on interest rates used. An increase / (decrease) in the interest rate of 100 basis points in the case of the deposits and the current bank loans would increase / (decrease) net income after taxes by CHF 4.0 million (2008: CHF 3.1 million). This sensitivity analysis assumes that all other assumptions, e.g. currency rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

Notes

Currency risks

Overview currency exposure, net

At 31.12.2009 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade accounts receivable (see note 10)	37446	77447	15143	23025	18106	32402
Loans to group companies	40837	36479	96517	2800	0	3320
Derivative financial instruments (see note 12)	0	0	0	89628	0	12710
Trade accounts payable	(44064)	(20757)	(8031)	(15992)	(1501)	(8293)
Current bank loans (see note 18)	0	0	0	(6720)	0	(1207)
Derivative financial instruments (see note 12)	0	(119538)	(1193)	0	0	0
Currency exposure, net	34219	(26369)	102436	92741	16605	38932

At 31.12.2008 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade accounts receivable (see note 10)	33074	56499	17069	28941	10897	24262
Loans to group companies	31679	43000	79592	4680	0	4355
Derivative financial instruments (see note 12)	0	0	0	177709	0	4680
Trade accounts payable	(24093)	(11883)	(8216)	(20501)	(2309)	(3840)
Loans from group companies	0	(2906)	(693)	0	0	(687)
Current bank loans (see note 18)	0	0	0	(15269)	0	(1238)
Derivative financial instruments (see note 12)	0	(365930)	(128623)	0	0	(7583)
Currency exposure, net	40660	(281220)	(40871)	175560	8588	19949

Sensitivity analysis of currency risks

A 10% increase / (decrease) in the Swiss franc (CHF) against all other currencies would decrease / (increase) net income after taxes by CHF 10.0 million (2008: CHF 7.9 million). Per currency: EUR: CHF – 2.7 million (2008: CHF – 3.7 million), USD: CHF – 2.5 million (2008: CHF – 1.0 million), JPY: CHF – 0.1 million (2008: CHF – 0.3 million), other currencies: CHF – 4.7 million (2008: CHF – 2.9 million).
A 10% increase / (decrease) in the Swiss franc (CHF) against all other currencies would decrease / (increase) equity after taxes by CHF 7.7 million (2008: CHF 11.9 million increase / [decrease]). Per currency: EUR: CHF + 7.9 million (2008: CHF + 22.3 million), USD: CHF – 8.5 million (2008: CHF + 0.7 million), JPY: CHF – 2.4 million (2008: CHF – 8.2 million), other currencies: CHF – 4.7 million (2008: CHF – 2.9 million).
This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

Notes	2009	2008
Other price risks: Securities risks		
The "securities" item in the balance sheet comprises the following countries:		
Switzerland	86%	99%
Euroland	14%	0%
USA	0%	1%
Total	100%	100%
There is no significant correlation to a share index.		

Sensitivity analysis of securities risks

A 10% increase in the fair value of available-for-sale securities and option component of convertible bonds would increase equity after taxes by CHF 18.0 million (2008: CHF 13.6 million), while the net income after taxes would be CHF 0.0 million (2008: CHF 19.4 million) lower.
A 10% decrease in the fair value of available-for-sale securities and option component of convertible bonds would decrease equity after taxes by CHF 18.0 million (2008: CHF 13.6 million), while net income after taxes would be CHF 0.0 million (2008: CHF 19.1 million) higher.
The sensitivity analysis was performed on the same basis as for the previous year.

Financial assets / liabilities: fair value hierarchy

At 31.12.2009 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	187163			187163
Derivative financial instruments (see note 12)		8493		8493
Financial liabilities:				
Option component of convertible bonds		0		0
Derivative financial instruments (see note 12)		(149)		(149)

There were no transfers between the levels of the fair value hierarchy.
Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

34 Information about the risk assessment process

Risk management constitutes an integral component of planning and reporting activities at EMS. At Senior Management and Business Unit level, risks are identified annually as part of the medium-term planning procedure and preparation of the budget for the following year. They are then weighted according to the gravity of the risk and probability of its occurrence. The identification and assessment of changes in risk play an important part in this process. Measures are defined to reduce significant risks. In the course of planning discussions, the CEO and CFO report to the Board of Directors on the magnitude of these risks and the implementation status of the measures taken to counter them.

Report of the Statutory Auditor on the Consolidated Financial Statements

Report of the Statutory Auditor on the Consolidated Financial Statements to the Annual General Meeting of EMS-CHEMIE HOLDING AG, Domat / Ems

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 19 to 57) for the year ended December 31, 2009.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, March 31, 2010

KPMG AG

Hanspeter Stocker Licensed audit expert Auditor in charge	Georg Mosimann Licensed audit expert

Financial Statements
EMS-CHEMIE HOLDING AG

for the Financial Year May 1, 2009 – April 30, 2010

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2009 to April 30, 2010

	Notes	2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)
INCOME			
License fees from group companies		33 854	35 449
Financial income			
Interest income		4 388	6 153
Foreign exchange differences	1	354	8 870
Dividends on group companies		123 900	156 410
Income from financial assets		58 974	31 022
Other income		0	164
Total income		221 470	238 068

	Notes	2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)
EXPENSES			
Operating expenses to group companies		20 295	20 672
Financial expenses			
Expenses from financial assets		2 776	38 234
Interest expenses		7 764	11 064
Expenses from disposal of group companies		772	0
Bank charges, duties, fees		302	1 045
Administration expenses		1 520	1 520
Expenses arising from guarantees	2	2 762	0
Total expenses		36 191	72 535
Net income before taxes		185 279	165 533
Taxes		479	1 110
Net income		184 800	164 423

Balance Sheet as at April 30, 2010

	Notes	30. 4. 2010 (CHF '000)	30. 4. 2009 (CHF '000)
Non-current assets		350 698	374 436
Investments in group companies	3	284 991	291 107
Loans to group companies		65 707	83 329
Current assets		325 395	288 623
Prepayments and accrued income		13 328	10 398
Accounts receivable from third parties		698	631
Accounts receivable from group companies		42 784	42 461
Loans to group companies		3 664	0
Current financial assets	4	84 777	90 832
Cash and cash equivalents		180 144	144 301
TOTAL ASSETS		676 093	663 059

Shareholders' equity	5	466 967	394 037
Share capital	6 / 7	234	234
Legal reserves		47	47
Reserves for treasury shares	4	0	130 403
Other reserves		10 000	10 000
Available earnings		456 686	253 353
Liabilities		209 126	269 022
Non-current liabilities		64 169	164 169
Bank loans		50 000	150 000
Provisions		14 169	14 169
Current liabilities		144 957	104 853
Loans from group companies		0	79 630
Bank loans		100 000	0
Accruals and deferred income		8 059	8 010
Accounts payable to third parties		6 060	1 997
Accounts payable to group companies		30 838	15 216
TOTAL EQUITY AND LIABILITIES		676 093	663 059
Balance sheet equity ratio		69.1 %	59.4 %

Notes to the Financial Statements 2009/2010

Income Statement 2009/2010

Notes		2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)
1	Foreign exchange differences		
	Foreign exchange gains	8 101	24 652
	Foreign exchange losses	7 747	15 782
	Foreign exchange differences	354	8 870

2 Expenses arising from guarantees

In connection with the sale of Atisholz to EMESTA HOLDING AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties. This guarantee was CHF 19 million as at 30.04.09. In 2009/2010, CHF 3 million was used (2008/2009: –). There was no further obligation against EMESTA HOLDING AG as at 30.04.10.

Balance Sheet as at April 30, 2010

3 Investments in group companies

Details of the investments as at 31.12.09 can be seen in note 30, "List of subsidiaries and non-controlling interests", in the consolidated financial statements of the EMS Group.
In the period to 30.04.10, investments changed as follows:
Disposal:
EFTEC Aftermarket GmbH was sold as at 20.01.10.

Notes		2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)
4	Current financial assets		
	Securities	84 777	2 517
	Treasury shares	0	88 315
	Current financial assets	84 777	90 832

	Number of registered shares	
Details to treasury shares:		
At 01.05.	1 015 117	2 580 393
Purchases	0	129 710
Disposals	(1 015 117)	(4 056)
Conversion	0	(27 088)
Redemption of share capital	0	(1 663 842)
At 30.04.	0	1 015 117

Reporting year:
1 015 117 treasury shares were sold on stock exchange at a market price of CHF 127.10 to the main shareholder EMESTA HOLDING AG. The dividend adjusted acquisition price was CHF 97.55.

Previous year:
Purchase of 129 710 treasury shares at an average market price of CHF 133.21, sale of 4 056 treasury shares at an average market price of CHF 132.80. Of the 2% convertible bond 2002 – 25.07.08, in 2008/2009 convertible bonds with a nominal value of KCHF 3 440 were converted into 27 088 treasury shares (see note 8). From the repurchase of registered shares by virtue of put options, 1 663 842 registered shares were canceled on 03.11.08.

Notes		2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)
5	Shareholders' equity		
	At 01.05.	394 037	691 336
	Dividends paid	(111 870)	(162 231)
	Redemption of share capital	0	(299 491)
	Net income	184 800	164 423
	At 30.04.	466 967	394 037

Notes	2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)

6 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.04.08	CHF 0.01	25052870	2580393	22472477	251
Change in treasury shares		–	98566	(98566)	–
Redemption of share capital		(1663842)	(1663842)	–	(17)
At 30.04.09	CHF 0.01	23389028	1015117	22373911	234
Sale of treasury shares		–	(1015117)	1015117	–
At 30.04.10	CHF 0.01	23389028	0	23389028	234

7 Significant shareholders

	2009 / 2010	2008 / 2009
EMESTA HOLDING AG, Zug, 13106408 registered shares (2008 / 2009: 12091291 registered shares)		
Amount of holding	56.04%	51.70%
Miriam Blocher, 2079000 registered shares (2008 / 2009: 2079000 registered shares)		
Amount of holding	8.89%	8.89%

No other representation of significant shareholders is known to the Board of Directors.

8 Bonds

In 2008 / 2009, convertible bonds with a nominal value of KCHF 3440 were converted into treasury shares (see note 4) and convertible bonds with a nominal value of KCHF 76460 into Lonza shares. At 25.07.08, the 2% convertible bond 2002 – 25.07.08, and at 29.07.08, the 4% debenture bond 2002 – 29.07.08, were repaid.

Notes			2009 / 2010 (CHF '000)	2008 / 2009 (CHF '000)
9	Contingent liabilities			
	Guarantees (maximum liability)		164 020	569 942

To secure the convertible bond in the amount of CHF 350 million issued by EMS-INTERNATIONAL FINANCE (Guernsey) Ltd. in April 2002, EMS-CHEMIE HOLDING AG granted a guarantee in the amount of CHF 367.5 million. At 23.04.10, the convertible bond was repaid and the guarantee omitted.

10 Compensation and shareholdings

The following compensation was paid in the reporting year:

Board of Directors	Function	Compensation 2009 / 2010	Compensation 2008 / 2009
Dr U. Berg	Chairman	191	191
M. Martullo	Vice-Chairman and CEO	936	715
Dr H.J. Frei	Member *	330	257
Dr W. Prätorius	Member	105	105
E. Appel	Member (until 08.08.09)	105	105
A. Reich	Member (until 09.08.08)	-	195
Total Board of Directors		1 667	1 568

* Double function as Member of the Board of Directors and Chairman of the Foundation Board of the Pension Fund for the EMS Group. Compensation as Member of the Board of Directors: KCHF 105 (2008 / 2009: KCHF 105).

Senior Management

	2009 / 2010	2008 / 2009
Total compensation paid to the Senior Management was	2 200	1 842

The highest compensation for a member of the Senior Management in the reporting year was KCHF 936 (2008 / 2009: KCHF 715) and was paid to M. Martullo, Vice-Chairman of the Board of Directors and CEO.

	2009 / 2010	2008 / 2009
Total compensation paid to the Board of Directors and Senior Management was	2 931	2 695

The compensation is paid exclusively in cash.
EMS has no stock option program.

Advisory board

There is no advisory board.

No compensation was paid to former members of the Board of Directors or Senior Management. Furthermore, all compensation for current or former members of the Board of Directors, Senior Management and related parties was paid on an arm's length basis. The current as well as former members of the Board of Directors, Senior Management and related parties did not receive any loans or credits.

Notes		2009 / 2010	2008 / 2009

Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by members of the Board of Directors, members of the Senior Management and related parties were as follows:

Board of Directors	Function	Number of registered shares	
Dr U. Berg	Chairman	2 350	1 500
M. Martullo	Vice-Chairman and CEO *	558 805	558 805
Dr H.J. Frei	Member	2 330	1 720
Dr W. Prätorius	Member	1 000	0
E. Appel	Member (until 08.08.09)	–	1 200
Total Board of Directors		564 485	563 225

Senior Management	Function		
M. Martullo	CEO *	shown under "Board of Directors"	
P. Germann	CFO	0	0
Dr R. Holderegger	Member (from 09.10.09)	0	–
R. Fintschin	Member (until 08.10.09)	–	750
Total Senior Management		0	750

* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9 % stake (see note 7).

The members of the Board of Directors, Senior Management and related parties did not hold any conversion rights or options in EMS-CHEMIE HOLDING AG.

11 Information about the risk assessment process

Risk management constitutes an integral component of planning and reporting activities at EMS. At Senior Management and Business Unit level, risks are identified annually as part of the medium-term planning procedure and preparation of the budget for the following year. They are then weighted according to the gravity of the risk and probability of its occurrence. The identification and assessment of changes in risk play an important part in this process. Measures are defined to reduce significant risks. In the course of planning discussions, the CEO and CFO report to to the Board of Directors on the magnitude of these risks and the implementation status of the measures taken to counter them.

Proposal of the Board of Directors for the appropriation of available earnings

	2009 / 2010 (CHF)	2008 / 2009 (CHF)
Available earnings		
Net income	184 799 928	164 423 101
Reclassification reserves for treasury shares	130 403 016	(13 314 414)
Balance brought forward	141 483 153	102 244 021
Total available earnings	456 686 097	253 352 708
Appropriation		
Payment of an ordinary dividend of CHF 5.00 (previous year CHF 5.00) gross and	(116 945 140)	(111 869 555)
a special dividend of CHF 5.00 (previous year CHF 0.00) gross per registered share entitled to dividend	(116 945 140)	0
Balance to be carried forward	222 795 817	141 483 153

Report of the Statutory Auditor on the Financial Statements

KPMG

Report of the Statutory Auditor on the Financial Statements to the Annual General Meeting of EMS-CHEMIE HOLDING AG, Domat / Ems

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet and notes (pages 60 to 67) for the year ended April 30, 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended April 30, 2010 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, May 26, 2010

KPMG AG

Hanspeter Stocker Licensed audit expert Auditor in charge	Georg Mosimann Licensed audit expert