



49th ANNUAL REPORT 2011/2012

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

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Dear Shareholders.

2011 was a very special year for EMS in which we celebrated our 75th anniversary. Our festivities with customers, employees and their families and important contemporaries gave us an opportunity to share our joy and pride in our achievements over the past 75 years. Our Annual General Meeting on August 13, 2011 with you, our esteemed shareholders, commemorated 75 years of EMS-CHEMIE.

The 2011 financial year was very mixed, as the past 75 years of our company history have been. The first half was characterised by strong economic growth and sales for EMS boomed. Thanks to the new production facilities that were commissioned ahead of schedule in 2010 and early 2011, we succeeded in delivering to our customers despite a huge increase in order volumes. Commodity prices continually reached new peaks, which made repeated sale price hikes with customers inevitable.

The tsunami in Japan in March 2011 had only a brief impact on the global markets but triggered a debate in Switzerland and Germany on future energy supplies which is very worrying to industry.

In summer, there was an abrupt change of mood in the markets however. The massive debt problems in the USA and Europe, caused turmoil on the financial and forex markets while the momentum of the Arab Spring increasingly unsettled companies and consumers, leading to more prudent consumer behaviour in the second half of the year. Greater caution was exercised in purchasing and investment decisions and inventories were scaled back by the end of the year. As a result, order levels at EMS also dropped.

Parallel to this however EMS succeeded in strengthening its market position and developing new applications and markets in its core business area of High Performance Polymers. Metal replacement applications developed particularly positively, with all sales regions posting sales growth year-on-year (in local currencies) in the double-digit percentage range.

EMS generates around 95% of its net sales revenue outside of Switzerland, but continues to manufacture over half its products in Switzerland. Consequently, the strong Swiss franc had a considerable impact on sales figures and results: Net sales revenue rose by 15.5% in local currencies and by 3.9% in Swiss francs year-on-year to CHF 1 658 million. Net operating income (EBIT) grew by 4.4% to CHF 294 million. Had the currency situation remained stable, it would have increased by 25.5%. Despite this, net sales revenue and net operating income in Swiss francs also reached new records levels again.

This is thanks to EMS further improving its position on the global market in recent years and our continued successful strategy of focusing on profitable specialty products in the field of High Performance Polymers. Efficiency improvement programmes were launched throughout the group, and customer service was simultaneously improved again worldwide. High priority was given to expanding activities in the rapidly growing Asian market, particularly China.

In 2012, we are anticipating highly diverse economic developments in our geographical market areas. The market environment in western Europe (especially in low-export countries), is likely to remain difficult owing to unresolved debt problems, while continuing economic growth may be anticipated in the NAFTA zone and Asia (especially China). The current dominance of the political system and its fundamental interventions in financial and real economic systems however, is disrupting market development, causing instability and triggering uncertainty. EMS has prepared itself for various scenarios, investments are being made cautiously and security of liquid assets is accorded great importance.

At the same time, we continue to value maintaining our very close development relationships with our customers worldwide. Awards made by customers from a variety of branches over the past two years,



such as the title of “Supplier of the Year”, awarded to EMS by the world's largest automotive manufacturer General Motors (GM) in March 2012 for the second time in a row, emphasises the fact that this approach is particularly valued, especially in times of economic upheaval.

Markets react fast in this day and age, due also to globalisation and modern communication technologies such as e-mail, the Internet and video conferencing. Our customers, particularly those in Asia, also require increasingly rapid reaction times around the clock, constant improvements in service and product quality and a steady stream of new, innovative products to solve their problems quickly. The pressure to adjust to ever-changing situations has increased. Our extremely flexible and dedicated managers and employees work very hard each day to ensure that our company lives up to today's market requirements. We would like to offer them

our warmest thanks. We are confident that in this way, EMS will succeed in mastering the challenges of the future as well.

We would also like to thank you, our shareholders, most sincerely for your loyalty and support for EMS. We look forward to tackling the next 75 years together with you.

Dr Ulf Berg
Chairman of the
Board of Directors

Magdalena Martullo
Vice-Chairman of the
Board of Directors and
Chief Executive Officer

Share Performance

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

Registered shares are listed on the SIX Swiss Exchange.

EMS-CHEMIE	Security number 1.644.035	ISIN CH0016440353	Investdata/Reuters EMSN
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¹⁾ As part of a share buyback, 1 663 842 registered shares were canceled on November 3, 2008.

²⁾ Proposal of the Board of Directors.

³⁾ Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

⁴⁾ Inclusive non-controlling interests.

⁵⁾ Source: Bloomberg.

Business performance

The first half of 2011 was shaped by strong economic growth worldwide and by high raw material and energy costs. However, the pace of growth slowed down in the second half of the year. Unresolved debt problems in the USA and Europe as well as turmoil on the financial and forex markets unsettled companies and consumers and resulted in more prudent consumer behaviour worldwide. Greater caution was exercised in purchasing and investment decisions, and inventories were scaled back by the end of the year.

EMS benefited from the good economic trend. In addition, a number of new transactions with specialty products were completed. The company thus posted a very satisfactory sales trend, and all sales regions succeeded in expanding turnover in the double-digit percentage range compared with the previous year (in local currencies). The automotive business developed particularly well. In order to keep up with demand, additional production capacity was commissioned throughout the EMS Group. A sharp rise in raw material prices meant that sale prices for customers had to be increased.

Net sales revenue in Swiss francs was up 3.9% to CHF 1 658 million (1 596). Sales growth in local currencies amounted to 15.5%. Net operating income (EBIT) stood at CHF 294 million (282), an improvement of 4.4% compared to the previous year. In local currencies, the increase would have been 25.5%. EBITDA increased to CHF 346 million (335). Despite severely negative currency factors, the EBIT margin was maintained at 17.7% (17.6%) and the EBITDA margin at 20.9% (21.0%).

For 2012 as a whole, EMS is predicting uneven economic developments on individual markets. In Asia and North America, the positive economic trend is likely to continue. By contrast, consumer and investor sentiment in western Europe is still rather gloomy, in particular in the less export-oriented countries.

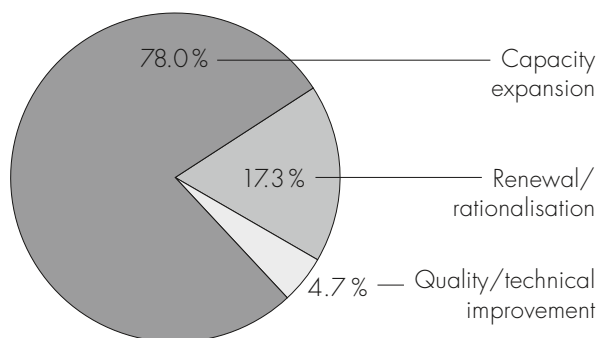
EMS has an innovative, high-margin specialty business. It is continuing with its successful strategy of expanding specialty products in the core field of high-performance polymers. New business is being developed, and the markets outside western Europe are being expanded further. However, the company will manage costs and liquidity with care, given the existing financial and political risks.

To safeguard its own margins, EMS will be obliged in future to adjust sale prices in line with commodity price increases. Sales and EBIT in 2012 are expected to be in line with the previous year's level.

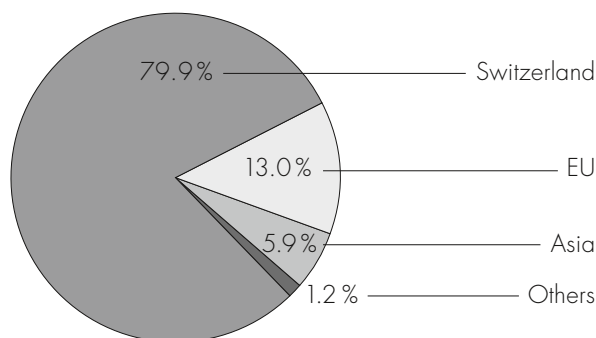
Investments

Overall investments in 2011 came to CHF 76 million (49). The majority of this sum was invested in expanding production capacity, mainly at the headquarters in Domat/Ems. We were only able to satisfy the high market demand thanks to these capacity expansions.

Investment by application



Investment by country and region



Management structure

At the 2011 Annual General Meeting, Magdalena Martullo, Dr Hansjörg Frei, Dr Werner Prätorius and Dr Ulf Berg were elected to the Board of Directors for a further one-year term of office.

Personnel

At the end of December 2011, the EMS Group had a total of 2 242 (2 256) employees (excluding apprentices), of whom 1 013 (1 023) work in Switzerland, 665 (688) in the rest of Europe, 374 (359) in Asia and 190 (186) in America. At the end of the year, the EMS Group employed 134 (138) apprentices in Switzerland covering 13 (14) different vocational fields. A total of 42 (32) apprentices successfully completed their professional training during the year under review.

Breakdown of EMS Group production by country/region

Switzerland	50.6%
Germany	14.8%
USA	7.3%
Belgium	7.0%
Japan	5.9%
China	5.6%
Czech Republic	2.5%
Taiwan	2.0%
Great Britain	2.0%
Others	2.3%

Breakdown of EMS Group net sales by country/region

Germany	25.9%
China	10.6%
USA	9.7%
Japan	8.7%
France	7.4%
Switzerland	5.3%
Italy	4.3%
Spain	2.7%
Great Britain	2.5%
Belgium	2.3%
Taiwan	1.7%
South Korea	1.7%
Czech Republic	1.5%
Austria	1.4%
Sweden	1.4%
Poland	1.3%
Mexico	1.1%
Brazil	1.1%
Others	9.4%

Business areas

The names of the two business areas of the EMS Group were modified slightly on January 1, 2012. These are now called "High Performance Polymers" (formerly "Performance Polymers") and "Specialty Chemicals" (formerly "Fine Chemicals/Engineering").

These two business areas are further broken down into Business Units.

High Performance Polymers

EMS-GRIVORY consists of three independent, profit-responsible Business Units and produces customized high-performance polymers (as polyamide granules). Thanks to their high-performance properties and ability to cut processing costs, these materials are used in a variety of applications, particularly in the automotive industry, in the electrical and electronics industry and in optics, as well as in numerous other industrial sectors. EMS-GRIVORY Europe specialises in innovative solutions for customers in the field of injection moulding as well as extrusion and extrusion blow-moulding applications in Europe. EMS-GRIVORY Asia operates in the Asian market. EMS-GRIVORY America is responsible for business in North America.

The EMS-EFTEC Business Unit is a specialist supplier to the global automotive industry in the areas of bonding, coating, sealing and damping.

In 2011, the core business area High Performance Polymers generated net sales revenue of CHF 1 367 million (1 292) and net operating income (EBIT) of CHF 247 million (227). Thanks to further consolidation of the company's market position and newly developed applications, net sales and EBIT were higher but growth was impaired by the strong Swiss franc and sharp commodity price increases. Metal replacement applications performed particularly positively, notably the sale of high-temperature materials. The global automotive supplier EMS-EFTEC acquired additional new business and continued to expand its strong worldwide position in the market.

Specialty Chemicals

EMS-GRILTECH specialises in the development and production of fibres, hotmelt adhesives and fusible bonding yarns for technical and textile applications, bonding agents for high-performance tyres, powder coating crosslinkers and reactive diluents.

The EMS-PATVAG Business Unit produces ignitors for airbag gas generators.

Thanks to the economic trend, the secondary business area Specialty Chemicals turned in a positive performance, although the pace slowed down in the second half of the year. Both sales figures and results were affected by unfavourable currency factors and sharp increases in commodity prices. The business area generated net sales of CHF 290 million (303) and net operating income (EBIT) of CHF 47 million (54) in 2011.

Key Figures 2007–2011

CHF millions	2011	2010	2009	2008	2007
Net sales revenue	1 657.7	1 595.6	1 197.7	1 503.9	1 552.4
Change in % against previous year	+3.9 %	+33.2 %	–20.4 %	–3.1 %	+11.2 %
Change in local currencies	+15.5 %	+39.6 %	–17.6 %	+0.8 %	+9.2 %
Of which in Switzerland	5.3 %	4.7 %	4.7 %	5.1 %	5.0 %
Net operating income (EBIT)	294.0	281.6	221.8	219.6	270.2
Change in % against previous year	+4.4 %	+27.0 %	+1.0 %	–18.7 %	+9.5 %
In % of net sales revenue	17.7 %	17.6 %	18.5 %	14.6 %	17.4 %
Net financial income	0.9	–1.5	27.9	37.5	63.7
Income taxes	52.7	48.0	28.5	41.9	40.1
Net income	242.1	232.1	221.2	215.2	293.8
Change in % against previous year	+4.3 %	+4.9 %	+2.8 %	–26.7 %	–4.5 %
In % of net sales revenue	14.6 %	14.5 %	18.5 %	14.3 %	18.9 %
Cash flow ¹⁾	295.5	290.8	279.0	273.4	355.3
Change in % against previous year	+1.6 %	+4.2 %	+2.1 %	–23.0 %	–1.0 %
In % of net sales revenue	17.8 %	18.2 %	23.3 %	18.2 %	22.9 %
Investments	75.9	49.0	37.6	63.7	71.9
In % of cash flow	25.7 %	16.9 %	13.5 %	23.3 %	20.2 %
Balance sheet total	1 634.3	1 668.9	1 711.3	1 679.4	2 277.1
Assets					
Current assets	1 042.3	1 110.3	1 141.9	1 083.6	1 671.8
Non-current assets	592.0	558.6	569.4	595.9	605.3
Equity and liabilities					
Current liabilities	363.0	391.3	417.0	221.2	614.2
Non-current liabilities	214.8	167.3	272.5	482.9	386.2
Equity ²⁾	1 056.5	1 110.4	1 021.7	975.3	1 276.7
Balance sheet equity ratio	64.6 %	66.5 %	59.7 %	58.1 %	56.1 %
Return on equity	22.9 %	20.9 %	21.7 %	22.1 %	23.0 %
Number of employees on December 31 ³⁾	2 242	2 256	2 106	2 165	2 231

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

²⁾ Inclusive non-controlling interests.

³⁾ Excluding apprentices (2011: 134; 2010: 138; 2009: 137; 2008: 129; 2007: 109).

EMS-CHEMIE HOLDING AG, a holding company by Swiss law, is committed to responsible corporate governance and oversight. The structure and content of this report comply with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (DCG). Detailed principles and rules are also laid down in the company's Articles of Association at www.ems-group.com/annualreport/2012/articlesofassociation and in the Organisational Rules of the EMS Group at www.ems-group.com/annualreport/2012/organisationalrules. All data refer to the situation as at December 31, 2011, except where stated otherwise.

The companies of the EMS Group are grouped together in the EMS-CHEMIE HOLDING AG, which has its registered office in Domat/Ems, Switzerland. EMS-CHEMIE HOLDING AG is the only listed company within the scope of consolidation. EMS registered shares (EMSN, ISIN: CH0016440353) are listed on the SIX Swiss Exchange. As at December 31, 2011, the market capitalisation of EMS amounted to CHF 3 721.2 million. Neither the EMS-CHEMIE HOLDING AG nor any of its subsidiaries hold registered shares of EMS.

An overview of the unlisted subsidiaries belonging to the consolidated EMS Group can be found in note 30 in the financial section.

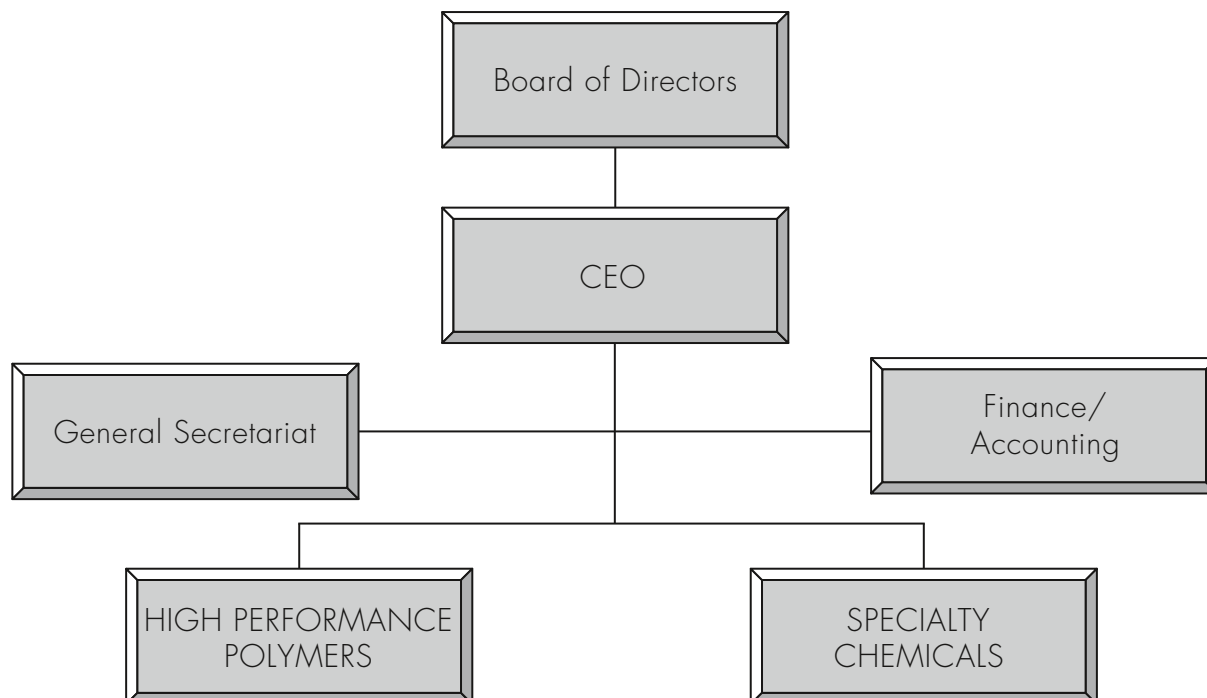
Segment reporting by business area and geographical region can be found on page 31.

1. Group structure and shareholders

1.1 Group structure

The EMS Group is active worldwide in the two business areas High Performance Polymers and Specialty Chemicals. The organisational breakdown is based on product types.

The Group's operating structure is as follows:



1.2 Significant shareholders

In the 2011 calendar year, two shareholders each held more than 3% of the equity of EMS-CHEMIE HOLDING AG:

As at January 1, 2011, ERESTA HOLDING AG held 56.04%, and Miriam Blocher held a 8.89% stake.

On February 24, 2011, ERESTA HOLDING AG bought a further 1 117 610 shares. ERESTA HOLDING AG thus holds 60.81% of the share capital of EMS-CHEMIE HOLDING AG.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2. Capital structure

2.1 Capital /

2.2 Authorised and conditional capital in particular

The ordinary share capital of EMS-CHEMIE HOLDING AG amounts to CHF 233 890.28. No authorised or conditional capital exists.

2.3 Changes in capital

Information on capital changes can be found on page 4 (Share Performance), in the financial section on page 21 (Consolidated Statement of Changes in Equity) and in note 15 (Share capital).

2.4 Shares and participation certificates/

2.5 Profit sharing certificates

The fully paid share capital is divided into 23 389 028 registered shares with a par value of CHF 0.01 each. All registered shares are entitled to dividends. Each registered share entitles the holder to one vote at the Annual General Meeting. No participation certificates or profit sharing certificates exist.

2.6 Limitations on transferability and nominee registrations

On request, purchasers of shares of EMS-CHEMIE HOLDING AG are entered in the share register as voting shareholders without restrictions, provided they expressly declare that the registered shares were acquired in their own name and on their own account.

The Board of Directors may enter people whose request for registration does not include an express declaration that they hold the shares on their own account ("Nominees"), and with whom the company has entered into an agreement to this effect, in the register of shareholders with voting rights up to a maximum of 2% of the share capital entered in the commercial register.

The Articles of Association do not provide for any privileges or restrictions on transferability.

2.7 Convertible bonds and warrants/options

There are no convertible bonds or warrants/options issued.

3. Board of Directors

3.1 Members of the Board of Directors/

3.2 Other activities and vested interests

Board of Directors

Name	Nationality	Status	Year of birth	First elected in	Term of office expires
Dr Ulf Berg	Swiss	Non-executive	1950	August 2007	2012
Magdalena Martullo	Swiss	Executive	1969	August 2001	2012
Dr Hansjörg Frei	Swiss	Non-executive	1941	January 2003	2012
Dr Werner Prätorius	German	Non-executive	1946	September 2006	2012

On December 31, 2011, the Board of Directors of EMS-CHEMIE HOLDING AG consisted of the following four members:

Dr Ulf Berg (born in 1950, Swiss citizen, graduate engineer with a PhD in mechanical engineering) has been non-executive Chairman of the Board of Directors since August 2007. He worked for ABB (formerly BBC) in various managerial positions in Switzerland and abroad for more than 20 years until 1998. From 1999 to 2001, Dr Berg was COO and CEO of Carlo Gavazzi Holding AG. From 2003 to 2004, he was CEO of SIG Beverages Int. AG before moving to Sulzer AG in 2004 as CEO, a position he held until 2007. From 2007 to 2009, he was non-executive Chairman of the Board of Directors of Sulzer AG Switzerland. Since 2004, Dr Berg has been a member of the management board committee of Swissmem Switzerland. He has been a member of the Board of Directors of Bobst SA Switzerland since 2006. From 2004 to 2009, Dr Berg was a member of the Board of Directors of Venture Incubator AG Switzerland. Furthermore, he was a member of the Board of Trustees of Avenir Suisse from 2007 to 2009. From 2008 to 2011, Dr Berg was a member of the Supervisory Board of SAG GmbH in Langen, Germany. Since 2009 he has been non-executive Chairman of Midland Cogeneration Venture LLP in Midland, Michigan, USA, and since June 2010 he has been President of the Board of Directors of Kommunekemi AS in Nyborg, Denmark. Dr Berg is owner of EG Energy Group Ltd. in Zug, Switzerland, and partner at BLR Partners Ltd. in Thalwil, Zurich.

Magdalena Martullo (born in 1969, Swiss citizen, Master of Business Administration) has been executive Vice-Chairman of the Board of Directors since August 2002 and CEO since January 2004. She joined the EMS Group in January 2001 and became a member of the Board of Directors in August 2001. As CEO, Magdalena Martullo bears overall operating responsibility for the EMS Group. After performing various functions both in Switzerland and abroad, Magdalena Martullo was a Product Manager at Johnson & Johnson AG from 1994 to 1996. She then went on to work at Rivella AG until 2000, where her last position was Head of Marketing for Switzerland and member of the company's extended Senior Management. She has been a member of the board of scienceindustries, the Swiss business association for the chemical, pharmaceutical and biotech industries, since June 2004, and heads up its business committee.

Dr Hansjörg Frei (born in 1941, Swiss citizen, Doctor of Law) has been a non-executive member of the Board of Directors and Chairman of the Pension Fund of the EMS Group since January 2003. Dr Frei held various management positions in the insurance industry over many years. At the Winterthur insurance company, his last position until 2000 was as a member of the Group Executive Board in charge of Swiss operations. Following the company's merger with Credit Suisse, he was a Member of the Executive Board (Head of International Country Management) of Credit Suisse Financial Services until 2003. From 2000 to 2003, he was Chairman of the Swiss Insurance Association (SVV). Dr Frei has been a non-executive member of the Board of Directors of Bâloise-Holding since 2004.

Dr Werner Prätorius (born in 1946, German citizen, Doctor of Chemical Engineering) has been a non-executive member of the Board of Directors since September 2006. He spent almost 30 years with BASF, where he was responsible for a wide variety of national and international tasks. From 1995 to 2006, he was successively Head of the Engineering Plastics, Styrenic Polymers and Petro-

chemicals Divisions. Dr Prätorius has also been a member of the most important European trade organisations for chemicals and plastics such as the Association of Plastics Manufacturers in Europe (1994–2004), the Association of European Petrochemicals Producers (2002–2006) and the European Petrochemical Association (2001–2006). Since December 2011, Dr Prätorius has been a member of the Strategic Advisory Board of the US biotech company Myriant Corporation, based in Quincy, Massachusetts, USA.

None of the non-executive members of the Board of Directors have ever been a member of any Senior Management within the EMS Group, nor do any of them currently have a direct or indirect business relationship with companies in the EMS Group.

3.3 Elections and terms of office

Each member of the Board of Directors is elected individually by the Annual General Meeting for a one-year term of office. There is no limit on the total term of office; members may be re-elected.

Attendance at meetings of the Board of Directors and committees

Name	Function	Attendance at meetings		
		Board of Directors	Audit Committee	Compensation Committee
Dr Ulf Berg	Chairman	6 ¹⁾	6	4
Magdalena Martullo	Vice-Chairman and CEO	6		
Dr Hansjörg Frei	Member	6	6 ¹⁾	4 ¹⁾
Dr Werner Prätorius	Member	6		3
Total meetings		6	6	4
Total duration (hours)		3–6	1–3	1–2

¹⁾ Chairman

3.4 Internal organisational structure

Duties of the Board of Directors

The Board of Directors is the highest executive body of the EMS Group. It is responsible for supervising and monitoring the company's management and that of its affiliated companies which together form the EMS Group. Every year at its constituent meeting, the Board of Directors elects a Chairman and a Vice-Chairman from among its members. The Board of Directors has delegated most of the operational management of the EMS Group to the CEO. Special tasks can be delegated to individual members of the Board of Directors or to separate special committees.

Board committees: Members, tasks, areas of responsibility

There are two committees: the Audit Committee and the Compensation Committee. Their tasks and responsibilities are set out in guidelines (www.ems-group.com/annualreport/2012/organisationalrules). Both committees have assessment, advisory and monitoring functions but no decision-making powers.

The Audit Committee consists of two non-executive, independent members of the Board of Directors: Dr Hansjörg Frei, Chairman, and Dr Ulf Berg, member. It assesses the effectiveness of external reporting, internal finance and accounting, internal control systems and compliance with accounting principles. The Audit Committee makes recommendations to the entire Board of Directors regarding presentation of individual and consolidated financial statements to the Annual General Meeting. It also assesses the performance and remuneration of the external auditors.

The Compensation Committee consists of three non-executive members of the Board of Directors: Dr Hansjörg Frei, Chairman, Dr Ulf Berg, member, Dr Werner Prätorius, member. The Compensation Committee is concerned with the remuneration policy of the EMS Group (Board of Directors, Senior Management, senior executives).

Working methods of the Board of Directors and its committees

The Board of Directors and its committees meet as frequently as business demands and at least six times a year. The Board of Directors held six meetings in 2011, each lasting between three and six hours. The Audit Committee held six meetings, each lasting between one and three hours, while the Compensation Committee held four meetings, each lasting between one and two hours.

The Head of Finance (CFO) also attends the meetings of the Board of Directors. Other members of Senior Management and Heads of Business Units are invited to attend meetings of the Board of Directors when it discusses matters relevant to their areas of responsibility. To constitute a quorum, a majority of the members of the Board of Directors must be present. The Board of Directors makes decisions and carries out elections with a majority of the members present at the meeting. In the event of a tie, the Chairman has the casting vote. Resolutions can also be passed by way of telephone conferences or by circular, provided that no member requests discussion in person. Resolutions passed in this way must be unanimous to be valid. Individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely associated.

Members of Senior Management are invited to attend committee meetings where matters relevant to their areas of responsibility are to be discussed. The provisions relating to meetings and resolutions of the Board of Directors and to the requirement for its members to abstain, also apply to the committees. At the next plenary meeting of the Board of Directors after their committees have met, the committee Chairman reports on the proceedings and submits proposals to the Board for its decision. Further details of internal organisation can be found in the Organisational Rules of the EMS Group at www.ems-group.com/annualreport/2012/organisationalrules.

3.5 Definition of areas of responsibility

The Board of Directors makes decisions regarding all matters not reserved for the Annual General Meeting or another body by law, the Articles of Association or the Organisational Rules. Subject to article 716 a of the Swiss Code of Obligations (non-transferable and inalienable duties of the

Board of Directors), the Board of Directors has delegated most of the operational management of the EMS Group to Senior Management. These duties and responsibilities particularly include proposing the strategy for the EMS Group to the Board of Directors, achieving the operative and financial results of the EMS Group, reviewing the budgets and medium-term plans of Business Units, deciding on scheduled capital investments up to CHF 5 million and on unscheduled capital investments up to CHF 0.5 million, reaching decisions on the procurement of external capital (e.g. bonds, bank loans) up to CHF 30 million, issuing guarantees in accordance with the guarantee concept proposed to the Board of Directors, receiving periodic reports on business performance and all other significant events, deciding on the initiation and conduct of legal proceedings and submitting proposals to the Board of Directors for legal proceedings of fundamental significance, approving the organisation up to the level of employees directly subordinate to Heads of Business Units, submitting proposals to the Board of Directors on the acquisition and disposal of equity holdings, assigning powers to the members of the board of trustees who protect the interests of the employer in EMS Group pension schemes, proposing authorised signatories to the Board of Directors, permitting heads of Business Units and their direct subordinates to accept seats on Boards of Directors, political offices or honorary offices, enacting the rules of the EMS Group and maintaining personal contact with senior managers of other companies and with important customers.

3.6 Information and control instruments vis-à-vis the Senior Management

At the end of each month, the Board of Directors receives a written report from the CEO regarding business performance during that month and the expected monthly result. On the 4th working day of the following month, it receives the monthly income statement with the most important key figures, which are compared with the budgeted figures and those of the previous year. It is also provided, in the same detail, with monthly updated forecast calculations for the end of the year. This serves to monitor the achievability of the budget. If actual monthly results deviate from the budget by more than 10%, the CEO submits a report to the Board of Directors by the middle of the following month analysing the deviation in result and detailing corrective measures,

both planned and already implemented. In addition, the Board of Directors receives consolidated quarterly financial statements prepared in accordance with IFRS. Along with the income statement, these mainly provide information on the balance sheet, the cash flow account and changes in equity. Furthermore, at each meeting of the Board of Directors, the CEO and CFO report on the course of business and on all matters relevant to the Group, while the two committee Chairmen report on the matters they have dealt with, detailing their significant findings and assessment and submitting proposals accordingly. Every year, the Board of Directors discusses and approves the budget for the following year, as well as rolling medium-term planning for the next three years. The CEO informs the members of the Board of Directors of any extraordinary events without delay by circular or other appropriate means. At Board meetings, any member of the Board may request information from other members or from Senior Management on any of the company's affairs. Between meetings of the Board of Directors, any member may request information from the CEO on the course of business, and – with the approval of the Chairman – on specific business events, and/or may inspect business documents. At their own discretion, members of the Board of Directors visit Group companies and participate in the two-monthly Management Meetings held by Senior Management with the Heads of the Business Units in order to form an independent view of the Group's operating activities and the implementation of its strategy.

During the year under review, 21 audits were conducted by Group Financial Controlling at Group companies as part of an overall audit plan approved by the Board of Directors and commissioned by Group Financial Controlling. These focused mainly on bookkeeping and compliance. Group Financial Controlling discusses all audit findings in detail with the companies and Business Units concerned, and the most important measures are agreed on. In the event of disagreement between the auditors and the company audited, the different positions are stated transparently. An audit report is prepared containing the overall audit findings. Members of the Audit Committee, the CEO and the CFO each receive a copy of every audit report. Following each audit report, the CEO and CFO present the Audit Committee with the measures to be implemented by Group management. All significant measures are continuously monitored by the

Audit Committee. In the event of discrepancies, the CEO and CFO must comment on them and present proposals for corrective measures. Although Group Financial Controlling is subordinate to the CFO, it reports directly to the Chairman of the Audit Committee with regard to these activities. Group Financial Controlling also regularly keeps the Audit Committee informed of such changes in the field of accounting. The legal service of the EMS Group reports regularly to the Board of Directors on any legal changes important to EMS. Twice a year, the Audit Committee is notified of all litigation cases that are underway or impending. Besides the status of the individual cases, the report focuses on risks and opportunities they represent, costs and other possible effects.

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.

4. Senior Management

4.1 Members of Senior Management/ 4.2 Other activities and vested interests

On December 31, 2011, Senior Management of EMS-CHEMIE HOLDING AG consisted of the following three persons:

Magdalena Martullo (born in 1969, Swiss citizen, Master of Business Administration) has been executive Vice-Chairman of the Board of Directors since August 2002 and CEO since January 2004. She joined the EMS Group in January 2001 and became a member of the Board of Directors in August 2001. As CEO, Magdalena Martullo bears overall operating responsibility for the EMS Group. After performing various functions both in Switzerland and abroad, Magdalena Martullo was a Product Manager at Johnson & Johnson AG from

1994 to 1996. She then went on to work at Rivella AG until 2000, where her last position was Head of Marketing for Switzerland and member of the company's extended Senior Management. She has been a member of the board of science industries, the Swiss business association for the chemical, pharmaceutical and biotech industries, since June 2004, and heads up its business committee.

Peter Germann (born in 1959, Swiss citizen, Master of Business Administration) has been the EMS Group's Head of Finance (CFO) since 1994 – interrupted by one year as Head of Finance with the Ascom Group – and a member of Senior Management since January 2004. Peter Germann previously held a variety of management positions, his last position being Head of Finance with the Arbonia-Forster Group.

Dr Rolf Holderegger (born in 1952, Swiss citizen, Dr sc. techn., Dipl. Chem. ETH) has been a member of Senior Management since October 2009. He joined the EMS Group in 1987 as Manager of Development & Technical Service. Since then he has held various senior positions, his last position being General Manager of the Profit Center "Polyurethanes and Reactive Systems" as well as Site Manager in Romanshorn, Switzerland, within the Business Unit EMS-EFTEC. Before 1987, Dr Holderegger held various leading positions with the Dow Chemical Company.

Members of Senior Management are nominated by the CEO and appointed by the Board of Directors. They are subordinate to the CEO, whom they assist in the task of managing and supervising the EMS Group. Senior Management usually meets every two weeks. In addition, the Secretary General attends these meetings in an advisory function. The duties and responsibilities of Senior Management are listed in section 3.5. They are also given in the Organisational Rules of Senior Management at www.ems-group.com/annualreport/2012/organisationalrules.

4.3 Management contracts

No management contracts with third parties exist.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the shareholding programmes

The compensation system for members of the Board of Directors and Senior Management consists of a basic salary and a variable salary component, which are paid out in cash only. The basic salary and variable salary component are independent of each other. The variable salary component forms a central part of the overall compensation package. The principal criteria for setting the variable salary component are the achievement of net earnings targets and project objectives. Otherwise, no guidelines exist for the compensation system. If targets are not achieved, the variable salary component may be omitted. The level of the compensation depends on the level of objective target and the individual's responsibilities.

Individual overall compensation packages are proposed by the Compensation Committee and approved by the Chairman of the Board of Directors, after consultation with the CEO, in April of the following year. They are paid out in May.

EMS has no shareholding programmes.

Details of the individual compensation for members of the Board of Directors and CEO, and of the overall compensation paid to the Board of Directors and Senior Management as a whole, are shown in a table in note 7 to the annual financial statements of EMS-CHEMIE HOLDING AG.

6. Shareholders' participation

Shareholders' participation rights are laid down in the Articles of Association of EMS-CHEMIE HOLDING AG (www.ems-group.com/annualreport/2012/articlesofassociation).

6.1 Voting-rights and representation restrictions

Voting-right restrictions apply solely to nominees. No rules exist governing the granting of exceptions.

A registered shareholder may only be represented at the Annual General Meeting by his/her legal representative, by another shareholder who has voting rights, by the representative of the executive bodies, by the independent proxy, or by a representative of the custodian bank. Shares held by the company do not confer voting rights at the Annual General Meeting and do not bear a dividend.

6.2 Statutory quorums

Unless not otherwise provided by law, the General Meeting of Shareholders shall pass resolutions and hold elections on the basis of an absolute majority of the votes casted. In the event of a tie, the Chairman has the casting vote.

6.3 Convocation of the General Meeting of Shareholders

The Ordinary Annual General Meeting of Shareholders is convened in accordance with legal requirements and the company's Articles of Association. It is convened by publication of a single notice in the Swiss Official Gazette of Commerce (SHAB) and selected Swiss newspapers, and by written invitations sent to the addresses of the shareholders and beneficiaries entered in the share register. The period of notice is 20 days. Extraordinary General Meetings of Shareholders are held in the cases prescribed by law and as required.

6.4 Agenda

One or more shareholders representing together 10% or more of the company's shares may request that a particular item be added to the agenda. A request to add an item to the agenda must be submitted in writing at least 40 days in advance of the Annual General Meeting, specifying the subject to be discussed and containing the proposed motions.

6.5 Inscriptions into the share register

The cut-off date for entering registered shareholders in the share register with regard to participation at the General Meeting of Shareholders is around 10 calendar days before the General Meeting. The cut-off date will in each case be determined by the Board of Directors and is stated in the invitation. Registered shares sold between the cut-off date and the General Meeting of Shareholders do not carry any voting rights. There are no rules governing the granting of exceptions.

7. Changes in control and defence measures

7.1 Duty to make an offer

According to Article 3, paragraph 2 of the Articles of Association, a party acquiring shares in EMS-CHEMIE HOLDING AG is not obliged to submit a public purchase offer.

7.2 Clauses on changes of control

There are no clauses relating to changes in control.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

KPMG AG, Badenerstrasse 172, 8026 Zurich, Switzerland, has acted as the statutory auditor of EMS-CHEMIE HOLDING AG since 2004. The statutory auditor is appointed by the Annual General Meeting for a one-year term of office. François Rouiller has been the lead auditor since 2011. The person, leading the revision, is allowed to execute the mandate for seven years at the longest (art. 730 a par. 2 CO).

8.2 Auditing fees

The EMS Group paid KPMG a global total of approximately CHF 420 000 for services relating to the audit of the Group's annual financial statements. The net sales revenue audited by KPMG accounts for approximately 65% of the EMS Group's total net sales.

8.3 Additional fees

KPMG charged a global total of approximately CHF 546 000, comprising CHF 481 000 for tax consultancy services, CHF 10 000 for legal advices and CHF 55 000 for transaction-related advice (including due diligence).

8.4 Information tools pertaining to the external audit

The Audit Committee monitors the independence and performance of the independent statutory auditor on behalf of the Board of Directors and verifies the financial reporting of EMS. It held six meetings during the year under review. The independent statutory auditor was invited to attend one meeting. Senior Management is responsible for financial accounting and continuous financial reporting, including the internal control system. The independent statutory auditor, KPMG AG, is responsible for giving an opinion on whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Association. KPMG AG is responsible for providing an assessment of the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, changes in equity, statement of cash flows and notes), in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and with Swiss law. The Audit Committee is also responsible for monitoring the relevant activities of Senior Management and the independent statutory auditor.

9. Information policy

EMS publishes quarterly net sales figures, together with a commentary on the course of business and outlook for the future. The half-year and annual financial statements are prepared in accordance with IFRS. EMS also issues ad-hoc reports on important events as and when they occur.

Calendar of events of the EMS Group

July 13, 2012:

Half-year report 2012 (Media conference)

August 11, 2012:

Annual General Meeting 2012
of EMS-CHEMIE HOLDING AG

End of August 2012:

Definitive Half-year report 2012

October 2012:

Third-quarter report 2012

February 2013:

Annual results 2012 (Media conference)

April 2013:

First-quarter report 2013

Further details regarding dates can be found at www.ems-group.com/annualreport/2012/information.

Subscription to ad-hoc reports received by e-mail can be made at www.ems-group.com/annualreport/2012/contact.

Further information is available on the company website: www.ems-group.com.

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Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

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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 31.12.2008	234	22 595	1 023 556	(130 403)	37 986	35 539	(29 413)	960 094	15 208	975 302
Other comprehensive income, after taxes					(28 229)	(27 730)	(3 552)	(59 511)	(588)	(60 099)
Net income recognised in income statement			216 138					216 138	5 083	221 221
Total comprehensive income	0	0	216 138	0	(28 229)	(27 730)	(3 552)	156 627	4 495	161 122
Dividends paid			(111 870)					(111 870)	(2 830)	(114 700)
At 31.12.2009	234	22 595	1 127 824	(130 403)	9 757	7 809	(32 965)	1 004 851	16 873	1 021 724
Other comprehensive income, after taxes					(720)	(7 999)	(15 956)	(24 675)	429	(24 246)
Net income recognised in income statement			225 879					225 879	6 217	232 096
Total comprehensive income	0	0	225 879	0	(720)	(7 999)	(15 956)	201 204	6 646	207 850
Transactions with non-controlling interests (see note 17)			(4 776)				492	(4 284)	(6 525)	(10 809)
Transactions with treasury shares (see note 15)		(1 134)		130 047				128 913		128 913
Dividends paid			(233 850)					(233 850)	(3 464)	(237 314)
At 31.12.2010	234	21 461	1 115 077	(356)	9 037	(190)	(48 429)	1 096 834	13 530	1 110 364
Other comprehensive income, after taxes					(9 037)	15 622	(7 251)	(666)	767	101
Net income recognised in income statement			237 131					237 131	5 015	242 146
Total comprehensive income	0	0	237 131	0	(9 037)	15 622	(7 251)	236 465	5 782	242 247
Transactions with treasury shares (see note 15)		102		356				458		458
Dividends paid			(292 363)					(292 363)	(4 204)	(296 567)
At 31.12.2011	234	21 563	1 059 845	0	0	15 432	(55 680)	1 041 394	15 108	1 056 502
Balance sheet equity ratio									2011 64.6%	2010 66.5%

The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closes on April 30, 2012, was communicated on February 10, 2012.

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2010: KCHF 47) not eligible for distribution.

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

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

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

Consolidated Statement of Cash Flows

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated accounting principles

General information on the consolidated financial statements

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

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

Changes to the consolidated accounting principles

The IASB published a series of new and revised standards and interpretations, which took effect in financial year 2011 and were implemented by the EMS Group on January 1, 2011. This has no material effect on the consolidated financial statements of the EMS Group.

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

Consistency

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

Scope of consolidation

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

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

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

Method of consolidation

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

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). No fair value adjustments are recognised.

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

Standards that have been approved but not yet applied

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

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

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

** The main effects are expected to be additional disclosures or amendments in the presentation of the consolidated financial statements of the EMS Group.

*** The effects on the consolidated financial statements of the EMS Group cannot be sufficiently determined yet.

Balance sheet date

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

Valuation principles

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

Intangible assets (excluding goodwill)

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

Goodwill

This item consists of goodwill acquired in a business combination. Goodwill represents the excess of the sum of purchase price, the amount of non-controlling interests in the acquired company and the fair value of the previously held share of equity over the total fair value of the assets, liabilities and contingent liabilities. For the valuation of non-controlling interests, a choice exists per transaction. The non-controlling interest can either be measured at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is subject to an annual impairment test.

Property, plant and equipment

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

Repairs and maintenance are expensed as incurred. Investments in improvements or renewals of assets are capitalised if they increase economic benefit.

Depreciation periods are as follows:

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

Leases

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

lease" and having a rental character are expensed over the lease period.

Investments

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

Inventories

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

Receivables

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

Securities

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank account balances and short or medium-term deposits within an original maturity of less than three months. Cash and cash equivalents are valued at their nominal value.

This definition is also used for the cash flow statement.

Non-current bank loans

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

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

Liabilities and deferred income

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

Provisions

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

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

Employee benefits

All subsidiaries in Switzerland have their own, legally independent pension plans that are independently managed. They are financed through contributions from employers and employees. Present and former employees (or their surviving

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

Derivative financial instruments

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

Hedge accounting

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

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

Net sales revenue

Invoicing for goods and services is recognised as sales when the main risks and benefits incidental

to ownership are transferred. Net sales revenue is stated after deduction of value added taxes and any deduction of discounts and credits.

Research and development costs

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

Impairment

The carrying amounts of property, plant and equipment and of intangible assets are reviewed as of the balance sheet date. If there are any indications of permanent impairment, the recoverable amount is determined. The recoverable amount corresponds to the higher of the net selling price or the value in use. In cases where the carrying amount is higher than the recoverable amount, the difference is booked in the income statement.

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

Fair values

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

Foreign currencies

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

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

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

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

The most important exchange rates are:

	Unit	Average exchange rates		Year-end exchange rates		
		2011	2010	2011	2010	
Euro	EUR	1	1.234	1.382	1.218	1.250
US Dollar	USD	1	0.887	1.043	0.939	0.937
Japanese Yen	JPY	100	1.113	1.188	1.210	1.150
Chinese Renminbi	CNY	100	13.72	15.40	14.91	14.19
Taiwan Dollar	TWD	100	3.015	3.309	3.100	3.210

Income taxes

Current income taxes are calculated on the taxable profit.

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

Earnings per share

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

Segment reporting

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

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

Financial risk management

General

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

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

Credit risks

Credit risks arise from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations.

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

Liquidity risks

Liquidity risk is the risk that the EMS Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The cash flows and liquidity requirements of the EMS Group are supervised by central treasury. The goal is to have the liquidity required for day-to-day operations available at all times.

Market risks

Interest rate risks

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

This risk is not hedged.

Currency risks

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

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

Other price risks: securities risks

Among "other price risks" are securities risks. Available-for-sale securities can be influenced by changes in fair values.

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

Capital management

The capital managed by the EMS Group consists of the consolidated equity including non-controlling interests. The EMS Group has set the following goals for the management of its capital:

- maintaining a healthy and sound balance sheet structure based on continuing values;
- ensuring the necessary financial resources to be able to make investments and acquisitions;
- achieving a return for shareholders that is appropriate to the risk;
- distribution of financial resources not required for operational business to the shareholders.

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The EMS Group aims for a balance sheet equity ratio between 40% and 60%. The balance sheet equity ratio is 64.6% as at December 31, 2011 (December 31, 2010: 66.5%). The EMS Group has no external minimum capital requirements.

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

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

Significant estimates and assumptions made by management

Impairment of non-current assets

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

Provisions for litigation risks and other provisions

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

Securities

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

Employee benefits

The EMS Group operates various retirement plans on behalf of its employees. In the case of defined benefit plans, statistical assumptions are made in order to estimate future developments. When parameters alter due to changes in the economic situation or different market conditions, subsequent results may differ significantly from the actuarial opinions and calculations. The carrying amounts of reported employee retirement assets and liabilities are shown in notes 9 and 19.

Taxes

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

Segment information by business area

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

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

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

Segment information by geographical region

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

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

Most important customers

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

¹⁾ See note 8.

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

³⁾ Segmented liabilities: Liabilities without current and non-current bank loans.

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

Consolidated Income Statement

Notes	2011 (CHF '000)	2010 (CHF '000)
1 Capitalised costs and other operating income		
Capitalised costs	16 530	11 212
Other operating income	30 962	28 762
Income from sale of fully consolidated companies	0	1 598
Income from sale of property to related parties	12 567	0
Total capitalised costs and other operating income	60 059	41 572
Independent external expertise was used to determine the price of the property sold to related parties (pension fund).		
2 Personnel expenses		
Wages and salaries	154 713	165 143
Subcontractor salaries	9 950	6 081
Expenses for defined benefit plans	8 697	7 485
Legal/contractual social insurance	30 118	27 981
Total personnel expenses	203 478	206 690
Employee benefits		
The following figures give an overview of the Swiss pension plans:		
Present value of funded obligations	(364 030)	(363 506)
Fair value of plan assets	375 168	397 750
Surplus/(deficit) in defined benefit obligations	11 156	34 244
Liability for long-service leave	0	0
Cash-settled share-based payment liability	0	0
Total employee benefits	11 156	34 244
Unrecognisable amount	(13 023)	(13 971)
Actuarial (income)/losses, not accounted for	16 512	(5 736)
Total recognised net assets in the Group balance sheet for independent defined benefit plans	14 645	14 537
There are no unfunded obligations. The Group makes contributions to a contributory defined benefit plan that provides pensions for employees upon retirement, disability and death. The plan entitles a retired employee to receive an annual payment equal to 6.4% (2010: 6.4%) of the retirement assets. Disability and death pensions are defined as fixed ratios of the salary insured.		

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

Notes	2011 (CHF '000)	2010 (CHF '000)			
Change of recognised net assets					
At 1.1.	14 537	14 416			
ERIS (Expense Recognised in the Income Statement)	(8 697)	(7 485)			
Employer's contribution	8 805	7 606			
At 31.12.	14 645	14 537			
Actual return on plan assets	(15 435)	1 270			
Not recognised actuarial (gains)/losses					
Cumulative amount at 1.1.	(5 736)	(28 556)			
Actuarial (gains)/losses of the period	25 251	25 820			
Amortisation during the period	(3 003)	(3 000)			
Cumulative amount at 31.12.	16 512	(5 736)			
Actuarial assumptions					
Actuarial assumptions at the reporting date (expressed as weighted averages):					
Discount rate at 31.12.	2.4%	3.0%			
Expected return on plan assets at 1.1.	2.7%	3.3%			
Future salary increases	1.0%	0.8%			
Future pension increases	0.5%	0.5%			
The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments. In Switzerland health care costs are not paid to employees.					
Historical information	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	(364 030)	(363 506)	(338 517)	(404 442)	(453 718)
Fair value of plan assets	375 186	397 750	395 177	377 919	437 196
Surplus/(deficit) in defined benefit obligations	11 156	34 244	56 660	(26 523)	(16 522)
Experience gains/(losses) arising on plan liabilities	14 854	(195)	59 789	(16 177)	1 901
Experience gains/(losses) arising on plan assets	(24 553)	(11 754)	19 188	(65 988)	(1 138)
The Group expects to pay KCHF 7 725 (2011: KCHF 7 694) in contributions to defined benefit plans in 2012.					
3 Other operating expenses					
Rents			9 229	9 706	
Repairs and maintenance			25 360	27 481	
Insurance, duties, fees			6 724	7 878	
Energy			32 856	33 124	
Administration, promotion			24 912	26 596	
Losses on disposal of property, plant and equipment, net			643	336	
Other operating expenses			20 804	18 981	
Total other operating expenses			120 528	124 102	
4 Research and development					
Expenditures for research and development amount to			35 916	35 953	
In percent of net sales revenue			2.2%	2.3%	

Notes	2011 (CHF '000)	2010 (CHF '000)
5	Financial income	
	Other interest income	825
	Interest income on loans and receivables	26
	Total interest income	851
	Dividends on available-for-sale securities	3 934
	Income from sale of available-for-sale securities, net	0
	Income from sale of equity options, net	0
	Total financial income	4 785
6	Financial expenses	
	Other interest expenses	3 351
	Interest expenses on financial liabilities measured at amortised cost	0
	Total interest expenses	3 351
	Foreign exchange losses, net	1 273
	Expenses from sale of available-for-sale securities, net	1 927
	Impairment on available-for-sale securities	1 389
	Bank charges and commissions	1 475
	Total financial expenses	9 415
7	Income taxes	
	Current income taxes	46 448
	Deferred income taxes	6 291
	Total income taxes	52 739
	The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The expected income tax rate corresponds to the weighted average of the tax rates in the tax jurisdictions in which the EMS Group operates. Due to the mix of the EMS Group's taxable income and changes in some local tax rates, the expected income tax rate changes from year to year. The effective income tax expenses differed from the expected income tax expenses as follows:	
	Breakdown of the income tax expenses	
	Net income before income taxes	294 885
	Expected income tax rate	19.3%
	Expected income taxes	57 037
	Use of tax losses carried forward from previous years	(693)
	Change in deferred tax assets not having been set up	110
	Tax exemption/Expenses not being deductible for tax purposes	(2 941)
	Taxes from previous years	(244)
	Impact of changed deferred income tax rates	(202)
	Other	(328)
	Effective income taxes	52 739
	Effective income tax rate	17.9%

Notes	2011 (CHF '000)		2010 (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.	6 765	81 693	6 869	80 875
Change in scope of consolidation	0	0	0	(123)
Increase via income statement	1 550	8 723	979	3 930
Decrease via income statement	(344)	(1 226)	(974)	(1 793)
Income taxes recognised directly in other comprehensive income	0	(433)	0	(161)
Translation differences	42	(75)	(109)	(1 035)
At 31. 12.	8 013	88 682	6 765	81 693
Note to the deferred income tax liabilities				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	71 762		66 913	
Deferred income taxes on current assets	15 191		13 195	
Deferred income taxes on liabilities	1 729		1 585	
Total deferred income tax liabilities	88 682		81 693	
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	39 991	13 014	49 604	17 334
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	2 552	638	2 813	703
5 years	805	201	787	197
More than 5 years	36 634	12 175	46 004	16 434

Consolidated Balance Sheet as at December 31

Notes

8 Intangible assets, property, plant and equipment, investments

I. Intangible assets

	Goodwill	Patents, trade- marks	Others	Total
(CHF '000)				
At 1. 1. 2010				
Cost	20 525	253	24 559	45 337
Accumulated amortisation and impairment	0	(120)	(19 103)	(19 223)
Net book value	20 525	133	5 456	26 114
2010				
At 1. 1.	20 525	133	5 456	26 114
Change in scope of consolidation	0	(87)	(18)	(105)
Additions	0	0	405	405
Disposals	0	0	(33)	(33)
Amortisation	0	(24)	(4 277)	(4 301)
Impairment	0	0	(2)	(2)
Reclassifications	0	0	1 849	1 849
Translation differences	(730)	(9)	(127)	(866)
At 31. 12.	19 795	13	3 253	23 061
Cost	19 795	738	23 027	43 560
Accumulated amortisation and impairment	0	(725)	(19 774)	(20 499)
Net book value	19 795	13	3 253	23 061
2011				
At 1. 1.	19 795	13	3 253	23 061
Additions	816	0	203	1 019
Disposals	0	0	(19)	(19)
Amortisation	0	(11)	(1 082)	(1 093)
Reclassifications	0	0	363	363
Translation differences	67	0	(23)	44
At 31. 12.	20 678	2	2 695	23 375
Cost	20 678	1 268	23 432	45 378
Accumulated amortisation and impairment	0	(1 266)	(20 737)	(22 003)
Net book value	20 678	2	2 695	23 375

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

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 20 678 (2010: KCHF 19 795) is the Business Unit EMS-EFTEC (business area "High Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:

- The cash flows for the first three years were determined on the basis of medium-term plans.
- The cash flows of the following years were calculated with an annual growth rate of 1 % (2010: 1 %).
- The discount rate before taxes is 10 % (2010: 11 %).

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

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

Notes

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture EDP equipment, vehicles	Plant under construction	Total
2010						
At 1. 1. 2010						
Cost	21 390	306 998	814 023	55 903	42 921	1 241 235
Accumulated depreciation and impairment	(1 483)	(171 934)	(529 861)	(38 920)	0	(742 198)
Net book value	19 907	135 064	284 162	16 983	42 921	499 037
2010						
At 1. 1.	19 907	135 064	284 162	16 983	42 921	499 037
Change in scope of consolidation	0	6 541	287	(1 355)	0	5 473
Additions	7	2 189	2 585	1 875	41 971	48 627
Disposals	(23)	(292)	(667)	(427)	(113)	(1 522)
Depreciation	(65)	(6 877)	(35 305)	(3 733)	0	(45 980)
Impairment	0	(2 918)	(43)	(10)	(209)	(3 180)
Reclassifications	329	3 424	40 282	2 633	(48 517)	(1 849)
Translation differences	(1 054)	(4 895)	(5 192)	(1 172)	(165)	(12 478)
At 31. 12.	19 101	132 236	286 109	14 794	35 888	488 128
Cost	20 595	291 057	849 742	49 630	36 450	1 247 474
Accumulated depreciation and impairment	(1 494)	(158 821)	(563 633)	(34 836)	(562)	(759 346)
Net book value	19 101	132 236	286 109	14 794	35 888	488 128
2011						
At 1. 1.	19 101	132 236	286 109	14 794	35 888	488 128
Additions	135	326	4 260	2 403	68 531	75 655
Disposals	(95)	(3 602)	(545)	(119)	(165)	(4 526)
Depreciation	(57)	(6 273)	(33 976)	(3 748)	0	(44 054)
Impairment	0	(2 800)	(3 880)	0	(177)	(6 857)
Reclassifications	0	7 214	74 066	2 069	(83 712)	(363)
Translation differences	(268)	(605)	3	(133)	9	(994)
At 31. 12.	18 816	126 496	326 037	15 266	20 374	506 989
Cost	20 395	291 334	925 038	50 724	21 125	1 308 616
Accumulated depreciation and impairment	(1 579)	(164 838)	(599 001)	(35 458)	(751)	(801 627)
Net book value	18 816	126 496	326 037	15 266	20 374	506 989

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

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

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

Notes

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
2010			
At 1. 1. 2010			
Cost/Fair value	16 600	183	16 783
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	16 600	183	16 783
2010			
At 1. 1.	16 600	183	16 783
Additions/Increase	3 249	0	3 249
Disposals/Decrease	(54)	0	(54)
Reclassifications	(500)	0	(500)
Translation differences	(493)	0	(493)
At 31. 12.	18 802	183	18 985
Cost/Fair value	18 802	183	18 985
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	18 802	183	18 985
2011			
At 1. 1.	18 802	183	18 985
Additions/Increase	3 366	0	3 366
Disposals/Decrease	(106)	0	(106)
Translation differences	41	0	41
At 31. 12.	22 103	183	22 286
Cost/Fair value	22 103	183	22 286
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 103	183	22 286

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

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

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

Notes		2011 (CHF '000)	2010 (CHF '000)
12	Other receivables		
	Receivables from associated companies	74	76
	Other receivables	38 855	33 132
	Prepayments and accrued income	23 269	23 246
	Total other receivables	62 198	56 454
13	Derivative financial instruments		
	The following summary shows the most important derivative financial instruments:		
	Financial instruments at fair value classified through profit or loss		
	Currency SWAPS and forward rate agreements		
	EUR/CHF		
	Notional amount CHF	374 700	18 756
	Positive replacement value CHF	7 499	0
	Negative replacement value CHF	7 149	2 035
	USD/CHF		
	Notional amount CHF	211 376	0
	Positive replacement value CHF	4 054	0
	Negative replacement value CHF	12 993	0
	JPY/CHF		
	Notional amount CHF	0	42 729
	Positive replacement value CHF	0	3 050
	Negative replacement value CHF	0	0
	GBP/CHF		
	Notional amount CHF	440	0
	Positive replacement value CHF	0	0
	Negative replacement value CHF	5	0
	CZK/CHF		
	Notional amount CHF	0	5 615
	Positive replacement value CHF	0	0
	Negative replacement value CHF	0	655
	Currency options		
	JPY/CHF		
	Notional amount CHF	5 640	0
	Positive replacement value CHF	0	0
	Negative replacement value CHF	16	0
	Total		
	Notional amount CHF	592 156	67 100
	Positive replacement value CHF	11 553	3 050
	Negative replacement value CHF	20 163	2 690
	Thereof: Current portion		
	Notional amount CHF (<12 months)	542 416	46 996
	Positive replacement value CHF (<12 months)	11 316	1 409
	Negative replacement value CHF (<12 months)	19 661	2 690
	Non-current portion		
	Notional amount CHF (1–5 years)	49 740	20 104
	Positive replacement value CHF (1–5 years)	237	1 641
	Negative replacement value CHF (1–5 years)	502	0

Notes		2011 (CHF '000)	2010 (CHF '000)	
Financial instruments effective for hedge accounting purposes				
Currency	JPY/CHF	Notional amount CHF	129 905	79 722
SWAPS and		Positive replacement value CHF	16 743	795
forward rate		Negative replacement value CHF	0	1 001
agreements				
Total		Notional amount CHF	129 905	79 722
		Positive replacement value CHF	16 743	795
		Negative replacement value CHF	0	1 001
Thereof: Current portion		Notional amount CHF (<12 months)	69 274	57 693
		Positive replacement value CHF (<12 months)	4 870	451
		Negative replacement value CHF (<12 months)	0	969
Non-current portion		Notional amount CHF (1–5 years)	60 631	22 029
		Positive replacement value CHF (1–5 years)	11 873	344
		Negative replacement value CHF (1–5 years)	0	32
<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.			(190)	7 809
Transfer to consolidated income statement			518	(7 829)
Fair value adjustments			16 431	(850)
Income taxes recognised directly in equity			(1 327)	680
Total net changes from cash flow hedges in equity, after taxes			15 622	(7 999)
At 31.12.			15 432	(190)
14	Cash and cash equivalents			
	Deposits		417 742	436 001
	Cash and cash equivalents		253	247
	Total cash and cash equivalents		417 995	436 248

Notes		2011 (CHF '000)	2010 (CHF '000)	
15	Share capital			
		Number of issued registered shares	Number of treasury shares	
	Par value		Number of shares entitled to dividend	
			Share capital (CHF '000)	
	At 31.12. 2009	CHF 0.01 23 389 028	1 015 117 22 373 911	234
	Purchase of treasury shares	–	10 776	(10 776)
	Sale of treasury shares	–	(1 023 393)	1 023 393
	At 31.12. 2010	CHF 0.01 23 389 028	2 500	23 386 528
	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
16	Net changes in fair value in equity, after taxes: available-for-sale securities			
	At 1.1.		9 037	9 757
	Transfer into consolidated income statement		(6 691)	(5 263)
	Fair value adjustments		(2 778)	4 382
	Income taxes recognised directly in equity due to fair value adjustments		432	161
	Total net changes in fair value, after taxes: available-for-sale securities		(9 037)	(720)
	At 31.12.		0	9 037
17	Non-controlling interests			
	This item reflects the non-controlling interests in capital and profit/loss for the year. Minorities own significant shares in EMS-UBE Ltd., EFTEC Asia Pte. Ltd. (until June 17, 2010), Shanghai EFTEC Chemical Products Ltd. and Wuhu EFTEC Chemical Products Ltd.			
	The change in non-controlling interests is as follows:			
	At 1.1.		13 530	16 873
	Buyout of non-controlling interests (see note 24)		0	(6 525)
	Dividends paid		(4 204)	(3 464)
	Net income		5 015	6 217
	Translation differences		767	429
	At 31.12.		15 108	13 530

Notes	2011 (CHF '000)	2010 (CHF '000)			
18 Bank loans					
The non-current bank loans are composed as follows:					
CHF: Average interest rate: 1.35% (2010: 2.10%)	100 000	50 000			
JPY: Average interest rate: 1.48% (2010: 1.48%)	61	58			
Total non-current bank loans	100 061	50 058			
The non-current bank loans in CHF have a fixed interest rate. The fair value amounts to KCHF 100 102 (2010: KCHF 50 634). The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.					
The current bank loans are composed as follows:					
CHF: Average interest rate: 2.10% (2010: 1.84%)	50 000	104 363			
JPY: Average interest rate: 0.48% (2010: 0.49%)	12 705	6 900			
CNY: Average interest rate: – (2010: 6.67%)	–	695			
GBP: Average interest rate: – (2010: 14.90%)	–	3			
Total current bank loans	62 705	111 961			
The carrying amounts of current bank loans in JPY, CNY and GBP correspond to their fair values, as the interest rates are variable. CHF 50 million of the current bank loans in CHF are repaid in January 2012 (CHF 100 million were repaid in January 2011). Therefore the carrying amount corresponds to the fair value. The carrying amounts of the remaining current bank loans in CHF correspond to their fair values in 2010, as the interest rates are variable.					
19 Other non-current liabilities					
Other non-current liabilities	363	2 994			
Liabilities from employee benefits	19 272	16 484			
Total other non-current liabilities	19 635	19 478			
Liabilities from employee benefits include KCHF 3 466 (2010: TCHF 3 796) liabilities from Swiss pension plans (see note 2).					
20 Provisions					
	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
(CHF '000)					
At 31.12.2010	1 299	628	11 624	3 516	17 067
Increase via income statement	58	480	144	365	1 047
Decrease via income statement	(1)	0	(10 579)	(87)	(10 667)
Amounts used	(91)	(485)	0	(148)	(724)
Translation differences	(17)	(2)	(4)	(51)	(74)
At 31.12.2011	1 248	621	1 185	3 595	6 649
Of which: Current portion of provisions	19	621	0	119	759
Non-current portion of provisions	1 229	0	1 185	3 476	5 890

Notes	2011 (CHF '000)	2010 (CHF '000)
<p><u>Pension liabilities</u> 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.</p> <p>The <u>provisions for restructuring costs</u> concern the merger of sites in the USA ("High Performance Polymers" business area).</p> <p>Within the <u>provisions for litigation risks</u>, the risk arising from litigation processes is adequately covered as at the time of preparation of the financial statements.</p> <p>Warranty provisions are mainly included within <u>other provisions</u>.</p> <p>The non-current provisions for litigation risks and the non-current other provisions are expected with an average maturity of 2.5 years. The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be <3% as per December 31, 2011.</p>		
21	Other current liabilities	
	3 256	2 782
	68 347	75 970
	5 700	5 700
	9	5
	1 660	821
	42 505	37 593
	121 477	122 871
22	Liabilities, net/(net cash position)	
	1 248	1 299
	162 766	162 019
	5 700	5 700
	169 714	169 018
	less	
	74	76
	15 117	146 941
	417 742	436 001
	(263 219)	(414 000)
	less	
	253	247
	(263 472)	(414 247)

Consolidated Statement of Cash Flows

Notes	2011 (CHF '000)	2010 (CHF '000)
23 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation intangible assets	1 093	4 301
Depreciation property, plant and equipment	44 054	45 980
Impairment property, plant and equipment	6 857	3 182
Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	52 004	53 463
For the breakdown of the depreciation, amortisation and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		
24 Purchase/disposal of fully consolidated companies and non-controlling interests		
Cash outflow from purchase of non-controlling interests		
Buyout of non-controlling interests at EFTEC Asia Pte. Ltd.		
On June 17, 2010, the participation of 80% was increased to 100%. The difference between the purchase price of KCHF 10 809 and the carrying amount of the non-controlling interests of KCHF 6 525 was accounted for as equity transaction.		
Cash inflow from sale of fully consolidated companies		
On January 20, 2010, EFTEC Aftermarket GmbH was sold.		

Notes	2011 (CHF '000)	2010 (CHF '000)
25		
Contingent liabilities		
Contingent liabilities at the end of the year amount to	21 092	17 006
This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).		
26		
Earnings per share – EPS		
Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
Details of earnings per share:		
Basic earnings per share		
Weighted average of registered shares outstanding	23 388 212	23 257 508
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	237 131	225 879
Basic earnings per share (CHF)	10.14	9.71
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
27		
Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2010: 13 106 408 registered shares)		
Amount of holding	60.82%	56.04%
Miriam Blocher, 2 079 000 registered shares (2010: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%
In 2011, M. Martullo, Vice-Chairman and CEO, sold her shares in EMS-CHEMIE HOLDING AG to EMESTA HOLDING AG at market price (see note 28).		

Notes	2011 (CHF '000)	2010 (CHF '000)
28 Transactions with related parties		
<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 32. In 2011, there was a transaction with related parties (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 2011/2012 in the financial statements of EMS-CHEMIE HOLDING AG.</p> <p>Breakdown of the total compensation</p>		
Short-term employee benefits to the members of the Board of Directors and Senior Management	2 966	3 365
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	2 966	3 365
<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	558 805
Dr H. J. Frei, Member	2 330	2 330
Dr W. Prätorius, Member	1 000	1 000
Total Board of Directors	5 680	564 485
*Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 27).		

Notes	2011	2010
Senior Management	Number of shares	
M. Martullo, Vice-Chairman and CEO*	shown under «Board of Directors»	
P. Germann, CFO	0	0
Dr R. Holderegger, Member	0	0
Total Senior Management	0	0
<p>* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 27).</p> <p>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.</p>		
29 Subsequent events		
<p>On February 10, 2012, the acquisition of the 51% shareholding of Indian partner Shroff in the EFTEC Shroff (India) Ltd. joint venture was announced. The transaction will be concluded in April 2012.</p> <p>The consolidated financial statements were approved by the Board of Directors on March 29, 2012, and need to be approved by the Annual General Meeting on August 11, 2012.</p> <p>Between December 31, 2011, and March 29, 2012, there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.</p>		

Notes

30 List of subsidiaries and non-controlling interests (at 31.12.2011)

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

Category: P=Production V=Trade, sale D=Financing, various Consolidation: K=Fully consolidated E=Equity valuation

Currency	Share capital (in '000)	Amount of holding	Category	Consolidation
CHF	234		D	K
CHF	60	100.00%	D	K
CHF	100	100.00%	D	K
CHF	100	100.00%	P, V	K
EUR	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.67%	P, V	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
EUR	2556	100.00%	P, V	K
TWD	281000	100.00%	P, V	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P	K
USD	2420	100.00%	D	K
USD	11285	100.00%	P, V	K
CHF	8000	100.00%	D	K
CHF	2500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
EUR	25	100.00%	P, V	K
GBP	352	100.00%	P, V	K
EUR	1240	100.00%	P, V	K
EUR	944	100.00%	P, V	K
USD	3518	100.00%	D, V	K
THB	49500	100.00%	P, V	K
INR	15000	49.00%	P, V	E
USD	3700	100.00%	D	K
CNY	20750	60.00%	P, V	K
CNY	27500	100.00%	P, V	K
CNY	6650	60.00%	P, V	K
CNY	1000	100.00%	V	K
CZK	47569	50.00%	P, V	E
USD	750	100.00%	D	K
USD	38222	100.00%	P, V	K
USD	0	100.00%	D	K
CZK	30000	100.00%	P, V	K
CHF	100	100.00%	D	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	P, V	K
EUR	25	100.00%	D	K

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

Notes	2011 (CHF '000)	2010 (CHF '000)
31 Change in scope of consolidation		
Fully consolidated:		
Disposal:		
EMS-PATVAG AG in liquidation: This company was deleted from the Commercial Register on January 25, 2011.		
EMS-FINANCE (Guernsey) Ltd.: This company was liquidated on November 16, 2011.		
32 Significant associated company		
D PLAST – EFTEC a.s.		
Domicile	Zlín, Czech Republic	
Percentage held	50.00%	
Financial year	January 1–December 31	
Category	Production, Sale	
Currency	CZK	
Net sales revenue	53 157	44 322
Net income	13 651	7 599
Assets	43 388	39 846
Equity	35 825	30 259
Liabilities	7 563	9 587
33 Risk management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 9)	1 138	1 326
Trade receivables (see note 11)	231 649	211 657
Receivables from associated companies (see note 12)	74	76
Derivative financial instruments (see note 13)	28 296	3 845
Cash and cash equivalents (see note 14)	417 995	436 248
Total financial assets	679 152	653 152
The maximum credit risk is equal to the carrying amount of the respective assets.		
There are no collateralised financial assets. For the analysis of due dates and allowances for doubtful trade receivables, see note 11.		

Notes

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12. 2011 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 18)	62 705	63 755	63 755	0	0
Non-current bank loans (see note 18)	100 061	104 111	1 411	102 700	0
Trade payables	112 458	112 458	112 458	0	0
Other current liabilities to related parties (see note 21)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 21)	9	9	9	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 13)	20 163	586 076	536 336	49 740	0
Total financial liabilities	301 096	872 109	719 669	152 440	0

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

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

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

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

Notes

Currency risks

Overview currency exposure, net

At 31.12. 2011 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 11)	15 053	125 135	46 626	23 074	1 772	19 989
Loans to group companies	63 946	169 050	81 929	3 025	0	3 911
Derivative financial instruments (see note 13)	0	0	0	135 545	0	440
Trade payables	(12 629)	(54 137)	(21 476)	(17 502)	(810)	(5 904)
Loans from group companies	(20 703)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(12 705)	0	0
Non-current bank loans (see note 18)	0	0	0	(61)	0	0
Derivative financial instruments (see note 13)	0	(374 700)	(211 376)	0	0	0
Currency exposure, net	45 667	(134 652)	(104 297)	131 376	962	18 436

At 31.12. 2010 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 11)	13 093	121 629	35 848	18 058	3 026	20 003
Loans to group companies	56 697	34 000	82 313	4 025	0	3 908
Derivative financial instruments (see note 13)	0	0	0	122 451	0	5 615
Trade payables	(15 600)	(61 488)	(13 108)	(14 870)	(1 283)	(8 232)
Loans from group companies	(17 160)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(6 900)	0	(698)
Non-current bank loans (see note 18)	0	0	0	(58)	0	0
Derivative financial instruments (see note 13)	0	(18 756)	0	0	0	0
Currency exposure, net	37 030	75 385	105 053	122 706	1 743	20 596

Notes	2011	2010
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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 6.3 million (2010: CHF 9.8 million decrease/(increase)). Per currency: EUR: CHF +1.7 million (2010: CHF -4.1 million), USD: CHF +11.8 million (2010: CHF -1.9 million), JPY: CHF -0.0 million (2010: CHF +2.9 million), other currencies: CHF -7.2 million (2010: CHF -6.7 million).

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

This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

Other price risks: Securities risks

The "securities" item in the balance sheet comprises the following countries:

Switzerland	100%	91%
Euroland	0%	9%
Total	100%	100%

There is no significant correlation to a share index.

Sensitivity analysis of securities risks

A 10% increase in the fair value of available-for-sale securities would increase equity after taxes by CHF 1.4 million (2010: CHF 14.1 million), while the net income after taxes would be CHF 0.0 million (2010: CHF 0.0 million) higher.

A 10% decrease in the fair value of available-for-sale securities would decrease equity after taxes by CHF 1.4 million (2010: CHF 14.1 million), while net income after taxes would be CHF 1.4 million (2010: CHF 5.9 million) lower.

The sensitivity analysis was performed on the same basis as for the previous year.

Notes

Financial assets/liabilities: fair value hierarchy

At 31.12. 2011 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	15 117			15 117
Derivative financial instruments (see note 13)		28 296		28 296
Financial liabilities:				
Derivative financial instruments (see note 13)		(20 163)		(20 163)

At 31.12. 2010 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	146 941			146 941
Derivative financial instruments (see note 13)		3 845		3 845
Financial liabilities:				
Derivative financial instruments (see note 13)		(3 691)		(3 691)

There were no transfers between the levels of the fair value hierarchy.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

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

34 Information about the risk assessment process

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

Report of the Statutory Auditor on the Consolidated Financial Statements



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

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 19 to 57) for the year ended December 31, 2011.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Zurich, March 29, 2012

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Kurt Stocker
Licensed Audit Expert

Financial Statements **EMS-CHEMIE HOLDING AG**

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



Income Statement May 1, 2011 to April 30, 2012

	Notes	2011/2012 (CHF '000)	2010/2011 (CHF '000)
INCOME			
License fees from group companies		46 603	43 920
Financial income			
Interest income		3 728	3 797
Income from sale of group companies	2	147 564	0
Dividends from group companies		186 732	150 898
Income from financial assets		7 419	17 083
Total income		392 046	215 698
EXPENSES			
Operating expenses to group companies		17 428	12 101
Financial expenses			
Expenses from financial assets		2 825	9 050
Interest expenses		2 507	5 514
Foreign exchange differences, net	1	5 570	5 772
Bank charges, duties, fees		122	347
Administration expenses		1 193	933
Total expenses		29 645	33 717
Net income before taxes		362 401	181 981
Taxes		3 642	306
Net income		358 759	181 675

Balance Sheet as at April 30, 2012

EMS-CHEMIE HOLDING AG
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	Notes	30.4.2012 (CHF '000)	30.4.2011 (CHF '000)
Non-current assets		362 514	339 509
Investments in group companies	2	280 352	284 852
Loans to group companies		82 162	54 657
Current assets		275 315	265 508
Prepayments and accrued income		15 479	14 246
Receivables from third parties		629	767
Receivables from group companies		15 959	28 153
Loans to group companies		6 734	3 586
Securities		42 950	30 697
Cash and cash equivalents		193 564	188 059
TOTAL ASSETS		637 829	605 017
Shareholders' equity	3	481 188	414 792
Share capital	4/5	234	234
Legal reserves		47	47
Other reserves		10 000	10 000
Available earnings		470 907	404 511
Liabilities		156 641	190 225
Non-current liabilities		114 169	114 169
Bank loans		100 000	100 000
Provisions		14 169	14 169
Current liabilities		42 472	76 056
Bank loans		0	50 000
Accruals and deferred income		8 217	5 406
Payables to third parties		3 815	5 151
Payables to group companies		30 440	15 499
TOTAL EQUITY AND LIABILITIES		637 829	605 017
Balance sheet equity ratio		75.4 %	68.6 %

Notes to the Financial Statements 2011/2012

Income Statement 2011/2012

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

Balance Sheet as at April 30, 2012

2 Investments in group companies		
Details of the investments as at 31.12. 2011 can be seen in note 30, «List of subsidiaries and non-controlling interests», in the consolidated financial statements of the EMS Group.		
In the period to 30.4. 2012, investments changed as follows:		
EMS-GRILON HOLDING Inc. was sold to EMS-TOGO Corp. and EMS-CHEMIE AG as of January 1, 2012.		
90% of EMS-CHEMIE (Deutschland) GmbH was sold to EFTEC Engineering GmbH as of August 29, 2011.		
3 Shareholders' equity		
At 1.5.	414 792	466 967
Dividends paid	(292 363)	(233 850)
Net income	358 759	181 675
At 30.4.	481 188	414 792

Notes		2011/2012 (CHF '000)	2010/2011 (CHF '000)
4	Share capital		
		Number of issued registered shares	Number of treasury shares
	Par value		Number of shares entitled to dividend
			Share capital (CHF '000)
	At 30.4.2010	CHF 0.01 23 389 028	0 23 389 028
	Change in treasury shares	–	0 0
	At 30.4.2011	CHF 0.01 23 389 028	0 23 389 028
	Change in treasury shares	–	0 0
	At 30.4.2012	CHF 0.01 23 389 028	0 23 389 028
	Details to treasury shares:		Number of registered shares
	At 1.5.		0 0
	Purchases		0 23 145
	Disposals		0 (23 145)
	At 30.4.		0 0
	Previous year: Purchase of 23 145 treasury shares at an average market price of CHF 150.63, sale of 23 145 treasury shares at an average market price of CHF 161.99.		
5	Significant shareholders		
	EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2010/2011: 14 224 018 registered shares)		
	Amount of holding		60.82% 60.81%
	Miriam Blocher, 2 079 000 registered shares (2010/2011: 2 079 000 registered shares)		
	Amount of holding		8.89% 8.89%
	No other representation of significant shareholders is known to the Board of Directors.		

Further Details

Notes	2011/2012 (CHF '000)	2010/2011 (CHF '000)
6		
Contingent liabilities Guarantees (maximum liability)	141 226	156 461
7		
Compensation and shareholdings The following compensation was paid in the reporting year:		
Board of Directors	Function	Compensation
Dr U. Berg	Chairman	244
M. Martullo	Vice-Chairman and CEO	1 093
Dr H. J. Frei	Member*	314
Dr W. Prätorius	Member	136
Total Board of Directors		1 787
*Double function as Member of the Board of Directors and Chairman of the Foundation Board of the Pension Fund for the EMS Group. Compensation as Member of the Board of Directors: KCHF 136 (2010/2011: KCHF 136).		
Senior Management		
Total compensation paid to the Senior Management was	2 487	2 593
The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 093 (2010/2011: KCHF 1 230) and was paid to M. Martullo, Vice-Chairman of the Board of Directors and CEO.		
Total compensation paid to the Board of Directors and Senior Management was	3 181	3 329
The compensation is paid exclusively in cash. EMS has no stock option program.		
Advisory board		
There is no advisory board.		
No compensation was paid to former members of the Board of Directors or Senior Management. Furthermore, all compensation for current or former members of the Board of Directors, Senior Management and related parties was paid on an arm's length basis. The current as well as former members of the Board of Directors, Senior Management and related parties did not receive any loans or credits.		

Notes	2011/2012	2010/2011
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by members of the Board of Directors, members of the Senior Management and related parties were as follows:		
Board of Directors	Function	Number of registered shares
Dr U. Berg	Chairman	2 350
M. Martullo	Vice-Chairman and CEO*	0
Dr H.J. Frei	Member	2 330
Dr W. Prätorius	Member	1 000
Total Board of Directors		5 680
Senior Management	Function	
M. Martullo	CEO*	shown under «Board of Directors»
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.		

Notes	2011/2012	2010/2011
<p>8 Information about the risk assessment process Risk management constitutes an integral component of planning and reporting activities at EMS. At Senior Management and Business Unit level, risks are identified annually as part of the medium-term planning procedure and preparation of the budget for the following year. They are then weighted according to the gravity of the risk and probability of its occurrence. The identification and assessment of changes in risk play an important part in this process. Measures are defined to reduce significant risks. In the course of planning discussions, the CEO and CFO report to to the Board of Directors on the magnitude of these risks and the implementation status of the measures taken to counter them.</p>		

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

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

Report of the Statutory Auditor on the Financial Statements



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

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet and notes (pages 60 to 67) for the year ended April 30, 2012.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended April 30, 2012 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Zurich, May 24, 2012

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Kurt Stocker
Licensed Audit Expert

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HIGH PERFORMANCE POLYMERS
SPECIALTY CHEMICALS