

# **Finance Report 2012**

**Excerpt from the  
50<sup>th</sup> Annual Report 2012/2013**



**EMS-CHEMIE HOLDING AG**  
Domat/Ems Switzerland

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## **EMS-CHEMIE HOLDING AG**

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## Share Performance

	2012	2011	2010	2009	2008
Number of registered shares	23 389 028	23 389 028	23 389 028	23 389 028	23 389 028
Number of					
Shares entitled to dividend	23 389 028	23 389 028	23 386 528	22 373 911	22 373 911
Treasury shares	0	0	2 500	1 015 117	1 015 117
Information per share (in CHF):					
Dividend per share	10.00 <sup>1)</sup>	7.00	12.50	10.00	5.00
Of which ordinary dividend	7.50	7.00	6.50	5.00	5.00
Of which extraordinary dividend	2.50	–	–	5.00	–
Of which anniversary dividend	–	–	6.00	–	–
Earnings per share	11.42	10.14	9.71	9.66	9.25
Cash flow per share <sup>2)</sup>	13.99	12.64	12.50	12.47	11.95
Equity per share <sup>3)</sup>	48.58	44.53	47.16	44.91	41.95
Stock prices <sup>4)</sup>					
High	233.10	175.91	166.00	125.00	165.22
Low	162.90	137.07	117.25	80.00	82.25
At December 31	215.40	159.10	165.80	123.80	88.50
Market capitalisation on December 31 (CHF millions)	5 038.0	3 721.2	3 877.9	2 895.6	2 069.9

Registered shares are listed on the SIX Swiss Exchange.

EMS-CHEMIE	Security number 1.644.035	ISIN CH0016440353	Investdata/Reuters EMSN
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<sup>1)</sup> Proposal of the Board of Directors.

<sup>2)</sup> Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

<sup>3)</sup> Excluding non-controlling interests.

<sup>4)</sup> Source: Bloomberg.

## Key Figures 2008–2012

CHF millions	2012	2011	2010	2009	2008
Net sales revenue	1 755.4	1 657.7	1 595.6	1 197.7	1 503.9
Change in % against previous year	+5.9 %	+3.9 %	+33.2 %	-20.4 %	-3.1 %
Change in local currencies	+4.9 %	+15.5 %	+39.6 %	-17.6 %	+0.8 %
Of which in Switzerland	4.5 %	5.3 %	4.7 %	4.7 %	5.1 %
Net operating income (EBIT)	318.6	294.0	281.6	221.8	219.6
Change in % against previous year	+8.4 %	+4.4 %	+27.0 %	+1.0 %	-18.7 %
In % of net sales revenue	18.2 %	17.7 %	17.6 %	18.5 %	14.6 %
Net financial income	2.6	0.9	-1.5	27.9	37.5
Income taxes	48.4	52.7	48.0	28.5	41.9
Net income	272.8	242.1	232.1	221.2	215.2
Change in % against previous year	+12.7 %	+4.3 %	+4.9 %	+2.8 %	-26.7 %
In % of net sales revenue	15.5 %	14.6 %	14.5 %	18.5 %	14.3 %
Cash flow <sup>1)</sup>	327.1	295.5	290.8	279.0	273.4
Change in % against previous year	+10.7 %	+1.6 %	+4.2 %	+2.1 %	-23.0 %
In % of net sales revenue	18.6 %	17.8 %	18.2 %	23.3 %	18.2 %
Investments	44.2	75.9	49.0	37.6	63.7
In % of cash flow	13.5 %	25.7 %	16.9 %	13.5 %	23.3 %
Balance sheet total	1 676.9	1 634.3	1 668.9	1 711.3	1 679.4
Assets					
Current assets	1 093.4	1 042.3	1 110.3	1 141.9	1 083.6
Non-current assets	583.5	592.0	558.6	569.4	595.9
Equity and liabilities					
Current liabilities	304.2	363.0	391.3	417.0	221.2
Non-current liabilities	221.6	214.8	167.3	272.5	482.9
Equity <sup>2)</sup>	1 136.4	1 041.4	1 096.8	1 004.8	960.10
Balance sheet equity ratio	67.8 %	63.7 %	65.7 %	58.7 %	57.2 %
Return on equity	24.0 %	23.2 %	21.2 %	22.0 %	22.4 %
Number of employees on December 31 <sup>3)</sup>	2 371	2 242	2 256	2 106	2 165

<sup>1)</sup> Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

<sup>2)</sup> Excluding non-controlling interests.

<sup>3)</sup> Excluding apprentices (2012: 132; 2011: 134; 2010: 138; 2009: 137; 2008: 129).

## Consolidated Income Statement

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	Notes	2012 (CHF '000)	2011 (CHF '000)
Net sales revenue from goods and services		1 755 363	1 657 676
Inventory changes, semi-finished and finished goods		21 451	5 402
Capitalised costs and other operating income	1	30 350	60 059
<b>Operating income</b>		<b>1 807 164</b>	<b>1 723 137</b>
Material expenses		1 102 886	1 053 139
Personnel expenses	2	208 456	203 478
Depreciation and amortisation	9, 24	54 302	52 004
Other operating expenses	3	122 916	120 528
<b>Operating expenses</b>		<b>1 488 560</b>	<b>1 429 149</b>
<b>NET OPERATING INCOME (EBIT)</b>		<b>318 604</b>	<b>293 988</b>
Income from associated companies	4	9 461	5 527
Financial income	6	2 172	4 785
Financial expenses	7	9 012	9 415
<b>NET FINANCIAL INCOME</b>		<b>2 621</b>	<b>897</b>
<b>NET INCOME BEFORE TAXES</b>		<b>321 225</b>	<b>294 885</b>
Income taxes	8	48 416	52 739
<b>NET INCOME</b>		<b>272 809</b>	<b>242 146</b>
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		267 018	237 131
Non-controlling interests	18	5 791	5 015
Earnings per share in CHF:			
Basic	27	11.42	10.14
Diluted	27	11.42	10.14

## Consolidated Statement of Comprehensive Income

Net income recognised in income statement		272 809	242 146
Net changes in fair value, after taxes: Available-for-sale securities	17	0	(9 037)
Net changes from cash flow hedges, after taxes	14	(5 178)	15 622
Currency translation differences		(4 128)	(6 484)
Other comprehensive income, after taxes		(9 306)	101
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>263 503</b>	<b>242 247</b>
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		258 752	236 465
Non-controlling interests	18	4 751	5 782

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

## Consolidated Balance Sheet

	Notes	31.12.2012 (CHF '000)	31.12.2011 (CHF '000)
<b>NON-CURRENT ASSETS</b>		<b>583 499</b>	<b>592 022</b>
Intangible assets	9	31 789	23 375
Property, plant and equipment	9	496 051	506 989
Investments	9	22 778	22 286
Investments in associated companies	9	22 595	22 103
Other investments	9	183	183
Other non-current assets	10	19 244	19 249
Derivative financial instruments	14	3 192	12 110
Deferred income tax assets	8	10 445	8 013
<b>CURRENT ASSETS</b>		<b>1 093 432</b>	<b>1 042 296</b>
Inventories	11	315 196	297 588
Receivables			
Trade receivables	12	247 970	231 649
Income tax assets		1 514	1 563
Other receivables	13	59 601	62 198
Securities		0	15 117
Derivative financial instruments	14	8 110	16 186
Cash and cash equivalents	15	461 041	417 995
<b>TOTAL ASSETS</b>		<b>1 676 931</b>	<b>1 634 318</b>
<b>EQUITY</b>		<b>1 151 155</b>	<b>1 056 502</b>
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 136 423	1 041 394
Share capital	16	234	234
Retained earnings and reserves		869 171	804 029
Net income		267 018	237 131
Equity, attributable to non-controlling interests	18	14 732	15 108
<b>LIABILITIES</b>		<b>525 776</b>	<b>577 816</b>
Non-current liabilities		221 612	214 770
Derivative financial instruments	14	1 178	502
Bank loans	19	100 053	100 061
Other non-current liabilities	20	24 726	19 635
Deferred income tax liabilities	8	90 387	88 682
Provisions	21	5 268	5 890
Current liabilities		304 164	363 046
Derivative financial instruments	14	2 110	19 661
Bank loans	19	19 042	62 705
Trade payables		109 514	112 458
Income tax liabilities		52 300	45 986
Provisions	21	1 442	759
Other current liabilities	22	119 756	121 477
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 676 931</b>	<b>1 634 318</b>

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

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(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 31.12.2010	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 16)		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
Other comprehensive income, after taxes						(5 178)	(3 088)	(8 266)	(1 040)	(9 306)
Net income recognised in income statement			267 018					267 018	5 791	272 809
Total comprehensive income	0	0	267 018	0	0	(5 178)	(3 088)	258 752	4 751	263 503
Dividends paid			(163 723)					(163 723)	(5 127)	(168 850)
At 31.12.2012	234	21 563	1 163 140	0	0	10 254	(58 768)	1 136 423	14 732	1 151 155
Balance sheet equity ratio									2012 68.6 %	2011 64.6 %

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2011: KCHF 47) not eligible for distribution.

The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closes on April 30, 2013, was communicated on February 8, 2013.

The change in other comprehensive income and income taxes recognised directly in equity amounts to KCHF 0 (2011: KCHF -433) on securities, KCHF -440 (2011: KCHF 1 327) on hedge accounting according to IAS 39 and KCHF 0 (2011: KCHF 9) on transactions with treasury shares.

The translation differences contain KCHF - 1 336 (2011: KCHF 194) 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	2012 (CHF '000)	2011 (CHF '000)
Net income		272 809	242 146
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	9, 24	54 302	52 004
(Profit)/loss from disposal of property, plant and equipment, net	3	2 638	643
Increase/(decrease) of provisions	21	687	(9 620)
Increase/(decrease) of other non-current liabilities		0	(2 471)
(Income)/expenses from the equity-valuation of associated companies	4	(9 461)	(5 527)
Impairment on available-for-sale securities	7	0	1 389
Unrealised currency translation (gains)/losses on foreign exchange positions		11 763	(11 510)
Change assets and liabilities of post-employment benefits, net	10, 20	5 141	3 034
Net interest expense	6, 7	1 516	2 500
Dividends on available-for-sale securities	6	(1 637)	(3 934)
(Income)/loss from sale of available-for-sale securities	6, 7	2 145	1 927
Expenses for income taxes	8	48 416	52 739
Changes in net working capital		(53 840)	(50 472)
Taxes paid		(48 488)	(38 397)
Interest paid		(2 074)	(4 095)
Provisions used	21	(1 015)	(724)
<b>CASH FLOW FROM OPERATING ACTIVITIES A</b>		<b>282 902</b>	<b>229 632</b>
(Purchase) of intangible assets and property, plant and equipment	9	(44 225)	(75 858)
Disposal of intangible assets and property, plant and equipment	3, 9	629	3 902
(Increase) in other non-current assets		(62)	(69)
Decrease in other non-current assets		283	259
(Purchase) of available-for-sale securities		(32 445)	(55 853)
Sale of available-for-sale securities		45 417	175 324
Interest received		533	850
Dividends received		4 899	6 201
Cash inflow from sale of fully consolidated companies	25	(6 966)	0
(Increase)/decrease of interest-bearing assets		41	338
<b>CASH FLOW FROM INVESTING ACTIVITIES B</b>		<b>(31 896)</b>	<b>55 094</b>
Dividends paid		(163 723)	(292 363)
Dividends paid to non-controlling interests	18	(5 127)	(4 204)
(Purchase) of treasury shares		0	(1 962)
Sale of treasury shares		0	2 420
Increase in interest-bearing liabilities		7 025	100 000
(Decrease) in interest-bearing liabilities		(50 024)	(100 053)
<b>CASH FLOW FROM FINANCING ACTIVITIES C</b>		<b>(211 849)</b>	<b>(296 162)</b>
Increase/(decrease) in cash and cash equivalents (A + B + C)		39 157	(11 436)
Cash and cash equivalents at 1.1.		417 995	436 248
Translation difference on cash and cash equivalents		3 889	(6 817)
Cash and cash equivalents at 31.12.	15	461 041	417 995

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 2012 and were implemented by the EMS Group on January 1, 2012. This has no material effect on the consolidated financial statements of the EMS Group.

### Consistency

The principles of valuation and consolidation remain unchanged from the previous year, with the exception of the changes described above.

## 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 31 “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 at fair value 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
IAS 1 – Presentation of Items of Other Comprehensive Income	**	July 1, 2012	Financial year 2013
IFRS 7 – Offsetting Financial Assets and Financial Liabilities	**	January 1, 2013	Financial year 2013
IFRS 9 – Financial Instruments: Classification and Measurement	***	January 1, 2015	Financial year 2015
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 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
IAS 32 – Offsetting Financial Assets and Financial Liabilities	**	January 1, 2014	Financial year 2014
Annual Improvements Project (May 2012)	*	January 1, 2013	Financial year 2013

\* There are not expected to be any significant implications for the consolidated financial statements of the EMS Group.

\*\* The 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 finally determined yet.

\*\*\*\* According to IAS 19 (revised) the corridor method will be abolished and the net interest will be calculated on the basis of the deficit or surplus of the pension plans. As at January 1, 2012, the effect on equity of unrecognised actuarial losses after considering deferred taxes is a single-digit million amount, equalling less than 1 % of equity. The effect on the employee benefit costs for 2012 is a reduction of CHF 1.1 million.

### 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)

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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

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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

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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

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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

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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

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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

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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

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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

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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

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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

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

#### Provisions

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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

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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

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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

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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 other comprehensive income 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. In the EMS Group more than 90% of net sales are recognised according to the following five international commercial terms: CIP (Carriage and Insurance Paid), FCA (Free Carrier), CIF (Cost, Insurance and Freight), EXW (EX Works) and DAP (Delivered At Place). 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 fair value less costs to sell 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:

	Unit	Average exchange rates		Year-end exchange rates		
		2012	2011	2012	2011	
Euro	EUR	1	1.205	1.234	1.208	1.218
US Dollar	USD	1	0.937	0.887	0.915	0.939
Japanese Yen	JPY	100	1.175	1.113	1.063	1.210
Chinese Renminbi	CNY	100	14.87	13.72	14.68	14.91
Taiwan Dollar	TWD	100	3.162	3.015	3.150	3.100

## 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

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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

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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

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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 68.6% as at December 31, 2012 (December 31, 2011: 64.6%). 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

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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 9.

#### Provisions for litigation risks and other provisions

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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 21.

#### Employee benefits

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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 10 and 20.

#### Taxes

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



## Segment Information

### Segment information by business area

(CHF '000)	High Performance Polymers		Specialty Chemicals		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales revenue with third parties	1 470 841	1 367 193	284 522	290 483			1 755 363	1 657 676
Net sales revenue with other segments	166	223	0	0	(166)	(223)	0	0
Total net sales revenue	1 471 007	1 367 416	284 522	290 483	(166)	(223)	1 755 363	1 657 676
EBITDA	316 001	288 758	56 905	57 234	0	0	372 906	345 992
Depreciation, amortisation and impairments <sup>1)</sup>	45 638	42 214	8 664	9 790	0	0	54 302	52 004
Net operating income (EBIT)	270 363	246 544	48 241	47 444	0	0	318 604	293 988
Net financial income							2 621	897
Net income before taxes							321 225	294 885
Income taxes							(48 416)	(52 739)
Net income							272 809	242 146

(CHF '000)	High Performance Polymers		Specialty Chemicals		Non-segment assets/liabilities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets <sup>2)</sup>	1 020 933	1 001 649	172 362	177 454	483 636	455 215	1 676 931	1 634 318
Segment liabilities <sup>3)</sup>	389 137	395 189	17 544	19 861	119 095	162 766	525 776	577 816
Investments	39 137	71 524	5 088	4 334			44 225	75 858
Income from equity-valuation of associated companies	9 461	5 527	0	0			9 461	5 527

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

### Segment information by geographical region

(CHF '000)	Total net sales revenue (customers) <sup>4)</sup>		Total net sales revenue (production)		Segment assets <sup>2)</sup>	
	2012	2011	2012	2011	2012	2011
Switzerland	79 364	88 027	861 008	838 700	658 066	659 178
European Union (EU)	862 802	888 862	415 742	457 004	207 652	205 704
North America	209 523	176 488	165 381	121 034	93 481	86 935
Asia	481 866	404 869	298 121	238 027	219 552	216 068
Others	121 808	99 430	15 111	2 911	14 544	11 218
Subtotal segments	1 755 363	1 657 676	1 755 363	1 657 676	1 193 295	1 179 103
Non-segment assets					483 636	455 215
Total	1 755 363	1 657 676	1 755 363	1 657 676	1 676 931	1 634 318

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.

<sup>1)</sup> See note 9.

<sup>2)</sup> Segmented assets: Assets without cash and cash equivalents, securities, fixed deposits in other current and non-current financial assets and investments in associated companies.

<sup>3)</sup> Segmented liabilities: Liabilities without current and non-current bank loans.

<sup>4)</sup> Important net sales are generated in the European Union with Germany (2012: KCHF 437 920, 2011: KCHF 429 799), in North America with the USA (2012: KCHF 188 547, 2011: KCHF 160 929) and in Asia with China (2012: KCHF 207 094; 2011: KCHF 176 318).

## Consolidated Income Statement

Notes	2012 (CHF '000)	2011 (CHF '000)
1 Capitalised costs and other operating income		
Capitalised costs	10 861	16 530
Other operating income	19 489	30 962
Income from sale of property to related parties	0	12 567
Total capitalised costs and other operating income	30 350	60 059
Independent external expertise was used to determine the price of the property sold to related parties (pension fund).		
2 Personnel expenses		
Wages and salaries	1 587 31	1 547 13
Subcontractor salaries	6 415	9 950
Expenses for defined benefit plans	7 585	8 697
Legal/contractual social insurance	35 725	30 118
Total personnel expenses	208 456	203 478
Employee benefits		
The following figures give an overview of the Swiss pension plans:		
Present value of funded obligations	(376 938)	(364 030)
Fair value of plan assets	374 691	375 168
Surplus/(deficit) in defined benefit obligations	(2 247)	11 156
Liability for long-service leave	0	0
Cash-settled share-based payment liability	0	0
Total employee benefits	(2 247)	11 156
Unrecognisable amount	0	(13 023)
Actuarial (income)/losses, not accounted for	17 680	16 512
Total recognised net assets in the Group balance sheet for independent defined benefit plans	15 433	14 645
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% (2011: 6.4%) of the retirement assets. As of 1.1.2013, the conversion rate is 6.0%. Disability and death pensions are defined as fixed ratios of the salary insured.		

Notes	2012 (CHF '000)	2011 (CHF '000)
The balance sheet shows the following:		
Surplus recognised in other non-current assets as pension assets (see note 10)	18 366	18 111
Deficit recognised in other non-current liabilities as liabilities from employee benefits (see note 20)	(2 933)	(3 466)
Total recognised net assets in the Group balance sheet	15 433	14 645
Plan assets consist of the following:		
Loans to the employer	0	1 328
Liquid assets	273 524	285 477
Bonds	14 988	15 189
Real estate	71 191	69 204
Other equities	14 988	3 988
Total plan assets	374 691	375 186
Movement in the liability for defined benefit obligations		
Liability for defined benefit obligations at 1.1.	364 030	363 506
Benefits paid by the plan	(18 315)	(13 223)
Current service costs and interest (see below)	23 903	23 481
Effect of curtailments	(2 355)	0
Vested benefits paid in/(paid out), net	(3 754)	(10 432)
Actuarial (gains)/losses (see next page)	13 429	698
Liability for defined benefit obligations at 31.12.	376 938	364 030
Movement in plan assets		
Fair value of plan assets at 1.1.	375 186	397 750
Contributions paid into the plan	14 410	14 904
Benefits paid by the plan	(18 315)	(13 223)
Expected return on plan assets	10 131	10 740
Vested benefits paid in/(paid out), net	(3 754)	(10 432)
Actuarial gains/(losses) (see next page)	(2 967)	(24 553)
Fair value of plan assets at 31.12.	374 691	375 186
Expense recognised in the income statement		
Current service costs	15 166	14 343
Interest on obligation	8 737	9 138
Expected return on plan assets	(10 131)	(10 740)
Recognised actuarial gains and losses (see next page)	0	3 003
Effect of curtailments	(2 355)	0
Effect of the limit in paragraph 58A and 58(b)	2 205	(948)
Employees' contributions	(6 037)	(6 099)
ERIS (Expense Recognised in the Income Statement)	7 585	8 697
The expense is recognised in personnel expenses.		

Notes	2012 (CHF '000)	2011 (CHF '000)			
Change of recognised net assets					
At 1.1.	14 645	14 537			
ERIS (Expense Recognised in the Income Statement)	(7 585)	(8 697)			
Employer's contribution	8 373	8 805			
At 31.12.	15 433	14 645			
Actual return on plan assets	7 164	(15 435)			
Actuarial assumptions					
Actuarial assumptions at the reporting date (expressed as weighted averages):					
Discount rate at 31.12.	1.75%	2.40%			
Expected return on plan assets at 1.1.	1.75%	2.70%			
Future salary increases	1.00%	1.00%			
Future pension increases	0.25%	0.50%			
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	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	(376 938)	(364 030)	(363 506)	(338 517)	(404 442)
Fair value of plan assets	374 691	375 186	397 750	395 177	377 919
Surplus/(deficit) in defined benefit obligations	(2 247)	11 156	34 244	56 660	(26 523)
Experience gains/(losses) arising on plan liabilities	(5 826)	14 854	(195)	59 789	(16 177)
Experience gains/(losses) arising on plan assets	(2 967)	(24 553)	(11 754)	19 188	(65 988)
The Group expects to pay KCHF 8 373 (2012: KCHF 7 725) in contributions to defined benefit plans in 2013.					
3 Other operating expenses					
Rents			9 022	9 229	
Repairs and maintenance			26 168	25 360	
Insurance, duties, fees			7 372	6 724	
Energy			34 532	32 856	
Administration, promotion			25 406	24 912	
Losses on disposal of property, plant and equipment, net			2 638	643	
Other operating expenses			17 778	20 804	
Total other operating expenses			122 916	120 528	
4 Income from associated companies					
Income from equity valuation of associated companies			6 863	5 527	
Revaluation of existing investment in EFTEC (India) Pvt. Ltd. to fair value (see note 25)			2 598	0	
Total income from associated companies			9 461	5 527	
5 Research and development					
Expenditures for research and development amount to In percent of net sales revenue			35 887 2.0%	35 916 2.2%	

Notes	2012 (CHF '000)	2011 (CHF '000)
6		
Financial income		
Other interest income	529	825
Interest income on loans and receivables	6	26
Total interest income	535	851
Dividends on available-for-sale securities	1637	3934
Total financial income	2172	4785
7		
Financial expenses		
Interest expenses	2051	3351
Foreign exchange losses, net	3609	1273
Expenses from sale of available-for-sale securities, net	2145	1927
Impairment on available-for-sale securities	0	1389
Bank charges and commissions	1207	1475
Total financial expenses	9012	9415
8		
Income taxes		
Current income taxes	55910	46448
Deferred income taxes	(7494)	6291
Total income taxes	48416	52739
<p>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:</p>		
Breakdown of the income tax expenses		
Net income before income taxes	321225	294885
Expected income tax rate	19.4%	19.3%
Expected income taxes	62273	57037
Use of tax losses carried forward from previous years	(7074)	(693)
Change in deferred tax assets not having been set up	125	110
Tax exemption/Expenses not being deductible for tax purposes	(5643)	(2941)
Taxes from previous years	(689)	(244)
Impact of changed deferred income tax rates	(37)	(202)
Other	(539)	(328)
Effective income taxes	48416	52739
Effective income tax rate	15.1%	17.9%

Notes	2012 (CHF '000)		2011 (CHF '000)	
	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
Deferred income taxes: Change in recognised assets/liabilities				
At 1. 1.	8 013	88 682	6 765	81 693
Change in scope of consolidation	0	2 557	0	0
Increase via income statement	3 562	1 849	1 550	8 723
Decrease via income statement	(1 018)	(2 484)	(344)	(1 226)
Income taxes recognised directly in other comprehensive income	0	0	0	(433)
Translation differences	(112)	(217)	42	(75)
At 31. 12.	10 445	90 387	8 013	88 682
Note to the deferred income tax liabilities				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	73 127		71 762	
Deferred income taxes on current assets	10 106		15 191	
Deferred income taxes on liabilities	7 154		1 729	
Total deferred income tax liabilities	90 387		88 682	
Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.				
Tax loss carryforwards				
	Tax loss carryforwards	Tax effect	Tax loss carryforwards	Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognised	28 925	8 299	39 991	13 014
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	72	18	2 552	638
5 years	9	2	805	201
More than 5 years	28 844	8 279	36 634	12 175

# Consolidated Balance Sheet as at December 31

EMS Group  
Consolidated Financial Statements  
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## Notes

### 9 Intangible assets, property, plant and equipment, investments

#### I. Intangible assets

(CHF '000)	Goodwill	Patents, trade- marks	Others	Total
At 1.1. 2011				
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
2012				
At 1.1.	20 678	2	2 695	23 375
Change in scope of consolidation	0	0	7 891	7 891
Additions	2 077	0	494	2 571
Disposals	0	0	(1)	(1)
Amortisation	0	(2)	(1 963)	(1 965)
Reclassifications	0	0	492	492
Translation differences	(210)	0	(364)	(574)
At 31.12.	22 545	0	9 244	31 789
Cost	22 545	1 268	31 261	55 074
Accumulated amortisation and impairment	0	(1 268)	(22 017)	(23 285)
Net book value	22 545	0	9 244	31 789

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 22 545 (2011: KCHF 20 678) 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 % (2011: 1 %).
- The discount rate before taxes is 10 % (2011: 10 %).

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. 2011						
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
2012						
At 1.1.	18 816	126 496	326 037	15 266	20 374	506 989
Change in scope of consolidation	807	2 145	1 387	124	0	4 463
Additions	0	205	3 249	3 879	36 398	43 731
Disposals	(1)	(253)	(735)	(140)	(2 137)	(3 266)
Depreciation	(67)	(6 428)	(35 083)	(3 961)	0	(45 539)
Impairment	0	0	(6 611)	0	(187)	(6 798)
Reclassifications	0	3 250	25 783	1 583	(31 108)	(492)
Translation differences	(254)	(894)	(1 687)	(150)	(52)	(3 037)
At 31.12.	19 301	124 521	312 340	16 601	23 288	496 051
Cost	20 964	294 132	929 042	53 886	24 203	1 322 227
Accumulated depreciation and impairment	(1 663)	(169 611)	(616 702)	(37 285)	(915)	(826 176)
Net book value	19 301	124 521	312 340	16 601	23 288	496 051

Fire insurance value is KCHF 1 760 354 (2011: KCHF 1 698 646).

Property, plant and equipment are insured at replacement values.

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

Year	Amount	Business area
2012:	KCHF 6 798	High Performance Polymers
2011:	KCHF 6 857	High Performance Polymers



Notes

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
At 1.1. 2011			
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
2012			
At 1.1.	22 103	183	22 286
Change in scope of consolidation	(5 663)	0	(5 663)
Additions/Increase	7 140	0	7 140
Disposals/Decrease	(941)	0	(941)
Translation differences	(44)	0	(44)
At 31.12.	22 595	183	22 778
Cost/Fair value	22 595	183	22 778
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 595	183	22 778

Notes	2012 (CHF '000)	2011 (CHF '000)
10 Other non-current assets		
Other non-current assets	878	1 138
Assets from employee benefits (see note 2)	18 366	18 111
Total other non-current assets	19 244	19 249
Other non-current assets mainly comprise loans to third parties.		
11 Inventories		
Raw materials and supplies	147 137	148 365
Semi-finished goods, work in progress	10 883	9 946
Finished products	185 620	166 988
Value adjustments	(28 444)	(27 711)
Total inventories	315 196	297 588
12 Trade receivables		
Trade receivables from associated companies	67	155
Trade receivables from third parties	255 251	237 608
Allowances for doubtful receivables	(7 348)	(6 114)
Total trade receivables	247 970	231 649
Allowances for doubtful receivables are determined on the basis of historical losses and recognisable individual risks.		
Due dates of trade receivables		
Not due	225 596	218 843
Overdue <30 days	25 445	16 263
Overdue 30 to 90 days	2 932	2 074
Overdue >90 days	1 345	583
Total	255 318	237 763

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

	2012		2011	
	Individual allowance	General allowance	Individual allowance	General allowance
At 1.1.	1 803	4 311	2 510	3 950
Increase in allowances	442	1 428	314	615
Decrease in allowances	(143)	(162)	(420)	(285)
Losses on trade receivables	(249)	–	(528)	–
Reclassifications	86	(86)	(28)	28
Translation differences	(4)	(78)	(45)	3
At 31.12.	1 935	5 413	1 803	4 311

Notes		2012 (CHF '000)	2011 (CHF '000)
13	Other receivables		
	Receivables from associated companies	0	74
	Other receivables	39 175	38 855
	Prepayments and accrued income	20 426	23 269
	<b>Total other receivables</b>	<b>59 601</b>	<b>62 198</b>
14	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	300 418	374 700
	Notional amount CHF	0	7 499
	Positive replacement value CHF	3 111	7 149
	Negative replacement value CHF	0	211 376
	USD/CHF	0	4 054
	Notional amount CHF	0	12 993
	Positive replacement value CHF	0	0
	Negative replacement value CHF	0	5
	GBP/CHF	0	5 640
	Notional amount CHF	0	0
	Positive replacement value CHF	0	16
	Negative replacement value CHF	0	0
	Currency options		
	JPY/CHF	0	5 640
	Notional amount CHF	0	0
	Positive replacement value CHF	0	16
	Negative replacement value CHF	0	0
	<b>Total</b>	<b>300 418</b>	<b>592 156</b>
	Notional amount CHF	0	11 553
	Positive replacement value CHF	3 111	20 163
	Negative replacement value CHF	0	0
	Thereof: Current portion	186 130	542 416
	Notional amount CHF (<12 months)	0	11 316
	Positive replacement value CHF (<12 months)	1 933	19 661
	Negative replacement value CHF (<12 months)	114 288	49 740
	Non-current portion	0	237
	Notional amount CHF (1–5 years)	0	237
	Positive replacement value CHF (1–5 years)	1 178	502
	Negative replacement value CHF (1–5 years)	0	0

Notes		2012 (CHF '000)	2011 (CHF '000)	
Financial instruments effective for hedge accounting purposes				
Currency	USD/CHF	Notional amount CHF	169 111	0
SWAPS and		Positive replacement value CHF	5 319	0
forward rate		Negative replacement value CHF	177	0
agreements	JPY/CHF	Notional amount CHF	82 020	129 905
		Positive replacement value CHF	5 983	16 743
		Negative replacement value CHF	0	0
Total		Notional amount CHF	251 131	129 905
		Positive replacement value CHF	11 302	16 743
		Negative replacement value CHF	177	0
Thereof: Current portion		Notional amount CHF (<12 months)	202 010	69 274
		Positive replacement value CHF (<12 months)	8 110	4 870
		Negative replacement value CHF (<12 months)	177	0
Non-current portion		Notional amount CHF (1–5 years)	49 121	60 631
		Positive replacement value CHF (1–5 years)	3 192	11 873
		Negative replacement value CHF (1–5 years)	0	0
<p>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.</p> <p>The replacement value is understood as being 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.</p>				
Net changes from cash flow hedges in equity, after taxes				
At 1.1.			15 432	(190)
Transfer to consolidated income statement			(4 870)	518
Fair value adjustments			(748)	16 431
Income taxes recognised directly in equity			440	(1 327)
Total net changes from cash flow hedges in equity, after taxes			(5 178)	15 622
At 31.12.			10 254	15 432

Notes	2012 (CHF '000)	2011 (CHF '000)
15 Cash and cash equivalents		
Deposits	460 153	417 742
Cash and cash equivalents	888	253
Total cash and cash equivalents	461 041	417 995

16 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. 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
Purchase of treasury shares			0	0	–
Sale of treasury shares			0	0	–
At 31.12. 2012	CHF 0.01	23 389 028	0	23 389 028	234

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

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

Notes	2012 (CHF '000)	2011 (CHF '000)
18 Non-controlling interests		
This item reflects the non-controlling interests in capital and profit/loss for the year. Significant non-controlling interests exist for shares in EMS-UBE Ltd., Shanghai EFTEC Chemical Products Ltd. and Wuhu EFTEC Chemical Products Ltd.		
The change in non-controlling interests is as follows:		
At 1.1.	15 108	13 530
Dividends paid	(5 127)	(4 204)
Net income	5 791	5 015
Translation differences	(1 040)	767
At 31.12.	14 732	15 108
19 Bank loans		
The non-current bank loans are composed as follows:		
CHF: Average interest rate: 1.35% (2011: 1.35%)	100 000	100 000
JPY: Average interest rate: 1.48% (2011: 1.48%)	53	61
Total non-current bank loans	100 053	100 061
The non-current bank loans in CHF have a fixed interest rate. The fair value amounts to KCHF 100 635 (2011: KCHF 100 102). 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:		
JPY: Average interest rate: 0.44% (2011: 0.48%)	17 540	12 705
INR: Average interest rate: 13.00% (2011: -)	1 502	0
CHF: Average interest rate: - (2011: 2.10%)	0	50 000
Total current bank loans	19 042	62 705
The carrying amounts of current bank loans in JPY and INR correspond to their fair values, as the interest rates are variable. CHF 50 million of the current bank loans in CHF were repaid in January 2012. Therefore the carrying amount corresponded to the fair value.		

Notes	2012 (CHF '000)	2011 (CHF '000)
20 Other non-current liabilities		
Other non-current liabilities	339	363
Liabilities from employee benefits	24 387	19 272
Total other non-current liabilities	24 726	19 635
Liabilities from employee benefits include KCHF 2 933 (2011: KCHF 3 466) liabilities from Swiss pension plans (see note 2).		

Provisions	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
(CHF '000)					
At 31.12. 2011	1 248	621	1 185	3 595	6 649
Change in scope of consolidation	0	298	0	184	482
Increase via income statement	177	164	848	431	1 620
Decrease via income statement	0	(105)	(28)	(800)	(933)
Amounts used	(132)	(503)	0	(380)	(1 015)
Translation differences	(38)	(18)	(22)	(15)	(93)
At 31.12. 2012	1 255	457	1 983	3 015	6 710
Of which: Current portion of provisions	19	457	824	142	1 442
Non-current portion of provisions	1 236	0	1 159	2 873	5 268

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 and in India ("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, 2012.

Notes	2012 (CHF '000)	2011 (CHF '000)
22 Other current liabilities		
Advances from customers	4 108	3 256
Prepaid expenses and deferred income	74 997	68 347
Other current liabilities to related parties	5 700	5 700
Other current liabilities to associated companies	224	9
Liabilities to social security institutions	1 598	1 660
Other current liabilities	33 129	42 505
Total other current liabilities	119 756	121 477
23 Liabilities, net/(net cash position)		
Pension liabilities (see note 21)	1 255	1 248
Bank loans (see note 19)	119 095	162 766
Other current liabilities to related parties (see note 22)	5 700	5 700
Interest-bearing liabilities	126 050	169 714
less		
Receivables from associated companies (see note 13)	0	74
Securities	0	15 117
Deposits (see note 15)	460 153	417 742
Interest-bearing liabilities, net/(cash, net)	(334 103)	(263 219)
less		
Cash and cash equivalents (see note 15)	888	253
Liabilities, net/(net cash position)	(334 991)	(263 472)



## Consolidated Statement of Cash Flows

EMS Group  
Consolidated Financial Statements  
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Notes	2012 (CHF '000)	2011 (CHF '000)
24 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation intangible assets	1 965	1 093
Depreciation property, plant and equipment	45 539	44 054
Impairment property, plant and equipment	6 798	6 857
Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	54 302	52 004
For the breakdown of the depreciation, amortisation and impairment of intangible assets and property, plant and equipment please refer to note 9 and to the segment reporting.		
25 Purchase/disposal of fully consolidated companies and non-controlling interests		
Cash outflow from purchase of fully consolidated companies		
Acquisition of EFTEC (India) Pvt. Ltd.		
On April 18, 2012, EMS Group acquired a 51 % shareholding of Indian partner Shroff in the EFTEC (India) Pvt. Ltd. joint venture (former: EFTEC Shroff (India) Ltd.).		
From April 18, 2012 to December 31, 2012, the acquired business contributed net sales revenue of CHF 12.4 million and a net loss of CHF 0.2 million to the EMS Group. If the acquisition had occurred on January 1, 2012, Group net sales revenue would have been CHF 17.4 million higher, while net income would have been CHF 0.2 million lower. These amounts have been calculated using the Group's accounting policies.		
Net assets acquired and goodwill are shown as follows:		
Purchase price	7 200	
Existing investment in EFTEC (India) Pvt. Ltd. (Fair value)	5 534	
Fair value of assets acquired	(10 657)	
Goodwill	2 077	
The goodwill represents the additional future business opportunities in the growth market India.		

Notes	2012 (CHF '000)	2011 (CHF '000)
The acquisition of EFTEC (India) Pvt. Ltd. has been accounted for using the acquisition method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:		
Intangible assets	7 891	
Property, plant and equipment	4 463	
Inventories	1 639	
Trade receivables	2 300	
Other receivables	988	
Cash and cash equivalents	234	
Deferred income tax liabilities	(2 557)	
Bank loans	(1 600)	
Trade payables	(2 260)	
Other current liabilities	(441)	
Fair value of assets acquired	10 657	
Purchase price paid	7 200	
Cash and cash equivalents of subsidiary acquired	(234)	
Cash outflow from purchase of fully consolidated companies	6 966	

Notes	2012 (CHF '000)	2011 (CHF '000)
26 Contingent liabilities		
Contingent liabilities at the end of the year amount to	21 203	21 092
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 21).		
27 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	23 389 028	23 388 212
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	267 018	237 131
Basic earnings per share (CHF)	11.42	10.14
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
28 Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2011: 14 224 143 registered shares)		
Amount of holding	60.82%	60.82%
Miriam Blocher, 2 079 000 registered shares (2011: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%

Notes	2012 (CHF '000)	2011 (CHF '000)
29 Transactions with related parties		
<p>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 33. In 2011, there was a transaction between EMS-CHEMIE AG and the pension fund (see note 1).</p> <p>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.</p> <p>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 2012/2013 in the financial statements of EMS-CHEMIE HOLDING AG (see note 7, page 65).</p> <p>Breakdown of the total compensation*</p>		
Short-term employee benefits to the members of the Board of Directors and Senior Management	3 272	2 966
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation*	3 272	2 966
<p>The detailed disclosures of compensation as per Swiss law can be found in the financial statements of EMS-CHEMIE HOLDING AG.</p> <p>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:</p>		
Board of Directors	Number of shares	
Dr U. Berg, Chairman	2 350	2 350
M. Martullo, Vice-Chairman and CEO**	0	0
Dr H. J. Frei, Member	2 095	2 330
Dr W. Prätorius, Member	0	1 000
Total Board of Directors	4 445	5 680

\* These are provisional, accrued amounts. The definitive figures can be found on page 65 of the annual report of EMS-CHEMIE HOLDING AG, note 7.

\*\* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 28).

Notes	2012	2011
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 28).		
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.		
30 Subsequent events		
On March 6, 2013, the acquisition of 50% of the shareholding from the Czech partner D PLAST in the D PLAST-EFTEC joint venture by April 2013 was announced.		
The consolidated financial statements were approved by the Board of Directors on March 26, 2013 and need to be approved by the Annual General Meeting on August 10, 2013.		
Between December 31, 2012 and March 26, 2013 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.		

Notes

31 List of subsidiaries and non-controlling interests (at 31.12.2012)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
<b>BUSINESS AREA HIGH PERFORMANCE POLYMERS</b>		
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
EMS-CHEMIE (Luxembourg) Sarl	Senningerberg	Luxembourg
EFTEC (Shanghai) Engineering Co. Ltd.	Shanghai	China (People's Rep.)
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 Systems S.A.	Zaragoza	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
EFTEC (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.)
EFTEC (Shanghai) Services Ltd.	Shanghai	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
<b>BUSINESS AREA SPECIALTY CHEMICALS</b>		
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) Verwaltungsgesellschaft GmbH	Neumünster	Germany

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%	V, P	K
EUR	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.67%	V, P	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
EUR	2556	100.00%	V, P	K
TWD	281000	100.00%	V, P	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P	K
USD	2420	100.00%	D	K
USD	11285	100.00%	V, P	K
CHF	8000	100.00%	D	K
EUR	200	100.00%	V	K
CNY	886	100.00%	V, P	K
CHF	2500	100.00%	V, P	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
EUR	25	100.00%	V, P	K
GBP	352	100.00%	V, P	K
EUR	1240	100.00%	V, P	K
EUR	944	100.00%	V, P	K
USD	3518	100.00%	D, V	K
THB	49500	100.00%	V, P	K
INR	15000	100.00%	V, P	K
USD	3700	100.00%	D	K
CNY	20750	60.00%	V, P	K
CNY	27500	100.00%	V, P	K
CNY	6650	60.00%	V, P	K
CNY	1000	100.00%	V	K
CNY	952	100.00%	D	K
CZK	47569	50.00%	V, P	E
USD	750	100.00%	D	K
USD	38222	100.00%	V, P	K
CZK	30000	100.00%	V, P	K
CHF	100	100.00%	D	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	V, P	K
EUR	25	100.00%	D	K

Notes	2012 (CHF '000)	2011 (CHF '000)
32 Change in scope of consolidation		
Fully consolidated:		
Addition:		
EFTEC (India) Pvt. Ltd.: On April 18, 2012, EMS Group acquired the 51 % shareholding of Indian partner Shroff in the EFTEC (India) Pvt. Ltd. joint venture (former: EFTEC Shroff (India) Ltd.).		
EMS-CHEMIE (Luxembourg) Sàrl: This company was founded on June 21, 2012.		
EFTEC (Shanghai) Services Ltd.: This company was founded on June 21, 2012.		
EFTEC (Shanghai) Engineering Co. Ltd.: This company was founded on September 24, 2012.		
Disposal:		
EFTEC Latin America S.A.: This company was deleted from the Commercial Register on January 6, 2012.		
33 Significant associated company		
D PLAST – EFTEC a.s.		
Domicile	Zlín, Czech Republic	
Percentage held	50.00 %	
Financial year	January 1–December 31	
Category	Sale, Production	
Currency	CZK	
Net sales revenue	55 887	53 157
Net income	14 068	13 651
Assets	52 080	43 388
Equity	44 640	35 825
Liabilities	7 440	7 563
34 Risk management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 10)	878	1 138
Trade receivables (see note 12)	247 970	231 649
Receivables from associated companies (see note 13)	0	74
Derivative financial instruments (see note 14)	11 302	28 296
Cash and cash equivalents (see note 15)	461 041	417 995
Total financial assets	721 191	679 152
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 12.		



Notes

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2012 (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 19)	19 042	19 042	19 042	0	0
Non-current bank loans (see note 19)	100 053	102 753	1 403	101 350	0
Trade payables	109 514	109 514	109 514	0	0
Other current liabilities to related parties (see note 22)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 22)	224	224	224	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	3 288	469 529	320 677	148 852	0
<b>Total financial liabilities</b>	<b>237 821</b>	<b>706 762</b>	<b>456 560</b>	<b>250 202</b>	<b>0</b>

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 19)	62 705	63 755	63 755	0	0
Non-current bank loans (see note 19)	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 22)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 22)	9	9	9	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	20 163	586 076	536 336	49 740	0
<b>Total financial liabilities</b>	<b>301 096</b>	<b>872 109</b>	<b>719 669</b>	<b>152 440</b>	<b>0</b>

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

CHF 100.0 million (2011: 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 3.6 million (2011: CHF 3.3 million). A 100 basis point fall in the interest rate for deposits and bank loans would decrease net income after taxes by CHF 0.3 million (2011: CHF 0.6 million).

This sensitivity analysis assumes that all other assumptions, e.g. currency rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

Notes

Currency risks

Overview currency exposure, net

At 31.12. 2012 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 12)	15 824	130 288	57 013	16 242	2 059	26 544
Loans to group companies	9 991	151 662	105 912	5 634	0	3 989
Derivative financial instruments (see note 14)	0	0	0	82 020	0	0
Trade payables	(12 799)	(49 994)	(23 782)	(14 243)	(1 215)	(7 481)
Loans from group companies	(23 603)	0	0	0	0	0
Current bank loans (see note 19)	0	0	0	(17 540)	0	(1 502)
Non-current bank loans (see note 19)	0	0	0	(53)	0	0
Derivative financial instruments (see note 14)	0	(300 418)	(169 111)	0	0	0
Currency exposure, net	(10 587)	(68 462)	(29 968)	72 060	844	21 550

At 31.12. 2011 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 12)	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 14)	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 19)	0	0	0	(12 705)	0	0
Non-current bank loans (see note 19)	0	0	0	(61)	0	0
Derivative financial instruments (see note 14)	0	(374 700)	(211 376)	0	0	0
Currency exposure, net	45 667	(134 652)	(104 297)	131 376	962	18 436

Notes	2012	2011
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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 18.1 million (2011: CHF 6.3 million). Per currency: EUR: CHF +12.3 million (2011: CHF +1.7 million), USD: CHF +9.3 million (2011: CHF +11.8 million), JPY: CHF -0.5 million (2011: CHF -0.0 million), other currencies: CHF -3.0 million (2011: CHF -7.2 million).

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF 23.9 million (2011: CHF 7.9 million decrease/(increase)). Per currency: EUR: CHF +27.4 million (2011: CHF +1.7 million), USD: CHF +4.1 million (2011: CHF +6.3 million), JPY: CHF -4.6 million (2011: CHF -8.7 million), other currencies: CHF -3.0 million (2011: CHF -7.2 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:		
Switzerland	0%	100%
Total	0%	100%

There is no significant correlation to a share index.

Sensitivity analysis of securities risks

As of December 31, 2012 EMS Group has no securities.

A 10% increase in the fair value of available-for-sale securities would have increased equity after taxes in 2011 by CHF 1.4 million, while the net income after taxes in 2011 would be CHF 0.0 million higher.

A 10% decrease in the fair value of available-for-sale securities would have decreased equity after taxes in 2011 by CHF 1.4 million, while net income after taxes in 2011 would be CHF 1.4 million lower.

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Notes

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Financial assets/liabilities: fair value hierarchy

At 31.12. 2012 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 14)		11 302		11 302
Financial liabilities:				
Derivative financial instruments (see note 14)		(3 288)		(3 288)

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 14)		28 296		28 296
Financial liabilities:				
Derivative financial instruments (see note 14)		(20 163)		(20 163)

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.

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Notes	2012 (CHF '000)	2011 (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 19.		
Cash and cash equivalents (see note 15)	461 041	417 995
Other non-current assets (see note 10)	878	1 138
Trade receivables (see note 12)	247 970	231 649
Receivables from associated companies (see note 13)	0	74
Loans and receivables	248 848	232 861
Securities	0	15 117
Available-for-sale financial assets	0	15 117
Derivative financial instruments (assets; see note 14)	11 302	28 296
Non-current bank loans (see note 19)	100 053	100 061
Current bank loans (see note 19)	19 042	62 705
Trade payables	109 514	112 458
Other current liabilities to related parties (see note 22)	5 700	5 700
Other current liabilities to associated companies (see note 22)	224	9
Financial liabilities measured at amortised cost	234 533	280 933
Derivative financial instruments (liabilities; see note 14)	3 288	20 163

### 35 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 59) for the year ended December 31, 2012.

### 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, 2012 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

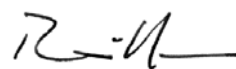
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 26, 2013

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, 2012 – April 30, 2013**



## Income Statement May 1, 2012 to April 30, 2013

	Notes	2012/2013 (CHF '000)	2011/2012 (CHF '000)
<b>INCOME</b>			
License fees from group companies		52 265	46 603
<b>Financial income</b>			
Interest income		3 969	3 728
Income from sale of group companies	2	0	147 564
Dividends from group companies		184 421	186 732
Income from financial assets		5 459	7 419
<b>Total income</b>		<b>246 114</b>	<b>392 046</b>
<b>EXPENSES</b>			
Operating expenses to group companies		16 432	17 428
<b>Financial expenses</b>			
Expenses from financial assets		2 437	2 825
Interest expenses		1 397	2 507
Foreign exchange differences, net	1	10 590	5 570
Bank charges, duties, fees		109	122
Administration expenses		1 019	1 193
<b>Total expenses</b>		<b>31 984</b>	<b>29 645</b>
<b>Net income before taxes</b>		<b>214 130</b>	<b>362 401</b>
<b>Taxes</b>		<b>2 424</b>	<b>3 642</b>
<b>Net income</b>		<b>211 706</b>	<b>358 759</b>



## Balance Sheet as at April 30, 2013

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	Notes	30. 4. 2013 (CHF '000)	30. 4. 2012 (CHF '000)
<b>Non-current assets</b>			
Investments in group companies	2	280 352	280 352
Loans to group companies		78 833	82 162
<b>Current assets</b>			
Prepayments and accrued income		18 590	15 479
Receivables from third parties		185	629
Receivables from group companies		17 633	15 959
Loans to group companies		5 588	6 734
Securities		0	42 950
Cash and cash equivalents		299 784	193 564
<b>TOTAL ASSETS</b>		<b>700 965</b>	<b>637 829</b>
<b>Shareholders' equity</b>			
Share capital	3	529 170	481 188
Legal reserves	4/5	234	234
Other reserves		47	47
Available earnings		10 000	10 000
Liabilities		518 889	470 907
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank loans		14 169	114 169
Provisions		0	100 000
<b>Current liabilities</b>			
Bank loans		14 169	14 169
Accruals and deferred income		157 626	42 472
Payables to third parties		100 000	0
Payables to group companies		13 006	8 217
		5 343	3 815
		39 277	30 440
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>700 965</b>	<b>637 829</b>
Balance sheet equity ratio		75.5 %	75.4 %

## Notes to the Financial Statements 2012/2013

### Income Statement 2012/2013

Notes	2012/2013 (CHF '000)	2011/2012 (CHF '000)
1 Foreign exchange differences		
Foreign exchange gains	6 339	13 129
Foreign exchange losses	16 929	18 699
Foreign exchange differences	(10 590)	(5 570)

### Balance Sheet as at April 30, 2013

2 Investments in group companies					
Details of the investments as at 31.12. 2012 can be seen in note 31, "List of subsidiaries and non-controlling interests", in the consolidated financial statements of the EMS Group.					
In the previous year, 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.					
3 Shareholders' equity					
At 1.5.		481 188			414 792
Dividends paid		(163 723)			(292 363)
Net income		211 706			358 759
At 30.4.		529 171			481 188
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 30.4.2011	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	0	0	0
At 30.4.2012	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	0	0	0
At 30.4.2013	CHF 0.01	23 389 028	0	23 389 028	234
5 Significant shareholders					
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2011/2012: 14 224 143 registered shares)				60.82%	60.82%
Amount of holding					
Miriam Blocher, 2 079 000 registered shares (2011/2012: 2 079 000 registered shares)				8.89%	8.89%
Amount of holding					
No other representation of significant shareholders is known to the Board of Directors.					

Notes	2012/2013 (CHF '000)	2011/2012 (CHF '000)	
6 Contingent liabilities Guarantees (maximum liability)	72 010	141 226	
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*	1 219	1 093
Dr H.J. Frei	Member**	356	314
Dr W. Prätorius	Member	136	136
Total Board of Directors		1 955	1 787
* Amount shown under compensation of the Board of Directors as well as under compensation of Senior Management.			
** 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 (2011/2012: KCHF 136).			
Senior Management			
Total compensation paid to the Senior Management was	2 673	2 487	
The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 219 (2011/2012: KCHF 1 093) and was paid to M. Martullo.			
Total compensation paid to the Board of Directors and Senior Management was	3 409	3 181	
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	2012/2013	2011/2012
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	3 600
M. Martullo	Vice-Chairman and CEO*	0
Dr H.J. Frei	Member	2 395
Dr W. Prätorius	Member	0
Total Board of Directors		5 995
Senior Management	Function	
M. Martullo	CEO*	
P. Germann	CFO	0
Dr R. Holderegger	Member	0
Total Senior Management		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.		
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 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

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Notes	2012/2013 (CHF)	2011/2012 (CHF)
Available earnings		
Net income	211 705 627	358 758 587
Balance brought forward	307 183 279	112 147 888
Total available earnings	518 888 906	470 906 475
Appropriation		
Payment of an ordinary dividend of CHF 7.50 (previous year CHF 7.00) gross and an extraordinary dividend of CHF 2.50 (previous year CHF 0.00) gross per registered share entitled to dividend	(175 417 710)	(163 723 196)
	(58 472 570)	0
Balance to be carried forward	284 998 626	307 183 279

## 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 62 to 67) for the year ended April 30, 2013.

### 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, 2013 comply with Swiss law and the company's articles of incorporation.

### Report on Other Legal Requirements

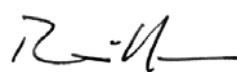
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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, 2013

KPMG AG



François Rouiller  
Licensed Audit Expert  
Auditor in Charge



Kurt Stocker  
Licensed Audit Expert