Finance Report 2011

Excerpt from the
49th Annual Report 2011/2012

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Contents

Share Performance

	2011	2010	2009	2008	2007
Number of registered shares	23 389 028	23 389 028	23 389 028	23 389 028 [1]	25 052 870
Number of					
Shares entitled to dividend	23 389 028	23 386 528	22 373 911	22 373 911	24 025 654
Treasury shares	0	2 500	1 015 117	1 015 117	1 027 216
Information per share (in CHF):					
Dividend per share	7.00 [2]	12.50	10.00	5.00	7.25
Of which ordinary dividend	7.00	6.50	5.00	5.00	6.00
Of which special dividend	–	–	5.00	–	1.25
Of which anniversary dividend	–	6.00	–	–	–
Earnings per share	10.14	9.71	9.66	9.25	12.14
Cash flow per share [3]	12.64	12.50	12.47	11.95	15.22
Equity per share [4]	45.17	47.74	45.67	42.61	54.71
Stock prices [5]					
High	175.91	166.00	125.00	165.22	170.00
Low	137.07	117.25	80.00	82.25	144.06
At December 31	159.10	165.80	123.80	88.50	166.60
Market capitalisation on December 31 (CHF millions)	3 721.2	3 877.9	2 895.6	2 069.9	4 173.8

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 2007–2011

CHF millions	2011	2010	2009	2008	2007
Net sales revenue	1 657.7	1 595.6	1 197.7	1 503.9	1 552.4
Change in % against previous year	+3.9 %	+33.2 %	–20.4 %	–3.1 %	+11.2 %
Change in local currencies	+15.5 %	+39.6 %	–17.6 %	+0.8 %	+9.2 %
Of which in Switzerland	5.3 %	4.7 %	4.7 %	5.1 %	5.0 %
Net operating income (EBIT)	294.0	281.6	221.8	219.6	270.2
Change in % against previous year	+4.4 %	+27.0 %	+1.0 %	–18.7 %	+9.5 %
In % of net sales revenue	17.7 %	17.6 %	18.5 %	14.6 %	17.4 %
Net financial income	0.9	–1.5	27.9	37.5	63.7
Income taxes	52.7	48.0	28.5	41.9	40.1
Net income	242.1	232.1	221.2	215.2	293.8
Change in % against previous year	+4.3 %	+4.9 %	+2.8 %	–26.7 %	–4.5 %
In % of net sales revenue	14.6 %	14.5 %	18.5 %	14.3 %	18.9 %
Cash flow [1)]	295.5	290.8	279.0	273.4	355.3
Change in % against previous year	+1.6 %	+4.2 %	+2.1 %	–23.0 %	–1.0 %
In % of net sales revenue	17.8 %	18.2 %	23.3 %	18.2 %	22.9 %
Investments	75.9	49.0	37.6	63.7	71.9
In % of cash flow	25.7 %	16.9 %	13.5 %	23.3 %	20.2 %
Balance sheet total	1 634.3	1 668.9	1 711.3	1 679.4	2 277.1
Assets					
Current assets	1 042.3	1 110.3	1 141.9	1 083.6	1 671.8
Non-current assets	592.0	558.6	569.4	595.9	605.3
Equity and liabilities					
Current liabilities	363.0	391.3	417.0	221.2	614.2
Non-current liabilities	214.8	167. 3	272.5	482.9	386.2
Equity [2)]	1 056.5	1 110.4	1 021.7	975.3	1 276.7
Balance sheet equity ratio	64.6 %	66.5 %	59.7 %	58.1 %	56.1 %
Return on equity	22.9 %	20.9 %	21.7 %	22.1 %	23.0 %
Number of employees on December 31 [3)]	2 242	2 256	2 106	2 165	2 231

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 (2011: 134; 2010: 138; 2009: 137; 2008: 129; 2007: 109).

Consolidated Income Statement

	Notes	2011 (CHF '000)	2010 (CHF '000)
Net sales revenue from goods and services		1 657 676	1 595 603
Inventory changes, semi-finished and finished goods		5 402	26 446
Capitalised costs and other operating income	1	60 059	41 572
Operating income		1 723 137	1 663 621
Material expenses		1 053 139	997 751
Personnel expenses	2	203 478	206 690
Depreciation and amortisation	8, 23	52 004	53 463
Other operating expenses	3	120 528	124 102
Operating expenses		1 429 149	1 382 006
NET OPERATING INCOME (EBIT)		293 988	281 615
Income from equity-valuation of associated companies		5 527	5 069
Financial income	5	4 785	22 336
Financial expenses	6	9 415	28 888
NET FINANCIAL INCOME		897	(1 483)
NET INCOME BEFORE TAXES		294 885	280 132
Income taxes	7	52 739	48 036
NET INCOME		242 146	232 096
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		237 131	225 879
Non-controlling interests	17	5 015	6 217
Earnings per share in CHF:			
Basic	26	10.14	9.71
Diluted	26	10.14	9.71

Consolidated Statement of Comprehensive Income

	Notes	2011 (CHF '000)	2010 (CHF '000)
Net income recognised in income statement		242 146	232 096
Net changes in fair value, after taxes: Available-for-sale securities	16	(9 037)	(720)
Net changes from cash flow hedges, after taxes	13	15 622	(7 999)
Currency translation differences		(6 484)	(15 527)
Other comprehensive income, after taxes		101	(24 246)
TOTAL COMPREHENSIVE INCOME		242 247	207 850
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		236 465	201 204
Non-controlling interests	17	5 782	6 646

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	31.12.2011 (CHF '000)	31.12.2010 (CHF '000)
NON-CURRENT ASSETS		592 022	558 583
Intangible assets	8	23 375	23 061
Property, plant and equipment	8	506 989	488 128
Investments	8	22 286	18 985
Investments in associated companies	8	22 103	18 802
Other investments	8	183	183
Other non-current assets	9	19 249	19 659
Derivative financial instruments	13	12 110	1 985
Deferred income tax assets	7	8 013	6 765
CURRENT ASSETS		1 042 296	1 110 338
Inventories	10	297 588	255 000
Receivables			
Trade receivables	11	231 649	211 657
Income tax assets		1 563	2 178
Other receivables	12	62 198	56 454
Securities		15 117	146 941
Derivative financial instruments	13	16 186	1 860
Cash and cash equivalents	14	417 995	436 248
TOTAL ASSETS		1 634 318	1 668 921
EQUITY		1 056 502	1 110 364
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 041 394	1 096 834
Share capital	15	234	234
Retained earnings and reserves		804 029	870 721
Net income		237 131	225 879
Equity, attributable to non-controlling interests	17	15 108	13 530
LIABILITIES		577 816	558 557
Non-current liabilities		214 770	167 302
Derivative financial instruments	13	502	32
Bank loans	18	100 061	50 058
Other non-current liabilities	19	19 635	19 478
Deferred income tax liabilities	7	88 682	81 693
Provisions	20	5 890	16 041
Current liabilities		363 046	391 255
Derivative financial instruments	13	19 661	3 659
Bank loans	18	62 705	111 961
Trade payables		112 458	114 581
Income tax liabilities		45 986	37 157
Provisions	20	759	1 026
Other current liabilities	21	121 477	122 871
TOTAL EQUITY AND LIABILITIES		1 634 318	1 668 921

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	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
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
Total comprehensive income	0	0	216 138	0	(28 229)	(27 730)	(3 552)	156 627	4 495	161 122
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
Other comprehensive income, after taxes					(720)	(7 999)	(15 956)	(24 675)	429	(24 246)
Net income recognised in income statement			225 879					225 879	6 217	232 096
Total comprehensive income	0	0	225 879	0	(720)	(7 999)	(15 956)	201 204	6 646	207 850
Transactions with non-controlling interests (see note 17)			(4 776)				492	(4 284)	(6 525)	(10 809)
Transactions with treasury shares (see note 15)		(1 134)		130 047				128 913		128 913
Dividends paid			(233 850)					(233 850)	(3 464)	(237 314)
At 31.12.2010	234	21 461	1 115 077	(356)	9 037	(190)	(48 429)	1 096 834	13 530	1 110 364
Other comprehensive income, after taxes					(9 037)	15 622	(7 251)	(666)	767	101
Net income recognised in income statement			237 131					237 131	5 015	242 146
Total comprehensive income	0	0	237 131	0	(9 037)	15 622	(7 251)	236 465	5 782	242 247
Transactions with treasury shares (see note 15)		102		356				458		458
Dividends paid			(292 363)					(292 363)	(4 204)	(296 567)
At 31.12.2011	234	21 563	1 059 845	0	0	15 432	(55 680)	1 041 394	15 108	1 056 502

	2011	2010
Balance sheet equity ratio	64.6%	66.5%

The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closes on April 30, 2012, was communicated on February 10, 2012.
Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2010: KCHF 47) not eligible for distribution.

The change in other comprehensive income and income taxes recognised directly in equity amounts to KCHF –433 (2010: KCHF –161) on securities, KCHF 1 327 (2010: KCHF –680) on hedge accounting according to IAS 39 and KCHF 9 (2010: KCHF –96) on transactions with treasury shares.

The translation differences contain KCHF 194 (2010: KCHF –5 597) from IAS 21 "Net investment in a foreign operation".

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

Consolidated Statement of Cash Flows

	Notes	2011 (CHF ’000)	2010 (CHF ’000)
Net income		242 146	232 096
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	8, 23	52 004	53 463
(Profit)/loss from disposal of property, plant and equipment, net	3	643	336
Increase/(decrease) of provisions	20	(9 620)	(1 391)
Increase/(decrease) of other non-current liabilities		(2 471)	(546)
(Income)/loss from sale of fully consolidated companies	1	0	(1 598)
(Income)/expenses from the equity-valuation of associated companies		(5 527)	(5 069)
Impairment on available-for-sale securities	6	1 389	5 244
Unrealised currency translation (gains)/losses on foreign exchange positions		(11 510)	29 572
Change assets and liabilities of post-employment benefits, net	9, 19	3 034	219
Net interest expense	5, 6	2 500	4 306
Dividends on available-for-sale securities	5	(3 934)	(5 927)
(Income)/loss from sale of available-for-sale securities	5, 6	1 927	(15 066)
Expenses for income taxes	7	52 739	48 036
Changes in net working capital		(50 472)	(75 572)
Taxes paid		(38 397)	(45 584)
Interest paid		(4 095)	(7 499)
Provisions used	20	(724)	(2 105)
CASH FLOW FROM OPERATING ACTIVITIES A		229 632	212 915
(Purchase) of intangible assets and property, plant and equipment	8	(75 858)	(49 032)
Disposal of intangible assets and property, plant and equipment	3, 8	3 902	1 219
(Increase) in other non-current assets		(69)	(244)
Decrease in other non-current assets		259	58
(Purchase) of available-for-sale securities		(55 853)	(87 245)
Sale of available-for-sale securities		175 324	136 569
Interest received		850	1 213
Dividends received		6 201	7 801
Cash inflow from sale of fully consolidated companies	24	0	6 546
(Increase)/decrease of interest-bearing assets		338	(1 575)
CASH FLOW FROM INVESTING ACTIVITIES B		55 094	15 310
Dividends paid		(292 363)	(233 850)
Dividends paid to non-controlling interests	17	(4 204)	(3 464)
Cash outflow from purchase of non-controlling interests	24	0	(10 809)
(Purchase) of treasury shares		(1 962)	(1 437)
Sale of treasury shares		2 420	130 350
Increase in interest-bearing liabilities		100 000	8 157
(Decrease) in interest-bearing liabilities		(100 053)	(157 140)
CASH FLOW FROM FINANCING ACTIVITIES C		(296 162)	(268 193)
Increase/(decrease) in cash and cash equivalents (A + B + C)		(11 436)	(39 968)
Cash and cash equivalents at 1.1.		436 248	489 104
Translation difference on cash and cash equivalents		(6 817)	(12 888)
Cash and cash equivalents at 31.12.	14	417 995	436 248

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 2011 and were implemented by the EMS Group on January 1, 2011. This has no material effect on the consolidated financial statements of the EMS Group.

In segment reporting, the "Performance Polymers" business area was renamed "High Performance Polymers" and the "Fine Chemicals/Engineering" business area "Specialty Chemicals". This change relates to the segment names only and has no effect on the accounting principles.

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 in the case of associated companies that 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.

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 acquisition 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 the net assets and contingent liabilities acquired 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.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). 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.

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		Effective as of	Planned application by the EMS Group
IFRS 7 – Disclosures: Transfers of Financial Assets	*	July 1, 2011	Financial year 2012
IAS 12 – Deferred Tax: Recovery of Underlying Assets	*	January 1, 2012	Financial year 2012
IAS 1 – Presentation of Items of Other Comprehensive Income	**	July 1, 2012	Financial year 2013
IAS 19 – Employee Benefits	***	January 1, 2013	Financial year 2013
IAS 27 – Separate Financial Statements	*	January 1, 2013	Financial year 2013
IAS 28 – Investments in Associates and Joint Ventures	***	January 1, 2013	Financial year 2013
IFRS 10 – Consolidated Financial Statements	*	January 1, 2013	Financial year 2013
IFRS 11 – Joint Arrangements	***	January 1, 2013	Financial year 2013
IFRS 12 – Disclosure of Interests in Other Entities	**	January 1, 2013	Financial year 2013
IFRS 13 – Fair Value Measurement	*	January 1, 2013	Financial year 2013
IAS 32 – Offsetting Financial Assets and Financial Liabilities	**	January 1, 2014	Financial year 2014
IFRS 9 – Financial Instruments: Classification and Measurement	***	January 1, 2015	Financial year 2015

* There are not expected to be any significant implications for the consolidated financial statements of the EMS Group.
** The main effects are expected to be additional disclosures or amendments in the presentation of the consolidated financial statements of the EMS Group.
*** The effects on the consolidated financial statements of the EMS Group cannot be sufficiently determined yet.

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 measured at fair value.

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 excess of the sum of purchase price, the amount of non-controlling interests in the acquired company and the fair value of the previously held share of equity over the total fair value of the assets, liabilities and contingent liabilities. For the valuation of non-controlling interests, a choice exists per transaction. The non-controlling interest can either be measured at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. 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 increase economic benefit.

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.

Investments

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.

Receivables

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 fulfilment 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 the case of 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 within an original maturity of less than three months. Cash and cash equivalents are valued at their nominal value.

This definition is also used for the cash flow statement.

Non-current bank loans

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.

Bank loans are classified as current if they are due to be repaid within twelve months after the balance sheet date, even if an agreement has been concluded on the long-term refinancing or rescheduling of payment commitments after the balance sheet 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 constructive obligations if these obligations resulting from a past event and existing at balance sheet date will most probably lead to 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 the gain/loss of the hedging instrument 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 is recorded in 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

Invoicing for goods and services is 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 property, plant and equipment and of intangible assets are reviewed as of the 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 be 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	2011	2010	2011	2010
Euro	EUR	1	1.234	1.382	1.218	1.250
US Dollar	USD	1	0.887	1.043	0.939	0.937
Japanese Yen	JPY	100	1.113	1.188	1.210	1.150
Chinese Renminbi	CNY	100	13.72	15.40	14.91	14.19
Taiwan Dollar	TWD	100	3.015	3.309	3.100	3.210

Income taxes

Current income taxes are calculated on the taxable profit.

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 deferred income taxes are continuously adjusted to take account of any changes to local fiscal law. Deferred income taxes 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 "High Performance Polymers" and "Specialty Chemicals". 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.

This risk is not hedged.

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 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 64.6% as at December 31, 2011 (December 31, 2010: 66.5%). 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 9 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 by business area

	High Performance Polymers		Specialty Chemicals		Elimination		Total	
(CHF '000)	2011	2010	2011	2010	2011	2010	2011	2010
Net sales revenue with third parties	1 367 193	1 292 280	290 483	303 323			1 657 676	1 595 603
Net sales revenue with other segments	223	46	0	0	(223)	(46)	0	0
Total net sales revenue	1 367 416	1 292 326	290 483	303 323	(223)	(46)	1 657 676	1 595 603
EBITDA	288 758	270 921	57 234	64 157	0	0	345 992	335 078
Depreciation, amortisation and impairments[1]	42 214	43 668	9 790	9 795	0	0	52 004	53 463
Net operating income (EBIT)	246 544	227 253	47 444	54 362	0	0	293 988	281 615
Net financial income							897	(1 483)
Net income before taxes							294 885	280 132
Income taxes							(52 739)	(48 036)
Net income							242 146	232 096

	High Performance Polymers		Specialty Chemicals		Non-segment assets/ liabilities		Total	
(CHF '000)	2011	2010	2011	2010	2011	2010	2011	2010
Segment assets[2]	1 001 649	886 730	177 454	180 200	455 215	601 991	1 634 318	1 668 921
Segment liabilities[3]	395 189	371 625	19 861	24 913	162 766	162 019	577 816	558 557
Investments	71 524	46 026	4 334	3 006			75 858	49 032
Income from equity-valuation of associated companies	5 527	5 069	0	0			5 527	5 069

For a description of the business areas see page 7 ("Business areas").

Segment information by geographical region

	Total net sales revenue (customers)[4]		Total net sales revenue (production)		Segment assets[2]	
(CHF '000)	2011	2010	2011	2010	2011	2010
Switzerland	88 027	75 279	838 700	804 214	659 178	608 822
European Union (EU)	888 862	880 109	457 004	449 658	205 704	192 544
Asia	404 869	385 762	238 027	219 204	216 068	173 868
North America	176 488	159 842	121 034	121 928	86 935	77 302
Others	99 430	94 611	2 911	599	11 218	14 394
Subtotal segments	1 657 676	1 595 603	1 657 676	1 595 603	1 179 103	1 066 930
Non-segment assets					455 215	601 991
Total	1 657 676	1 595 603	1 657 676	1 595 603	1 634 318	1 668 921

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.
4) Important net sales are generated in the European Union with Germany (2011: KCHF 429 799, 2010: KCHF 437 692) and in Asia with China (2011: KCHF 176 318; 2010: KCHF 163 773).

Consolidated Income Statement

Notes		2011 (CHF '000)	2010 (CHF '000)
1	Capitalised costs and other operating income		
	Capitalised costs	16 530	11 212
	Other operating income	30 962	28 762
	Income from sale of fully consolidated companies	0	1 598
	Income from sale of property to related parties	12 567	0
	Total capitalised costs and other operating income	60 059	41 572
	Independent external expertise was used to determine the price of the property sold to related parties (pension fund).		
2	Personnel expenses		
	Wages and salaries	154 713	165 143
	Subcontractor salaries	9 950	6 081
	Expenses for defined benefit plans	8 697	7 485
	Legal/contractual social insurance	30 118	27 981
	Total personnel expenses	203 478	206 690
	Employee benefits		
	The following figures give an overview of the Swiss pension plans:		
	Present value of funded obligations	(364 030)	(363 506)
	Fair value of plan assets	375 168	397 750
	Surplus/(deficit) in defined benefit obligations	11 156	34 244
	Liability for long-service leave	0	0
	Cash-settled share-based payment liability	0	0
	Total employee benefits	11 156	34 244
	Unrecognisable amount	(13 023)	(13 971)
	Actuarial (income)/losses, not accounted for	16 512	(5 736)
	Total recognised net assets in the Group balance sheet for independent defined benefit plans	14 645	14 537
	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 6.4% (2010: 6.4%) of the retirement assets. Disability and death pensions are defined as fixed ratios of the salary insured.		

Notes		2011 (CHF '000)	2010 (CHF '000)
	The balance sheet shows the following:		
	Surplus recognised in other non-current assets as pension assets (see note 9)	18 111	18 333
	Deficit recognised in other non-current liabilities as liabilities from employee benefits (see note 19)	(3 466)	(3 796)
	Total recognised net assets in the Group balance sheet	14 645	14 537
	Plan assets consist of the following:		
	Loans to the employer	1 328	4 635
	Liquid assets	285 477	69 696
	Bonds	15 189	78 671
	Real estate	69 204	51 887
	Other equities	3 988	192 861
	Total plan assets	375 186	397 750
	Movement in the liability for defined benefit obligations		
	Liability for defined benefit obligations at 1.1.	363 506	338 517
	Benefits paid by the plan	(13 223)	(13 460)
	Current service costs and interest (see below)	23 481	22 803
	Vested benefits paid in/(paid out), net	(10 432)	1 580
	Actuarial (gains)/losses (see next page)	698	14 066
	Liability for defined benefit obligations at 31.12.	364 030	363 506
	Movement in plan assets		
	Fair value of plan assets at 1.1.	397 750	395 177
	Contributions paid into the plan	14 904	13 364
	Benefits paid by the plan	(13 223)	(13 460)
	Expected return on plan assets	10 740	12 843
	Vested benefits paid in/(paid out), net	(10 432)	1 580
	Actuarial gains/(losses) (see next page)	(24 553)	(11 754)
	Fair value of plan assets at 31.12.	375 186	397 750
	Expense recognised in the income statement		
	Current service costs	14 343	12 398
	Interest on obligation	9 138	10 405
	Expected return on plan assets	(10 740)	(12 843)
	Recognised actuarial gains and losses (see next page)	3 003	3 000
	Effect of the limit in paragraph 58(b)	(948)	283
	Employees' contributions	(6 099)	(5 758)
	ERIS (Expense Recognised in the Income Statement)	8 697	7 485
	The expense is recognised in personnel expenses.		

Notes		2011 (CHF '000)	2010 (CHF '000)
	Change of recognised net assets		
	At 1.1.	14 537	14 416
	ERIS (Expense Recognised in the Income Statement)	(8 697)	(7 485)
	Employer's contribution	8 805	7 606
	At 31.12.	14 645	14 537
	Actual return on plan assets	(15 435)	1 270
	Not recognised actuarial (gains)/losses		
	Cumulative amount at 1.1.	(5 736)	(28 556)
	Actuarial (gains)/losses of the period	25 251	25 820
	Amortisation during the period	(3 003)	(3 000)
	Cumulative amount at 31.12.	16 512	(5 736)
	Actuarial assumptions		
	Actuarial assumptions at the reporting date (expressed as weighted averages):		
	Discount rate at 31.12.	2.4%	3.0%
	Expected return on plan assets at 1.1.	2.7%	3.3%
	Future salary increases	1.0%	0.8%
	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	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	(364 030)	(363 506)	(338 517)	(404 442)	(453 718)
Fair value of plan assets	375 186	397 750	395 177	377 919	437 196
Surplus/(deficit) in defined benefit obligations	11 156	34 244	56 660	(26 523)	(16 522)
Experience gains/(losses) arising on plan liabilities	14 854	(195)	59 789	(16 177)	1 901
Experience gains/(losses) arising on plan assets	(24 553)	(11 754)	19 188	(65 988)	(1 138)

The Group expects to pay KCHF 7 725 (2011: KCHF 7 694) in contributions to defined benefit plans in 2012.

Notes		2011 (CHF '000)	2010 (CHF '000)
3	**Other operating expenses**		
	Rents	9 229	9 706
	Repairs and maintenance	25 360	27 481
	Insurance, duties, fees	6 724	7 878
	Energy	32 856	33 124
	Administration, promotion	24 912	26 596
	Losses on disposal of property, plant and equipment, net	643	336
	Other operating expenses	20 804	18 981
	Total other operating expenses	120 528	124 102
4	**Research and development**		
	Expenditures for research and development amount to	35 916	35 953
	In percent of net sales revenue	2.2%	2.3%

Notes		2011 (CHF '000)	2010 (CHF '000)
5	Financial income		
	Other interest income	825	1 203
	Interest income on loans and receivables	26	9
	Total interest income	851	1 212
	Dividends on available-for-sale securities	3 934	5 927
	Income from sale of available-for-sale securities, net	0	15 066
	Income from sale of equity options, net	0	131
	Total financial income	4 785	22 336
6	Financial expenses		
	Other interest expenses	3 351	3 572
	Interest expenses on financial liabilities measured at amortised cost	0	1 946
	Total interest expenses	3 351	5 518
	Foreign exchange losses, net	1 273	15 939
	Expenses from sale of available-for-sale securities, net	1 927	0
	Impairment on available-for-sale securities	1 389	5 244
	Bank charges and commissions	1 475	2 187
	Total financial expenses	9 415	28 888
7	Income taxes		
	Current income taxes	46 448	45 902
	Deferred income taxes	6 291	2 134
	Total income taxes	52 739	48 036

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

	2011 (CHF '000)	2010 (CHF '000)
Net income before income taxes	294 885	280 132
Expected income tax rate	19.3%	18.6%
Expected income taxes	57 037	51 997
Use of tax losses carried forward from previous years	(693)	(3 562)
Change in deferred tax assets not having been set up	110	1 283
Tax exemption/Expenses not being deductible for tax purposes	(2 941)	(2 031)
Taxes from previous years	(244)	(192)
Impact of changed deferred income tax rates	(202)	(115)
Other	(328)	656
Effective income taxes	52 739	48 036
Effective income tax rate	17.9%	17.1%

Notes	2011 (CHF '000)		2010 (CHF '000)	

Deferred income taxes:
Change in recognised assets/liabilities

	2011 Deferred income tax assets	2011 Deferred income tax liabilities	2010 Deferred income tax assets	2010 Deferred income tax liabilities
At 1.1.	6765	81693	6869	80875
Change in scope of consolidation	0	0	0	(123)
Increase via income statement	1550	8723	979	3930
Decrease via income statement	(344)	(1226)	(974)	(1793)
Income taxes recognised directly in other comprehensive income	0	(433)	0	(161)
Translation differences	42	(75)	(109)	(1035)
At 31.12.	8013	88682	6765	81693

Note to the deferred income tax liabilities

	2011	2010
Calculation according to the "balance sheet liability method":		
Deferred income taxes on non-current assets	71762	66913
Deferred income taxes on current assets	15191	13195
Deferred income taxes on liabilities	1729	1585
Total deferred income tax liabilities	88682	81693

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

Tax loss carryforwards

	2011 Tax loss carryforwards	2011 Tax effect	2010 Tax loss carryforwards	2010 Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognised	39991	13014	49604	17334
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	2552	638	2813	703
5 years	805	201	787	197
More than 5 years	36634	12175	46004	16434

Notes

8 Intangible assets, property, plant and equipment, investments

I. Intangible assets

(CHF '000)	Goodwill	Patents, trade-marks	Others	Total
At 1.1.2010				
Cost	20 525	253	24 559	45 337
Accumulated amortisation and impairment	0	(120)	(19 103)	(19 223)
Net book value	20 525	133	5 456	26 114
2010				
At 1.1.	20 525	133	5 456	26 114
Change in scope of consolidation	0	(87)	(18)	(105)
Additions	0	0	405	405
Disposals	0	0	(33)	(33)
Amortisation	0	(24)	(4 277)	(4 301)
Impairment	0	0	(2)	(2)
Reclassifications	0	0	1 849	1 849
Translation differences	(730)	(9)	(127)	(866)
At 31.12.	19 795	13	3 253	23 061
Cost	19 795	738	23 027	43 560
Accumulated amortisation and impairment	0	(725)	(19 774)	(20 499)
Net book value	19 795	13	3 253	23 061
2011				
At 1.1.	19 795	13	3 253	23 061
Additions	816	0	203	1 019
Disposals	0	0	(19)	(19)
Amortisation	0	(11)	(1 082)	(1 093)
Reclassifications	0	0	363	363
Translation differences	67	0	(23)	44
At 31.12.	20 678	2	2 695	23 375
Cost	20 678	1 268	23 432	45 378
Accumulated amortisation and impairment	0	(1 266)	(20 737)	(22 003)
Net book value	20 678	2	2 695	23 375

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

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 20 678 (2010: KCHF 19 795) is the Business Unit EMS-EFTEC (business area "High 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 % (2010: 1 %).
– The discount rate before taxes is 10 % (2010: 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 1.1.2010						
Cost	21 390	306 998	814 023	55 903	42 921	1 241 235
Accumulated depreciation and impairment	(1 483)	(171 934)	(529 861)	(38 920)	0	(742 198)
Net book value	19 907	135 064	284 162	16 983	42 921	499 037
2010						
At 1.1.	19 907	135 064	284 162	16 983	42 921	499 037
Change in scope of consolidation	0	6 541	287	(1 355)	0	5 473
Additions	7	2 189	2 585	1 875	41 971	48 627
Disposals	(23)	(292)	(667)	(427)	(113)	(1 522)
Depreciation	(65)	(6 877)	(35 305)	(3 733)	0	(45 980)
Impairment	0	(2 918)	(43)	(10)	(209)	(3 180)
Reclassifications	329	3 424	40 282	2 633	(48 517)	(1 849)
Translation differences	(1 054)	(4 895)	(5 192)	(1 172)	(165)	(12 478)
At 31.12.	19 101	132 236	286 109	14 794	35 888	488 128
Cost	20 595	291 057	849 742	49 630	36 450	1 247 474
Accumulated depreciation and impairment	(1 494)	(158 821)	(563 633)	(34 836)	(562)	(759 346)
Net book value	19 101	132 236	286 109	14 794	35 888	488 128
2011						
At 1.1.	19 101	132 236	286 109	14 794	35 888	488 128
Additions	135	326	4 260	2 403	68 531	75 655
Disposals	(95)	(3 602)	(545)	(119)	(165)	(4 526)
Depreciation	(57)	(6 273)	(33 976)	(3 748)	0	(44 054)
Impairment	0	(2 800)	(3 880)	0	(177)	(6 857)
Reclassifications	0	7 214	74 066	2 069	(83 712)	(363)
Translation differences	(268)	(605)	3	(133)	9	(994)
At 31.12.	18 816	126 496	326 037	15 266	20 374	506 989
Cost	20 395	291 334	925 038	50 724	21 125	1 308 616
Accumulated depreciation and impairment	(1 579)	(164 838)	(599 001)	(35 458)	(751)	(801 627)
Net book value	18 816	126 496	326 037	15 266	20 374	506 989

Fire insurance value is KCHF 1 698 646 (2010: KCHF 1 625 619).
Property, plant and equipment are insured at replacement values.

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

Year	**Amount**	**Business area**
2011:	KCHF 6 857	High Performance Polymers
2010:	KCHF 3 182	High Performance Polymers

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
At 1.1.2010			
Cost/Fair value	16 600	183	16 783
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	16 600	183	16 783
2010			
At 1.1.	16 600	183	16 783
Additions/Increase	3 249	0	3 249
Disposals/Decrease	(54)	0	(54)
Reclassifications	(500)	0	(500)
Translation differences	(493)	0	(493)
At 31.12.	18 802	183	18 985
Cost/Fair value	18 802	183	18 985
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	18 802	183	18 985
2011			
At 1.1.	18 802	183	18 985
Additions/Increase	3 366	0	3 366
Disposals/Decrease	(106)	0	(106)
Translation differences	41	0	41
At 31.12.	22 103	183	22 286
Cost/Fair value	22 103	183	22 286
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 103	183	22 286

Notes		2011 (CHF '000)	2010 (CHF '000)
9	Other non-current assets		
	Other non-current assets	1 138	1 326
	Assets from employee benefits (see note 2)	18 111	18 333
	Total other non-current assets	19 249	19 659
	Other non-current assets mainly comprise loans to third parties.		
10	Inventories		
	Raw materials and supplies	148 365	111 454
	Semi-finished goods, work in progress	9 946	8 874
	Finished products	166 988	161 885
	Value adjustments	(27 711)	(27 213)
	Total inventories	297 588	255 000
11	Trade receivables		
	Trade receivables from associated companies	155	119
	Trade receivables from third parties	237 608	217 998
	Allowances for doubtful receivables	(6 114)	(6 460)
	Total trade receivables	231 649	211 657
	Allowances for doubtful receivables are determined on the basis of historical losses and recognisable individual risks.		
	Due dates of trade receivables		
	Not due	218 843	203 928
	Overdue <30 days	16 263	11 523
	Overdue 30 to 90 days	2 074	1 438
	Overdue >90 days	583	1 228
	Total	237 763	218 117

The movement of the allowances for doubtful receivables is as follows:

	2011		2010	
	Individual allowance	General allowance	Individual allowance	General allowance
At 1.1.	2 510	3 950	4 233	4 244
Change in scope of consolidation	0	0	0	(410)
Increase in allowances	314	615	528	703
Decrease in allowances	(420)	(285)	(651)	(181)
Losses on trade receivables	(528)	–	(1 571)	–
Reclassification	(28)	28	126	(126)
Translation differences	(45)	3	(155)	(280)
At 31.12.	1 803	4 311	2 510	3 950

Notes			2011 (CHF '000)	2010 (CHF '000)
12	Other receivables			
	Receivables from associated companies		74	76
	Other receivables		38 855	33 132
	Prepayments and accrued income		23 269	23 246
	Total other receivables		62 198	56 454

Notes				2011 (CHF '000)	2010 (CHF '000)
13	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	374 700	18 756
			Positive replacement value CHF	7 499	0
			Negative replacement value CHF	7 149	2 035
		USD/CHF	Notional amount CHF	211 376	0
			Positive replacement value CHF	4 054	0
			Negative replacement value CHF	12 993	0
		JPY/CHF	Notional amount CHF	0	42 729
			Positive replacement value CHF	0	3 050
			Negative replacement value CHF	0	0
		GBP/CHF	Notional amount CHF	440	0
			Positive replacement value CHF	0	0
			Negative replacement value CHF	5	0
		CZK/CHF	Notional amount CHF	0	5 615
			Positive replacement value CHF	0	0
			Negative replacement value CHF	0	655
	Currency options	JPY/CHF	Notional amount CHF	5 640	0
			Positive replacement value CHF	0	0
			Negative replacement value CHF	16	0
	Total		Notional amount CHF	592 156	67 100
			Positive replacement value CHF	11 553	3 050
			Negative replacement value CHF	20 163	2 690
	Thereof: Current portion		Notional amount CHF (<12 months)	542 416	46 996
			Positive replacement value CHF (<12 months)	11 316	1 409
			Negative replacement value CHF (<12 months)	19 661	2 690
	Non-current portion		Notional amount CHF (1–5 years)	49 740	20 104
			Positive replacement value CHF (1–5 years)	237	1 641
			Negative replacement value CHF (1–5 years)	502	0

Notes			2011 (CHF '000)	2010 (CHF '000)
	Financial instruments effective for hedge accounting purposes			
	Currency SWAPS and forward rate agreements JPY/CHF	Notional amount CHF	129 905	79 722
		Positive replacement value CHF	16 743	795
		Negative replacement value CHF	0	1 001
	Total	Notional amount CHF	129 905	79 722
		Positive replacement value CHF	16 743	795
		Negative replacement value CHF	0	1 001
	Thereof: Current portion	Notional amount CHF (<12 months)	69 274	57 693
		Positive replacement value CHF (<12 months)	4 870	451
		Negative replacement value CHF (<12 months)	0	969
	Non-current portion	Notional amount CHF (1–5 years)	60 631	22 029
		Positive replacement value CHF (1–5 years)	11 873	344
		Negative replacement value CHF (1–5 years)	0	32

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.

	2011 (CHF '000)	2010 (CHF '000)
Net changes from cash flow hedges in equity, after taxes		
At 1.1.	(190)	7 809
Transfer to consolidated income statement	518	(7 829)
Fair value adjustments	16 431	(850)
Income taxes recognised directly in equity	(1 327)	680
Total net changes from cash flow hedges in equity, after taxes	15 622	(7 999)
At 31.12.	15 432	(190)

Notes		2011 (CHF '000)	2010 (CHF '000)
14	Cash and cash equivalents		
	Deposits	417 742	436 001
	Cash and cash equivalents	253	247
	Total cash and cash equivalents	417 995	436 248

Notes		2011 (CHF '000)	2010 (CHF '000)

15 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12.2009	CHF 0.01	23 389 028	1 015 117	22 373 911	234
Purchase of treasury shares		–	10 776	(10 776)	–
Sale of treasury shares		–	(1 023 393)	1 023 393	–
At 31.12.2010	CHF 0.01	23 389 028	2 500	23 386 528	234
Purchase of treasury shares		–	12 369	(12 369)	–
Sale of treasury shares		–	(14 869)	14 869	–
At 31.12.2011	CHF 0.01	23 389 028	0	23 389 028	234

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

	2011	2010
At 1.1.	9 037	9 757
Transfer into consolidated income statement	(6 691)	(5 263)
Fair value adjustments	(2 778)	4 382
Income taxes recognised directly in equity due to fair value adjustments	432	161
Total net changes in fair value, after taxes: available-for-sale securities	(9 037)	(720)
At 31.12.	0	9 037

17 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. (until June 17, 2010), Shanghai EFTEC Chemical Products Ltd. and Wuhu EFTEC Chemical Products Ltd.

The change in non-controlling interests is as follows:

	2011	2010
At 1.1.	13 530	16 873
Buyout of non-controlling interests (see note 24)	0	(6 525)
Dividends paid	(4 204)	(3 464)
Net income	5 015	6 217
Translation differences	767	429
At 31.12.	15 108	13 530

Notes		2011 (CHF '000)	2010 (CHF '000)
18	**Bank loans**		
	The non-current bank loans are composed as follows:		
	CHF: Average interest rate: 1.35 % (2010: 2.10 %)	100 000	50 000
	JPY: Average interest rate: 1.48 % (2010: 1.48 %)	61	58
	Total non-current bank loans	100 061	50 058
	The non-current bank loans in CHF have a fixed interest rate. The fair value amounts to KCHF 100 102 (2010: KCHF 50 634). The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.		
	The current bank loans are composed as follows:		
	CHF: Average interest rate: 2.10 % (2010: 1.84 %)	50 000	104 363
	JPY: Average interest rate: 0.48 % (2010: 0.49 %)	12 705	6 900
	CNY: Average interest rate: – (2010: 6.67 %)	–	695
	GBP: Average interest rate: – (2010: 14.90 %)	–	3
	Total current bank loans	62 705	111 961
	The carrying amounts of current bank loans in JPY, CNY and GBP correspond to their fair values, as the interest rates are variable. CHF 50 million of the current bank loans in CHF are repaid in January 2012 (CHF 100 million were repaid in January 2011). Therefore the carrying amount corresponds to the fair value. The carrying amounts of the remaining current bank loans in CHF correspond to their fair values in 2010, as the interest rates are variable.		
19	**Other non-current liabilities**		
	Other non-current liabilities	363	2 994
	Liabilities from employee benefits	19 272	16 484
	Total other non-current liabilities	19 635	19 478
	Liabilities from employee benefits include KCHF 3 466 (2010: TCHF 3 796) liabilities from Swiss pension plans (see note 2).		

20 Provisions

(CHF '000)	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
At 31.12. 2010	1 299	628	11 624	3 516	17 067
Increase via income statement	58	480	144	365	1 047
Decrease via income statement	(1)	0	(10 579)	(87)	(10 667)
Amounts used	(91)	(485)	0	(148)	(724)
Translation differences	(17)	(2)	(4)	(51)	(74)
At 31.12. 2011	1 248	621	1 185	3 595	6 649
Of which: Current portion of provisions	19	621	0	119	759
Non-current portion of provisions	1 229	0	1 185	3 476	5 890

Notes	2011 (CHF '000)	2010 (CHF '000)

Pension liabilities mainly contain provisions for payments to governmental institutions or pension plans of subsidiaries abroad without separate assets.
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 ("High Performance Polymers" business area).

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.

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, 2011.

21 Other current liabilities

	2011	2010
Advances from customers	3 256	2 782
Prepaid expenses and deferred income	68 347	75 970
Other current liabilities to related parties	5 700	5 700
Other current liabilities to associated companies	9	5
Liabilities to social security institutions	1 660	821
Other current liabilities	42 505	37 593
Total other current liabilities	121 477	122 871

22 Liabilities, net/(net cash position)

	2011	2010
Pension liabilities (see note 20)	1 248	1 299
Bank loans (see note 18)	162 766	162 019
Other current liabilities to related parties (see note 21)	5 700	5 700
Interest-bearing liabilities	169 714	169 018
less		
Receivables from associated companies (see note 12)	74	76
Securities	15 117	146 941
Deposits (see note 14)	417 742	436 001
Interest-bearing liabilities, net/(cash, net)	(263 219)	(414 000)
less		
Cash and cash equivalents (see note 14)	253	247
Liabilities, net/(net cash position)	(263 472)	(414 247)

Consolidated Statement of Cash Flows

Notes		2011 (CHF '000)	2010 (CHF '000)
23	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
	Amortisation intangible assets	1 093	4 301
	Depreciation property, plant and equipment	44 054	45 980
	Impairment property, plant and equipment	6 857	3 182
	Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	52 004	53 463
	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 and non-controlling interests		
	Cash outflow from purchase of non-controlling interests		
	Buyout of non-controlling interests at EFTEC Asia Pte. Ltd.		
	On June 17, 2010, the participation of 80% was increased to 100%. The difference between the purchase price of KCHF 10 809 and the carrying amount of the non-controlling interests of KCHF 6 525 was accounted for as equity transaction.		
	Cash inflow from sale of fully consolidated companies		
	On January 20, 2010, EFTEC Aftermarket GmbH was sold.		

Notes		2011 (CHF '000)	2010 (CHF '000)
25	Contingent liabilities		
	Contingent liabilities at the end of the year amount to	21 092	17 006
	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	23 388 212	23 257 508
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	237 131	225 879
	Basic earnings per share (CHF)	10.14	9.71
	There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
27	Significant shareholders		
	EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2010: 13 106 408 registered shares) Amount of holding	60.82%	56.04%
	Miriam Blocher, 2 079 000 registered shares (2010: 2 079 000 registered shares) Amount of holding	8.89%	8.89%
	In 2011, M. Martullo, Vice-Chairman and CEO, sold her shares in EMS-CHEMIE HOLDING AG to EMESTA HOLDING AG at market price (see note 28).		

Notes	2011 (CHF '000)	2010 (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. In 2011, there was a transaction with related parties (see note 1).

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 2011/2012 in the financial statements of EMS-CHEMIE HOLDING AG.

Breakdown of the total compensation

	2011 (CHF '000)	2010 (CHF '000)
Short-term employee benefits to the members of the Board of Directors and Senior Management	2 966	3 365
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	2 966	3 365

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	2 350	2 350
M. Martullo, Vice-Chairman and CEO*	0	558 805
Dr H. J. Frei, Member	2 330	2 330
Dr W. Prätorius, Member	1 000	1 000
Total Board of Directors	5 680	564 485

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

Notes	2011	2010
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	0	0
Total Senior Management	0	0

*Excluding EMESTA HOLDING AG, in which Ms 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.

29 Subsequent events

On February 10, 2012, the acquisition of the 51% shareholding of Indian partner Shroff in the EFTEC Shroff (India) Ltd. joint venture was announced. The transaction will be concluded in April 2012.

The consolidated financial statements were approved by the Board of Directors on March 29, 2012, and need to be approved by the Annual General Meeting on August 11, 2012.

Between December 31, 2011, and March 29, 2012, 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 31.12.2011)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
BUSINESS AREA HIGH 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 (Korea) Ltd.	Gyeong Gi-do	South Korea
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 Brasil Ltda.	Santana de Parnaiba	Brazil
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.)
EFTEC (Guangzhou) Automotive Materials Co., Ltd.	Guangzhou	China (People's Rep.)
D PLAST – EFTEC a.s.	Zlín	Czech Republic
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Taylor, MI	USA
EFTEC Latin America S.A.	Panama City	Panama
BUSINESS AREA SPECIALTY CHEMICALS		
EMS-GRILTECH *		
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)	Amount of holding	Category	Consolidation
CHF	234		D	K
CHF	60	100.00%	D	K
CHF	100	100.00%	D	K
CHF	100	100.00%	P, V	K
EUR	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.67%	P, V	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
EUR	2556	100.00%	P, V	K
TWD	281000	100.00%	P, V	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P	K
USD	2420	100.00%	D	K
USD	11285	100.00%	P, V	K
CHF	8000	100.00%	D	K
CHF	2500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
EUR	25	100.00%	P, V	K
GBP	352	100.00%	P, V	K
EUR	1240	100.00%	P, V	K
EUR	944	100.00%	P, V	K
USD	3518	100.00%	D, V	K
THB	49500	100.00%	P, V	K
INR	15000	49.00%	P, V	E
USD	3700	100.00%	D	K
CNY	20750	60.00%	P, V	K
CNY	27500	100.00%	P, V	K
CNY	6650	60.00%	P, V	K
CNY	1000	100.00%	V	K
CZK	47569	50.00%	P, V	E
USD	750	100.00%	D	K
USD	38222	100.00%	P, V	K
USD	0	100.00%	D	K
CZK	30000	100.00%	P,V	K
CHF	100	100.00%	D	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	P,V	K
EUR	25	100.00%	D	K

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

Notes		2011 (CHF '000)	2010 (CHF '000)

31 Change in scope of consolidation

Fully consolidated:
Disposal:
EMS-PATVAG AG in liquidation: This company was deleted from the Commercial Register on January 25, 2011.
EMS-FINANCE (Guernsey) Ltd.: This company was liquidated on November 16, 2011.

32 Significant associated company

		2011 (CHF '000)	2010 (CHF '000)
D PLAST – EFTEC a.s.			
Domicile	Zlín, Czech Republic		
Percentage held	50.00%		
Financial year	January 1–December 31		
Category	Production, Sale		
Currency	CZK		
Net sales revenue		53 157	44 322
Net income		13 651	7 599
Assets		43 388	39 846
Equity		35 825	30 259
Liabilities		7 563	9 587

33 Risk management

Credit risks

Overview of financial assets

	2011 (CHF '000)	2010 (CHF '000)
Other non-current financial assets (see note 9)	1 138	1 326
Trade receivables (see note 11)	231 649	211 657
Receivables from associated companies (see note 12)	74	76
Derivative financial instruments (see note 13)	28 296	3 845
Cash and cash equivalents (see note 14)	417 995	436 248
Total financial assets	679 152	653 152

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 trade receivables, see note 11.

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2011 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 18)	62 705	63 755	63 755	0	0
Non-current bank loans (see note 18)	100 061	104 111	1 411	102 700	0
Trade payables	112 458	112 458	112 458	0	0
Other current liabilities to related parties (see note 21)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 21)	9	9	9	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 13)	20 163	586 076	536 336	49 740	0
Total financial liabilities	301 096	872 109	719 669	152 440	0

At 31.12.2010 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 18)	111 961	113 761	113 761	0	0
Non-current bank loans (see note 18)	50 058	52 158	1 108	51 050	0
Trade payables	114 581	114 581	114 581	0	0
Other current liabilities to related parties (see note 21)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 21)	5	5	5	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 13)	3 691	18 756	18 756	0	0
Total financial liabilities	285 996	304 961	253 911	51 050	0

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

CHF 150.0 million of the bank loans have a fixed interest rate. No derivative financial instruments on interest rates are used. A 100 basis point rise in the interest rate for deposits and bank loans would increase net income after taxes by CHF 3.3 million (2010: CHF 3.5 million). A 100 basis point fall in the interest rate for deposits and bank loans would decrease net income after taxes by CHF 0.6 million (2010: CHF 0.9 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.

Currency risks

Overview currency exposure, net

At 31.12.2011 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 11)	15 053	125 135	46 626	23 074	1 772	19 989
Loans to group companies	63 946	169 050	81 929	3 025	0	3 911
Derivative financial instruments (see note 13)	0	0	0	135 545	0	440
Trade payables	(12 629)	(54 137)	(21 476)	(17 502)	(810)	(5 904)
Loans from group companies	(20 703)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(12 705)	0	0
Non-current bank loans (see note 18)	0	0	0	(61)	0	0
Derivative financial instruments (see note 13)	0	(374 700)	(211 376)	0	0	0
Currency exposure, net	45 667	(134 652)	(104 297)	131 376	962	18 436

At 31.12.2010 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 11)	13 093	121 629	35 848	18 058	3 026	20 003
Loans to group companies	56 697	34 000	82 313	4 025	0	3 908
Derivative financial instruments (see note 13)	0	0	0	122 451	0	5 615
Trade payables	(15 600)	(61 488)	(13 108)	(14 870)	(1 283)	(8 232)
Loans from group companies	(17 160)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(6 900)	0	(698)
Non-current bank loans (see note 18)	0	0	0	(58)	0	0
Derivative financial instruments (see note 13)	0	(18 756)	0	0	0	0
Currency exposure, net	37 030	75 385	105 053	122 706	1 743	20 596

Notes	2011	2010

Sensitivity analysis of currency risks

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) net income after taxes by CHF 6.3 million (2010: CHF 9.8 million decrease/(increase)). Per currency: EUR: CHF +1.7 million (2010: CHF –4.1 million), USD: CHF +11.8 million (2010: CHF –1.9 million), JPY: CHF –0.0 million (2010: CHF +2.9 million), other currencies: CHF –7.2 million (2010: CHF –6.7 million).
A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would decrease/(increase) equity after taxes by CHF 7.9 million (2010: CHF 19.7 million). Per currency: EUR: CHF +1.7 million (2010: CHF –4.1 million), USD: CHF +6.3 million (2010: CHF –7.4 million), JPY: CHF –8.7 million (2010: CHF –1.5 million), other currencies: CHF –7.2 million (2010: CHF –6.7 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.

Other price risks: Securities risks

The "securities" item in the balance sheet comprises the following countries:	2011	2010
Switzerland	100%	91%
Euroland	0%	9%
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 would increase equity after taxes by CHF 1.4 million (2010: CHF 14.1 million), while the net income after taxes would be CHF 0.0 million (2010: CHF 0.0 million) higher.
A 10% decrease in the fair value of available-for-sale securities would decrease equity after taxes by CHF 1.4 million (2010: CHF 14.1 million), while net income after taxes would be CHF 1.4 million (2010: CHF 5.9 million) lower.
The sensitivity analysis was performed on the same basis as for the previous year.

Notes

Financial assets/liabilities: fair value hierarchy

At 31.12.2011 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	15 117			15 117
Derivative financial instruments (see note 13)		28 296		28 296
Financial liabilities:				
Derivative financial instruments (see note 13)		(20 163)		(20 163)

At 31.12.2010 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	146 941			146 941
Derivative financial instruments (see note 13)		3 845		3 845
Financial liabilities:				
Derivative financial instruments (see note 13)		(3 691)		(3 691)

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.

Notes		2011 (CHF '000)	2010 (CHF '000)
	Categories of financial assets and liabilities		
	The carrying amounts of financial assets and liabilities correspond approximately to the fair values in accordance with IFRS. Regarding the fair values of bank loans see note 18.		
	Cash and cash equivalents (see note 14)	417 995	436 248
	Other non-current assets (see note 9)	1 138	1 326
	Trade receivables (see note 11)	231 649	211 657
	Receivables from associated companies (see note 12)	74	76
	Loans and receivables	232 861	213 059
	Securities	15 117	146 941
	Available-for-sale financial assets	15 117	146 941
	Derivative financial instruments (assets; see note 13)	28 296	3 845
	Non-current bank loans (see note 18)	100 061	50 058
	Current bank loans (see note 18)	62 705	111 961
	Trade payables	112 458	114 581
	Other current liabilities to related parties (see note 21)	5 700	5 700
	Other current liabilities to associated companies (see note 21)	9	5
	Financial liabilities measured at amortised cost	280 933	282 305
	Derivative financial instruments (liabilities; see note 13)	20 163	3 691

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 Shareholders 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, 2011.

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, 2011 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 29, 2012

KPMG AG

François Rouiller Licensed Audit Expert Auditor in Charge	Kurt Stocker Licensed Audit Expert

Financial Statements
EMS-CHEMIE HOLDING AG

for the Financial Year May 1, 2011 – April 30, 2012

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2011 to April 30, 2012

	Notes	2011/2012 (CHF '000)	2010/2011 (CHF '000)
INCOME			
License fees from group companies		46 603	43 920
Financial income			
Interest income		3 728	3 797
Income from sale of group companies	2	147 564	0
Dividends from group companies		186 732	150 898
Income from financial assets		7 419	17 083
Total income		392 046	215 698

EXPENSES			
Operating expenses to group companies		17 428	12 101
Financial expenses			
Expenses from financial assets		2 825	9 050
Interest expenses		2 507	5 514
Foreign exchange differences, net	1	5 570	5 772
Bank charges, duties, fees		122	347
Administration expenses		1 193	933
Total expenses		29 645	33 717
Net income before taxes		362 401	181 981
Taxes		3 642	306
Net income		358 759	181 675

Balance Sheet as at April 30, 2012

	Notes	30.4.2012 (CHF '000)	30.4.2011 (CHF '000)
Non-current assets		362 514	339 509
Investments in group companies	2	280 352	284 852
Loans to group companies		82 162	54 657
Current assets		275 315	265 508
Prepayments and accrued income		15 479	14 246
Receivables from third parties		629	767
Receivables from group companies		15 959	28 153
Loans to group companies		6 734	3 586
Securities		42 950	30 697
Cash and cash equivalents		193 564	188 059
TOTAL ASSETS		637 829	605 017

Shareholders' equity	3	481 188	414 792
Share capital	4/5	234	234
Legal reserves		47	47
Other reserves		10 000	10 000
Available earnings		470 907	404 511
Liabilities		156 641	190 225
Non-current liabilities		114 169	114 169
Bank loans		100 000	100 000
Provisions		14 169	14 169
Current liabilities		42 472	76 056
Bank loans		0	50 000
Accruals and deferred income		8 217	5 406
Payables to third parties		3 815	5 151
Payables to group companies		30 440	15 499
TOTAL EQUITY AND LIABILITIES		637 829	605 017
Balance sheet equity ratio		75.4 %	68.6 %

Notes to the Financial Statements 2011/2012

Income Statement 2011/2012

Notes		2011/2012 (CHF '000)	2010/2011 (CHF '000)
1	Foreign exchange differences		
	Foreign exchange gains	13 129	27 257
	Foreign exchange losses	18 699	33 029
	Foreign exchange differences	(5 570)	(5 772)

Balance Sheet as at April 30, 2012

2 Investments in group companies

Details of the investments as at 31.12.2011 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 30.4.2012, investments changed as follows:

- EMS-GRILON HOLDING Inc. was sold to EMS-TOGO Corp. and EMS-CHEMIE AG as of January 1, 2012.
- 90% of EMS-CHEMIE (Deutschland) GmbH was sold to EFTEC Engineering GmbH as of August 29, 2011.

		2011/2012 (CHF '000)	2010/2011 (CHF '000)
3	Shareholders' equity		
	At 1.5.	414 792	466 967
	Dividends paid	(292 363)	(233 850)
	Net income	358 759	181 675
	At 30.4.	481 188	414 792

Notes	2011/2012 (CHF '000)	2010/2011 (CHF '000)

4 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.4.2010	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	0	0	–
At 30.4.2011	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	0	0	–
At 30.4.2012	CHF 0.01	23 389 028	0	23 389 028	234

Details to treasury shares:	Number of registered shares	
At 1.5.	0	0
Purchases	0	23 145
Disposals	0	(23 145)
At 30.4.	0	0

Previous year:
Purchase of 23 145 treasury shares at an average market price of CHF 150.63,
sale of 23 145 treasury shares at an average market price of CHF 161.99.

5 Significant shareholders

	2011/2012	2010/2011
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2010/2011: 14 224 018 registered shares)		
Amount of holding	60.82 %	60.81 %
Miriam Blocher, 2 079 000 registered shares (2010/2011: 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.

Further Details

Notes			2011/2012 (CHF '000)	2010/2011 (CHF '000)
6	Contingent liabilities Guarantees (maximum liability)		141 226	156 461
7	Compensation and shareholdings The following compensation was paid in the reporting year:			
	Board of Directors	Function	Compensation	
	Dr U. Berg	Chairman	244	244
	M. Martullo	Vice-Chairman and CEO	1 093	1 230
	Dr H. J. Frei	Member*	314	356
	Dr W. Prätorius	Member	136	136
	Total Board of Directors		1 787	1 966

*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 136 (2010/2011: KCHF 136).

	2011/2012 (CHF '000)	2010/2011 (CHF '000)
Senior Management Total compensation paid to the Senior Management was	2 487	2 593
Total compensation paid to the Board of Directors and Senior Management was	3 181	3 329

Senior Management: The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 093 (2010/2011: KCHF 1 230) and was paid to M. Martullo, Vice-Chairman of the Board of Directors and CEO.

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		2011/2012	2010/2011

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	2 350
M. Martullo	Vice-Chairman and CEO*	0	0
Dr H. J. Frei	Member	2 330	2 330
Dr W. Prätorius	Member	1 000	1 000
Total Board of Directors		5 680	5680

Senior Management	Function		
M. Martullo	CEO*	shown under «Board of Directors»	
P. Germann	CFO	0	0
Dr R. Holderegger	Member	0	0
Total Senior Management		0	0

* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9 % stake (see note 5).

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.

Notes	2011/2012	2010/2011
8 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

Notes	2011/2012 (CHF)	2010/2011 (CHF)
Available earnings		
Net income	358 758 587	181 674 920
Balance brought forward	112 147 888	222 835 818
Total available earnings	470 906 475	404 510 738
Appropriation		
Payment of an ordinary dividend of CHF 7.00 (previous year CHF 6.50) gross and	(163 723 196)	(152 028 682)
a special dividend of CHF 0.00 (previous year anniversary dividend CHF 6.00) gross per registered share entitled to dividend	0	(140 334 168)
Balance to be carried forward	307 183 279	112 147 888

Report of the Statutory Auditor on the Financial Statements

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, 2012.

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, 2012 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 24, 2012

KPMG AG

François Rouiller Licensed Audit Expert Auditor in Charge	Kurt Stocker Licensed Audit Expert