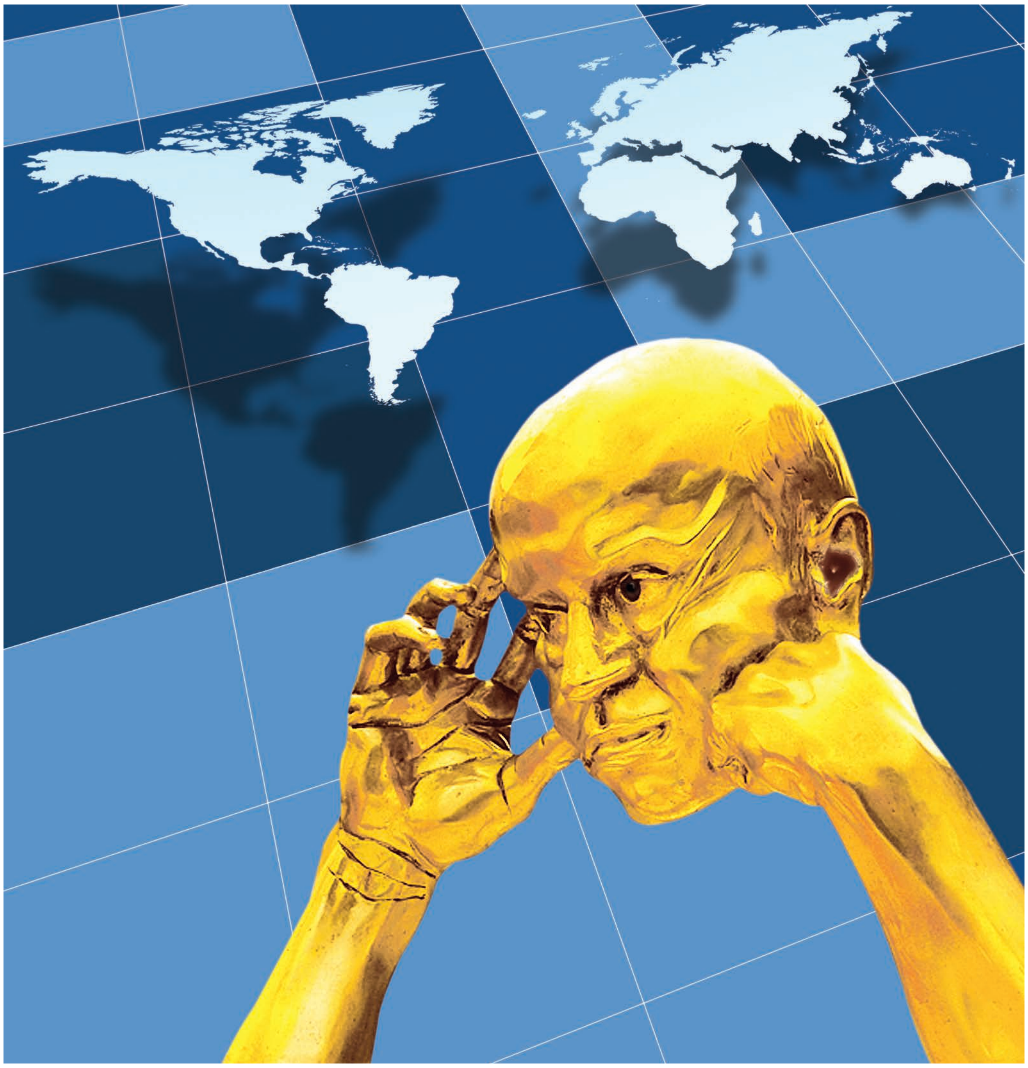


50th ANNUAL REPORT 2012/2013

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

Contents

Annual review

Dear Shareholders.

As expected, last year turned out to be very changeable. Political intervention dominated the markets causing imbalance and instability in many ways. Consumer and business confidence was shaken.

Whereas the Asian markets and NAFTA developed in a rather positive way, Western Europe entered into a recession in 2012. Even massive monetary expansion by central banks did not succeed in stabilizing the markets. "Fiscal cliff" debates in the USA combined with lower consumer spending in China slowed global economic growth towards the end of the year.

EMS faced many challenges but also gained many opportunities. These were taken up by our workforce and the management who successfully turned them into pleasing results.

As a consequence, the market-related sales decline in Europe was more than compensated by new business in Asia and America. A large number of new technical customer projects were successfully realised. With more than 40 sales companies and production sites in over 20 countries, EMS is well positioned to quickly and professionally realise development work with customers around the globe.

Extraordinary project success with high-performance polymers was achieved in new applications for the optics industry, the smartphone market and the automotive sector. Market positions were further strengthened in all segments, especially in Asia and North America where double-digit growth rates were achieved.

Net sales of CHF 1 755 million and an operating result (EBIT) of CHF 319 million in 2012 closed well above the previous year's figures and reached new record levels.

For 2013 we expect the different economic development of the geographical sub-markets to continue. In Western Europe we see no sustainable positive economic impulses. Here, structural problems of competitiveness with high labour market regulation and rising charges are keeping unemployment figures high and are further depressing consumer behaviour and the investment mood. In contrast, the positive basic economic spirit in Asia and North America may remain.

EMS will continue its successful strategy of growth with speciality products in the area of High Performance Polymers. With capacity increases in China and the complete takeover of joint ventures in Central and Eastern Europe as well as India, EMS is well capable of serving the new growth markets.

In order to push global business growth at an even more accelerated pace and to counter the negative trend in the European markets, EMS launched a worldwide sales and development offensive. Human resources in sales and application development will be significantly expanded in order to strengthen medium-term growth. Investments in further capacity increases and additional sites in Asia are also planned.

Consumer recognition of our innovative products, our rapid reaction capacity and the quick and successful development support is expressed by the many customer awards which EMS received again last year. We are particularly proud that General Motors, one of the largest automotive manufacturers in the world, has recently awarded EMS the title of "Supplier of the Year" for the third time in succession.

As you can see, EMS is operating in an exciting environment. We are convinced that with our innovative strength and proven capability of adapting rapidly to changing situations, EMS will also succeed in mastering future challenges. This is achieved primarily by our competent managers and our dedicated work force, who daily demon-

strate considerable flexibility and a high level of commitment – for the benefit of our customers and shareholders. For this, they deserve our special thanks.

We would also like to thank you, our shareholders, for your trust in our company. We greatly appreciate your loyalty and look forward to advancing into the future together.

Dr Ulf Berg Chairman of the Board of Directors	Magdalena Martullo-Blocher CEO and Vice-Chairman of the Board of Directors

Share Performance

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

Registered shares are listed on the SIX Swiss Exchange.

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

1) Proposal of the Board of Directors.
2) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
3) Excluding non-controlling interests.
4) Source: Bloomberg.

General Information on the Financial Year 2012

Business development

As expected, the various geographical regions showed a very mixed sales perfomance in 2012. Asia and North America continued to show growth, while Western Europe's economy slid into a downturn. Global economic activity slowed in the fourth quarter due to the negative trend in Western Europe as well as the "fiscal cliff" debate in the US.

EMS was successful in raising net sales and net operating income to new record levels despite the more difficult conditions in Europe. Successfully realised new business and a strong increase in sales outside Europe led to this pleasing worldwide sales performance. Positions in all geographical markets were further strengthened.

Consolidated net sales in Swiss francs increased by 5.9% compared to the previous year to CHF 1 755 million (1 658), while the increase in local currencies was 4.9%. Net operating income (EBIT) closed at CHF 319 million (294), 8.4% above the previous year. Operational cash flow (EBITDA) rose to CHF 373 million (346). The EBIT margin increased to 18.2% (17.7%), the EBITDA margin to 21.2% (20.9%).

For the business year 2013, EMS is expecting differing economic developments in the various geographical sub-markets. While the markets in Asia and North America are likely to continue to show positive development, increasing unemployment and structural problems of competitiveness in Western Europe will have a persistently negative effect on consumer behaviour and the investment mood.

EMS operates an innovative, high-margin specialty business. It will continue its successful strategy of growth with speciality products in the core business area of High Performance Polymers. In order to push medium-term growth even more consistently, EMS has launched a sales and development offensive throughout the world and will significantly expand corresponding human resources with the aim of more rapidly and systematically exploiting existing growth potential.

EMS will be investing in capacity increases at additional sites in Asia and Eastern Europe in 2013 in order to address particularly fast-growing demand from developing countries. For 2013, EMS expects net sales and net operating income (EBIT) slightly above those of the previous year.

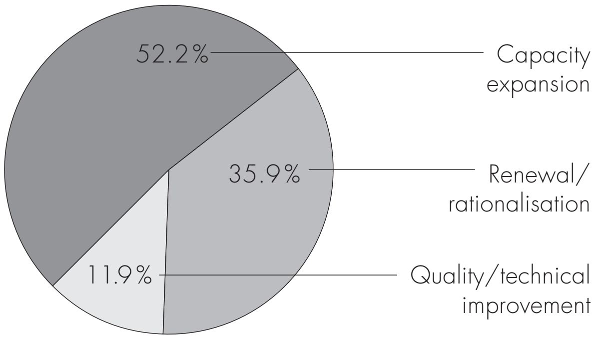
Investments

Overall investments in 2012 came to CHF 44 million (76). The majority of this sum was invested in expanding production capacity.

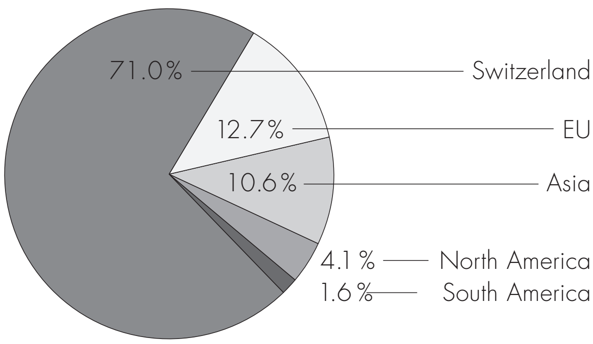
EMS Group net sales by country

Germany	24.9%
China	11.8%
USA	10.7%
Japan	9.2%
France	6.4%
Switzerland	4.5%
Italy	3.7%
South Korea	2.3%
Great Britain	2.1%
Spain	2.1%
Taiwan	2.0%
Brazil	1.7%
Belgium	1.7%
Austria	1.5%
Czech Republic	1.4%
Mexico	1.4%
Poland	1.3%
Canada	1.2%
Sweden	1.2%
Others	8.9%

Investment by application



Investment by country and region



EMS Group production by country

Switzerland	49.1%
Germany	13.0%
USA	9.4%
Japan	7.0%
China	6.2%
Belgium	5.8%
Taiwan	2.1%
Czech Republic	2.1%
Great Britain	1.9%
Others	3.4%

Management structure

At the 2012 Annual General Meeting, Dr Ulf Berg, Magdalena Martullo, Dr Hansjörg Frei and Dr Werner Prätorius were reelected to the Board of Directors for a further one-year term of office.

Personnel

At the end of December 2012, the EMS Group had a total of 2 371 (2 242) employees (excluding apprentices), of whom 981 (1 013) work in Switzerland, 636 (665) in the rest of Europe, 534 (374) in Asia and 220 (190) in America. At the end of the year, the EMS Group employed 131 (134) apprentices in Switzerland covering 14 (13) different vocational fields. A total of 40 (42) apprentices successfully completed their professional training during the year under review.

Business areas

The EMS Group operates globally in the business areas of High Performance Polymers and Specialty Chemicals. These areas are further structured into Business Units.

High Performance Polymers

EMS-GRIVORY consists of three independent, regionally 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 sound-damping.

In the 2012 business year, the core business of High Performance Polymers generated net sales of CHF 1 471 million (1 367) and net operating income (EBIT) of CHF 270 million (247). New applications were developed and worldwide market positions further strengthened. Marked growth in net sales and operating income was achieved, particularly in Asia and North America.

Specialty Chemicals

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

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

As expected, the Specialty Chemicals business area recorded a slight reduction in net sales to CHF 285 million (290). Strategically important new business was realised.

Key Figures 2008–2012

CHF millions	2012	2011	2010	2009	2008
Net sales revenue	1 755.4	1 657.7	1 595.6	1 197.7	1 503.9
Change in % against previous year	+5.9 %	+3.9 %	+33.2 %	–20.4 %	–3.1 %
Change in local currencies	+4.9 %	+15.5 %	+39.6 %	–17.6 %	+0.8 %
Of which in Switzerland	4.5 %	5.3 %	4.7 %	4.7 %	5.1 %
Net operating income (EBIT)	318.6	294.0	281.6	221.8	219.6
Change in % against previous year	+8.4 %	+4.4 %	+27.0 %	+1.0 %	–18.7 %
In % of net sales revenue	18.2 %	17.7 %	17.6 %	18.5 %	14.6 %
Net financial income	2.6	0.9	–1.5	27.9	37.5
Income taxes	48.4	52.7	48.0	28.5	41.9
Net income	272.8	242.1	232.1	221.2	215.2
Change in % against previous year	+12.7 %	+4.3 %	+4.9 %	+2.8 %	–26.7 %
In % of net sales revenue	15.5 %	14.6 %	14.5 %	18.5 %	14.3 %
Cash flow [1]	327.1	295.5	290.8	279.0	273.4
Change in % against previous year	+10.7 %	+1.6 %	+4.2 %	+2.1 %	–23.0 %
In % of net sales revenue	18.6 %	17.8 %	18.2 %	23.3 %	18.2 %
Investments	44.2	75.9	49.0	37.6	63.7
In % of cash flow	13.5 %	25.7 %	16.9 %	13.5 %	23.3 %
Balance sheet total	1 676.9	1 634.3	1 668.9	1 711.3	1 679.4
Assets					
Current assets	1 093.4	1 042.3	1 110.3	1 141.9	1 083.6
Non-current assets	583.5	592.0	558.6	569.4	595.9
Equity and liabilities					
Current liabilities	304.2	363.0	391.3	417.0	221.2
Non-current liabilities	221.6	214.8	167. 3	272.5	482.9
Equity [2]	1 136.4	1 041.4	1 096.8	1 004.8	960.10
Balance sheet equity ratio	67.8 %	63.7 %	65.7 %	58.7 %	57.2%
Return on equity	24.0 %	23.2 %	21.2 %	22.0 %	22.4%
Number of employees on December 31 [3]	2 371	2 242	2 256	2 106	2 165

1) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
2) Excluding non-controlling interests.
3) Excluding apprentices (2012: 132; 2011: 134; 2010: 138; 2009: 137; 2008: 129).

Corporate Governance

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/2013/articlesofassociation and in the Organisational Rules of the EMS Group at www.ems-group.com/annualreport/2013/organisationalrules. All data refer to the situation as at December 31, 2012, except where stated otherwise.

1. Group structure and shareholders

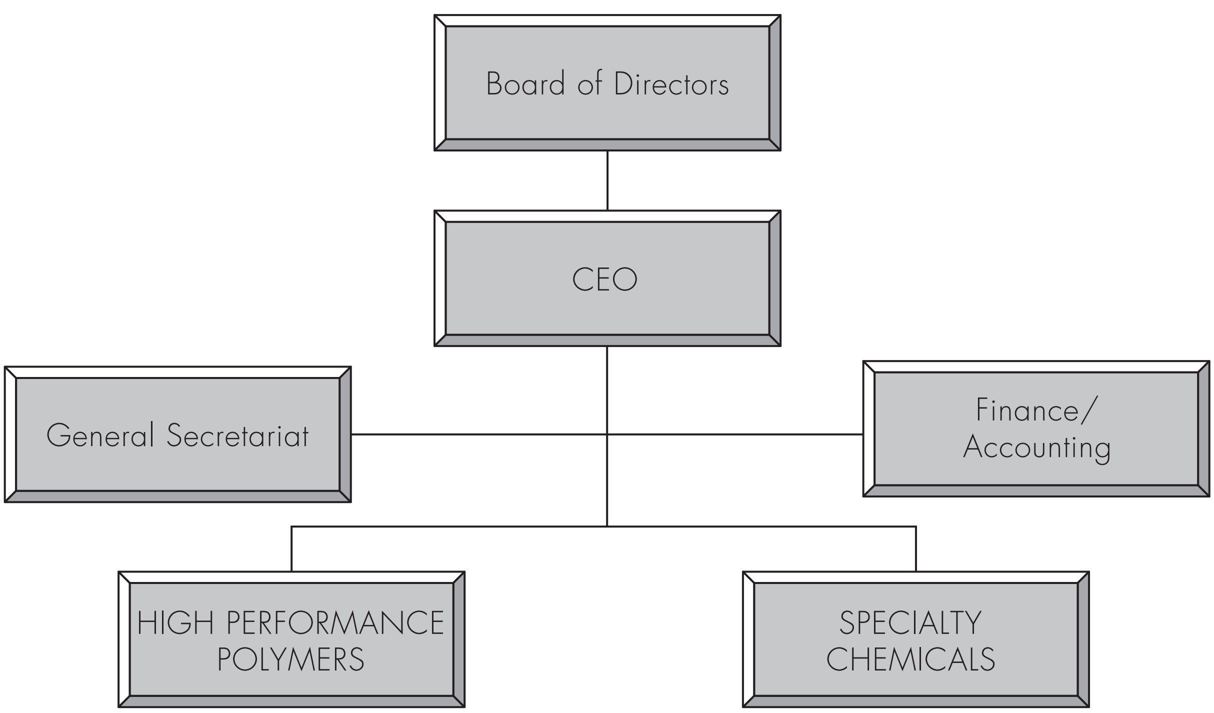
1.1 Group structure

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:

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, 2012, the market capitalisation of EMS amounted to CHF 5038.0 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 31 in the financial section.

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



1.2 Significant shareholders

In the 2012 calendar year, two shareholders each held more than 3% of the equity of EMS-CHEMIE HOLDING AG:

EMESTA HOLDING AG holds 60.82% of the share capital of EMS-CHEMIE HOLDING AG and Miriam Blocher 8.89%.

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 16 (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 decide to register or reject 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	2013
Magdalena Martullo	Swiss	Executive	1969	August 2001	2013
Dr Hansjörg Frei	Swiss	Non-executive	1941	January 2003	2013
Dr Werner Prätorius	German	Non-executive	1946	September 2006	2013

On December 31, 2012, 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. He was a member of the Board of Trustees of Avenir Suisse from 2007 to 2009 and from 2009 to 2012 he was non-executive Chairman of Midland Cogeneration Venture LLP in Midland, Michigan, USA. Since June 2010 he has been President of the Board of Directors of Nord AS (formerly Kommunekemi AS) in Nyborg, Denmark, and since 2012 member of the Board of Greater Zurich Area AG, Switzerland. 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) is major shareholder, Executive Vice-Chairman of the Board of Directors and Chief Executive Officer of the EMS Group. She joined EMS in 2001 and took command of the Group in 2004 when her father was elected to the Bundesrat (federal council) of the Swiss Government and sold his shares to his four children. Magdalena Martullo graduated at the Hochschule St. Gallen (HSG) in Business Administration. Before joining the EMS Group she held different positions with Rivella AG and Johnson & Johnson AG as well as various other positions in Switzerland and abroad. Since 2004 she has been a member of the Executive Board of scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she leads the Board committee on economic policy.

Dr Hansjörg Frei (born in 1941, Swiss citizen, Doctor of Law) has been a non-executive member of the Board of Directors. Furthermore he was Chairman of the Pension Fund of the EMS Group from 2003 to 2012. For many years Dr Frei held various management positions in the insurance industry. 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 was a non-executive member of the Board of Directors of Bâloise-Holding from 2004 to 2013.

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 Petrochemicals 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	5 [1]	4	2
Magdalena Martullo	Vice-Chairman and CEO	5		
Dr Hansjörg Frei	Member	5	4 [1]	2 [1]
Dr Werner Prätorius	Member	5		2
Total meetings		5	4	2
Total duration (hours)		1–7	1–2	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/2013/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. The Board of Directors held five meetings in 2012, each lasting between one and seven hours. The Audit Committee held seven meetings, each lasting between one and two hours, while the Compensation Committee held two 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/2013/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, 2012, Senior Management of EMS-CHEMIE HOLDING AG consisted of the following three persons:

Magdalena Martullo (born in 1969, Swiss citizen, Master of Business Administration) is major shareholder, Executive Vice-Chairman of the Board of Directors and Chief Executive Officer of the EMS Group. She joined EMS in 2001 and took command of the Group in 2004 when her father was elected to the Bundesrat (federal council) of the Swiss Government and sold his shares to his four children. Magdalena Martullo graduated at the Hochschule St. Gallen (HSG) in Business Administration. Before joining the EMS Group she held different positions with Rivella AG and Johnson & Johnson AG as well as various other positions in Switzerland and abroad. Since 2004 she has been a member of the Executive Board of scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she leads the Board committee on economic policy.

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/2013/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 individual responsibility and target achievement.

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/2013/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 above the legal threshold potentially triggering a public offer in EMS-CHEMIE HOLDING AG is not obliged to submit a public purchase offer (opting-out clause).

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 328 000 for services relating to the audit of the Group's annual financial statements. The net sales revenue audited by KPMG accounts for approximately 50% of the EMS Group's total net sales.

8.3 Additional fees

KPMG charged a global total of approximately CHF 803 000, comprising CHF 725 000 for tax consultancy services, CHF 1000 for legal advices and CHF 77 000 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 four 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 12, 2013:
Half-year report 2013 (Media conference)

August 10, 2013:
Annual General Meeting 2013
of EMS-CHEMIE HOLDING AG

End of August 2013:
Definitive Half-year report 2013

October 2013:
Third-quarter report 2013

February 2014:
Annual results 2013 (Media conference)

April 2014:
First-quarter report 2014

Further details regarding dates can be found at www.ems-group.com/annualreport/2013/information.
Subscription to ad-hoc reports received by e-mail can be made at www.ems-group.com/annualreport/2013/contact.

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

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Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

	Notes	2012 (CHF '000)	2011 (CHF '000)
Net income recognised in income statement		272 809	242 146
Net changes in fair value, after taxes: Available-for-sale securities	17	0	(9 037)
Net changes from cash flow hedges, after taxes	14	(5 178)	15 622
Currency translation differences		(4 128)	(6 484)
Other comprehensive income, after taxes		(9 306)	101
TOTAL COMPREHENSIVE INCOME		263 503	242 247
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		258 752	236 465
Non-controlling interests	18	4 751	5 782

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(CHF '000)	Share capital	Capital reserves (share premium)	Retained earnings	Treasury shares	Gains/ (losses) from securities arising from IAS 39	Hedging reserves from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
At 31.12.2010	234	21 461	1 115 077	(356)	9 037	(190)	(48 429)	1 096 834	13 530	1 110 364
Other comprehensive income, after taxes					(9 037)	15 622	(7 251)	(666)	767	101
Net income recognised in income statement			237 131					237 131	5 015	242 146
Total comprehensive income	0	0	237 131	0	(9 037)	15 622	(7 251)	236 465	5 782	242 247
Transactions with treasury shares (see note 16)		102		356				458		458
Dividends paid			(292 363)					(292 363)	(4 204)	(296 567)
At 31.12.2011	234	21 563	1 059 845	0	0	15 432	(55 680)	1 041 394	15 108	1 056 502
Other comprehensive income, after taxes						(5 178)	(3 088)	(8 266)	(1 040)	(9 306)
Net income recognised in income statement			267 018					267 018	5 791	272 809
Total comprehensive income	0	0	267 018	0	0	(5 178)	(3 088)	258 752	4 751	263 503
Dividends paid			(163 723)					(163 723)	(5 127)	(168 850)
At 31.12.2012	234	21 563	1 163 140	0	0	10 254	(58 768)	1 136 423	14 732	1 151 155

	2012	2011
Balance sheet equity ratio	68.6 %	64.6 %

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

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

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

The translation differences contain KCHF – 1 336 (2011: KCHF 194) from IAS 21 "Net investment in a foreign operation".

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

Consolidated Statement of Cash Flows

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated accounting principles

General information on the consolidated financial statements

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

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

Changes to the consolidated accounting principles

The IASB published a series of new and revised standards and interpretations, which took effect in financial year 2012 and were implemented by the EMS Group on January 1, 2012. This has no material effect on the consolidated financial statements of the EMS Group.

Consistency

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

Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, holding more than 50% of the voting rights, or by contracts or other agreements (see note 31 "List of subsidiaries and non-controlling interests").

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

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

Method of consolidation

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

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

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

Standards that have been approved but not yet applied

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

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

* There are not expected to be any significant implications for the consolidated financial statements of the EMS Group.
** The main effects are expected to be additional disclosures or amendments in the presentation of the consolidated financial statements of the EMS Group.
*** The effects on the consolidated financial statements of the EMS Group cannot be finally determined yet.
**** According to IAS 19 (revised) the corridor method will be abolished and the net interest will be calculated on the basis of the deficit or surplus of the pension plans. As at January 1, 2012, the effect on equity of unrecognised actuarial losses after considering deferred taxes is a single-digit million amount, equalling less than 1% of equity. The effect on the employee benefit costs for 2012 is a reduction of CHF 1.1 million.

Balance sheet date

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

Valuation principles

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

Intangible assets (excluding goodwill)

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 other comprehensive income and the ineffective portion immediately in the income statement. Gains and losses from cash flow hedges shown in equity are transferred to the income statement on the date on which the forecasted transaction is recorded in the income statement.

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

Net sales revenue

Invoicing for goods and services is recognised as sales when the main risks and benefits incidental to ownership are transferred. In the EMS Group more than 90% of net sales are recognised according to the following five international commercial terms: CIP (Carriage and Insurance Paid), FCA (Free Carrier), CIF (Cost, Insurance and Freight), EXW (EX Works) and DAP (Delivered At Place). Net sales revenue is stated after deduction of value added taxes and any deduction of discounts and credits.

Research and development costs

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

Impairment

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

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

Fair values

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

Foreign currencies

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

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

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

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

The most important exchange rates are:

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

Income taxes

Current income taxes are calculated on the taxable profit.

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

Earnings per share

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

Segment reporting

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

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

Financial risk management

General

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

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

Credit risks

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

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

Liquidity risks

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

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

Market risks

Interest rate risks

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 68.6% as at December 31, 2012 (December 31, 2011: 64.6%). The EMS Group has no external minimum capital requirements.

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

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

Significant estimates and assumptions made by management

Impairment of non-current assets

To ascertain whether impairment has occurred, estimates are made of the expected future cash flows arising from the use and possible disposal of such assets. Significant assumptions are made in relation to such calculations, including sales figures, margins and discounting rates. It is also possible for useful lives to be reduced, the intended use of property, plant and equipment to change, production sites to be relocated or closed, and production plants to generate lower-than-expected sales in the medium term. The carrying amounts for property, plant and equipment and intangible assets are shown in note 9.

Provisions for litigation risks and other provisions

In the course of their ordinary business operations, Group companies may be involved in legal proceedings. Provisions for litigation risks and other provisions are measured using available information on the basis of the realistically expected net cash outflow, if considered necessary. Other provisions primarily cover warranty claims arising from the sale of goods or services. Future reporting periods may therefore be affected by changes in the estimates of expected or actual cash outflows. The carrying amounts for provisions are shown in note 21.

Employee benefits

The EMS Group operates various retirement plans on behalf of its employees. In the case of defined benefit plans, statistical assumptions are made in order to estimate future developments. When parameters alter due to changes in the economic situation or different market conditions, subsequent results may differ significantly from the actuarial opinions and calculations. The carrying amounts of reported employee retirement assets and liabilities are shown in notes 10 and 20.

Taxes

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

Segment Information

Segment information by business area

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

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

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

Segment information by geographical region

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

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

Most important customers

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

1) See note 9.
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 (2012: KCHF 437 920, 2011: KCHF 429 799), in North America with the USA (2012: KCHF 188 547, 2011: KCHF 160 929) and in Asia with China (2012: KCHF 207 094; 2011: KCHF 176 318).

Consolidated Income Statement

Notes		2012 (CHF '000)	2011 (CHF '000)
1	Capitalised costs and other operating income		
	Capitalised costs	10 861	16 530
	Other operating income	19 489	30 962
	Income from sale of property to related parties	0	12 567
	Total capitalised costs and other operating income	30 350	60 059
	Independent external expertise was used to determine the price of the property sold to related parties (pension fund).		
2	Personnel expenses		
	Wages and salaries	158 731	154 713
	Subcontractor salaries	6 415	9 950
	Expenses for defined benefit plans	7 585	8 697
	Legal/contractual social insurance	35 725	30 118
	Total personnel expenses	208 456	203 478
	Employee benefits		
	The following figures give an overview of the Swiss pension plans:		
	Present value of funded obligations	(376 938)	(364 030)
	Fair value of plan assets	374 691	375 168
	Surplus/(deficit) in defined benefit obligations	(2 247)	11 156
	Liability for long-service leave	0	0
	Cash-settled share-based payment liability	0	0
	Total employee benefits	(2 247)	11 156
	Unrecognisable amount	0	(13 023)
	Actuarial (income)/losses, not accounted for	17 680	16 512
	Total recognised net assets in the Group balance sheet for independent defined benefit plans	15 433	14 645
	The Group makes contributions to a contributory defined benefit plan that provides pensions for employees upon retirement, disability and death. The plan entitles a retired employee to receive an annual payment equal to 6.4% (2011: 6.4%) of the retirement assets. As of 1.1.2013, the conversion rate is 6.0%. Disability and death pensions are defined as fixed ratios of the salary insured.		

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

Notes		2012 (CHF '000)	2011 (CHF '000)
	Change of recognised net assets		
	At 1.1.	14645	14537
	ERIS (Expense Recognised in the Income Statement)	(7585)	(8697)
	Employer's contribution	8373	8805
	At 31.12.	15433	14645
	Actual return on plan assets	7164	(15435)
	Actuarial assumptions		
	Actuarial assumptions at the reporting date (expressed as weighted averages):		
	Discount rate at 31.12.	1.75%	2.40%
	Expected return on plan assets at 1.1.	1.75%	2.70%
	Future salary increases	1.00%	1.00%
	Future pension increases	0.25%	0.50%

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

Historical information	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	(376 938)	(364 030)	(363 506)	(338 517)	(404 442)
Fair value of plan assets	374 691	375 186	397 750	395 177	377 919
Surplus/(deficit) in defined benefit obligations	(2 247)	11 156	34 244	56 660	(26 523)
Experience gains/(losses) arising on plan liabilities	(5 826)	14 854	(195)	59 789	(16 177)
Experience gains/(losses) arising on plan assets	(2 967)	(24 553)	(11 754)	19 188	(65 988)

The Group expects to pay KCHF 8 373 (2012: KCHF 7 725) in contributions to defined benefit plans in 2013.

Notes		2012 (CHF '000)	2011 (CHF '000)
3	**Other operating expenses**		
	Rents	9022	9229
	Repairs and maintenance	26168	25360
	Insurance, duties, fees	7372	6724
	Energy	34532	32856
	Administration, promotion	25406	24912
	Losses on disposal of property, plant and equipment, net	2638	643
	Other operating expenses	17778	20804
	Total other operating expenses	122916	120528
4	**Income from associated companies**		
	Income from equity valuation of associated companies	6863	5527
	Revaluation of existing investment in EFTEC (India) Pvt. Ltd. to fair value (see note 25)	2598	0
	Total income from associated companies	9461	5527
5	**Research and development**		
	Expenditures for research and development amount to	35887	35916
	In percent of net sales revenue	2.0%	2.2%

Notes		2012 (CHF '000)	2011 (CHF '000)
6	Financial income		
	Other interest income	529	825
	Interest income on loans and receivables	6	26
	Total interest income	535	851
	Dividends on available-for-sale securities	1637	3934
	Total financial income	2172	4785
7	Financial expenses		
	Interest expenses	2051	3351
	Foreign exchange losses, net	3609	1273
	Expenses from sale of available-for-sale securities, net	2145	1927
	Impairment on available-for-sale securities	0	1389
	Bank charges and commissions	1207	1475
	Total financial expenses	9012	9415
8	Income taxes		
	Current income taxes	55910	46448
	Deferred income taxes	(7494)	6291
	Total income taxes	48416	52739

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

	2012 (CHF '000)	2011 (CHF '000)
Net income before income taxes	321225	294885
Expected income tax rate	19.4%	19.3%
Expected income taxes	62273	57037
Use of tax losses carried forward from previous years	(7074)	(693)
Change in deferred tax assets not having been set up	125	110
Tax exemption/Expenses not being deductible for tax purposes	(5643)	(2941)
Taxes from previous years	(689)	(244)
Impact of changed deferred income tax rates	(37)	(202)
Other	(539)	(328)
Effective income taxes	48416	52739
Effective income tax rate	15.1%	17.9%

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

Deferred income taxes:
Change in recognised assets/liabilities

	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
At 1.1.	8013	88682	6765	81693
Change in scope of consolidation	0	2557	0	0
Increase via income statement	3562	1849	1550	8723
Decrease via income statement	(1018)	(2484)	(344)	(1226)
Income taxes recognised directly in other comprehensive income	0	0	0	(433)
Translation differences	(112)	(217)	42	(75)
At 31.12.	10445	90387	8013	88682

Note to the deferred income tax liabilities

	2012	2011
Calculation according to the "balance sheet liability method":		
Deferred income taxes on non-current assets	73127	71762
Deferred income taxes on current assets	10106	15191
Deferred income taxes on liabilities	7154	1729
Total deferred income tax liabilities	90387	88682

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	28925	8299	39991	13014
Of which to be carried forward for up to:				
1 year	0	0	0	0
2 years	0	0	0	0
3 years	0	0	0	0
4 years	72	18	2552	638
5 years	9	2	805	201
More than 5 years	28844	8279	36634	12175

Notes

9 Intangible assets, property, plant and equipment, investments

I. Intangible assets

(CHF '000)	Goodwill	Patents, trade-marks	Others	Total
At 1.1.2011				
Cost	19 795	738	23 027	43 560
Accumulated amortisation and impairment	0	(725)	(19 774)	(20 499)
Net book value	19 795	13	3 253	23 061
2011				
At 1.1.	19 795	13	3 253	23 061
Additions	816	0	203	1 019
Disposals	0	0	(19)	(19)
Amortisation	0	(11)	(1 082)	(1 093)
Reclassifications	0	0	363	363
Translation differences	67	0	(23)	44
At 31.12.	20 678	2	2 695	23 375
Cost	20 678	1 268	23 432	45 378
Accumulated amortisation and impairment	0	(1 266)	(20 737)	(22 003)
Net book value	20 678	2	2 695	23 375
2012				
At 1.1.	20 678	2	2 695	23 375
Change in scope of consolidation	0	0	7 891	7 891
Additions	2 077	0	494	2 571
Disposals	0	0	(1)	(1)
Amortisation	0	(2)	(1 963)	(1 965)
Reclassifications	0	0	492	492
Translation differences	(210)	0	(364)	(574)
At 31.12.	22 545	0	9 244	31 789
Cost	22 545	1 268	31 261	55 074
Accumulated amortisation and impairment	0	(1 268)	(22 017)	(23 285)
Net book value	22 545	0	9 244	31 789

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

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 22 545 (2011: KCHF 20 678) is the Business Unit EMS-EFTEC (business area "High Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:
– The cash flows for the first three years were determined on the basis of medium-term plans.
– The cash flows of the following years were calculated with an annual growth rate of 1 % (2011: 1 %).
– The discount rate before taxes is 10 % (2011: 10 %).

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

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

Notes

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction	Total
At 1.1.2011						
Cost	20 595	291 057	849 742	49 630	36 450	1 247 474
Accumulated depreciation and impairment	(1 494)	(158 821)	(563 633)	(34 836)	(562)	(759 346)
Net book value	19 101	132 236	286 109	14 794	35 888	488 128
2011						
At 1.1.	19 101	132 236	286 109	14 794	35 888	488 128
Additions	135	326	4 260	2 403	68 531	75 655
Disposals	(95)	(3 602)	(545)	(119)	(165)	(4 526)
Depreciation	(57)	(6 273)	(33 976)	(3 748)	0	(44 054)
Impairment	0	(2 800)	(3 880)	0	(177)	(6 857)
Reclassifications	0	7 214	74 066	2 069	(83 712)	(363)
Translation differences	(268)	(605)	3	(133)	9	(994)
At 31.12.	18 816	126 496	326 037	15 266	20 374	506 989
Cost	20 395	291 334	925 038	50 724	21 125	1 308 616
Accumulated depreciation and impairment	(1 579)	(164 838)	(599 001)	(35 458)	(751)	(801 627)
Net book value	18 816	126 496	326 037	15 266	20 374	506 989
2012						
At 1.1.	18 816	126 496	326 037	15 266	20 374	506 989
Change in scope of consolidation	807	2 145	1 387	124	0	4 463
Additions	0	205	3 249	3 879	36 398	43 731
Disposals	(1)	(253)	(735)	(140)	(2 137)	(3 266)
Depreciation	(67)	(6 428)	(35 083)	(3 961)	0	(45 539)
Impairment	0	0	(6 611)	0	(187)	(6 798)
Reclassifications	0	3 250	25 783	1 583	(31 108)	(492)
Translation differences	(254)	(894)	(1 687)	(150)	(52)	(3 037)
At 31.12.	19 301	124 521	312 340	16 601	23 288	496 051
Cost	20 964	294 132	929 042	53 886	24 203	1 322 227
Accumulated depreciation and impairment	(1 663)	(169 611)	(616 702)	(37 285)	(915)	(826 176)
Net book value	19 301	124 521	312 340	16 601	23 288	496 051

Fire insurance value is KCHF 1 760 354 (2011: KCHF 1 698 646).
Property, plant and equipment are insured at replacement values.

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

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

Notes

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
At 1.1.2011			
Cost/Fair value	18 802	183	18 985
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	18 802	183	18 985
2011			
At 1.1.	18 802	183	18 985
Additions/Increase	3 366	0	3 366
Disposals/Decrease	(106)	0	(106)
Translation differences	41	0	41
At 31.12.	22 103	183	22 286
Cost/Fair value	22 103	183	22 286
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 103	183	22 286
2012			
At 1.1.	22 103	183	22 286
Change in scope of consolidation	(5 663)	0	(5 663)
Additions/Increase	7 140	0	7 140
Disposals/Decrease	(941)	0	(941)
Translation differences	(44)	0	(44)
At 31.12.	22 595	183	22 778
Cost/Fair value	22 595	183	22 778
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 595	183	22 778

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

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

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

Notes		2012 (CHF '000)	2011 (CHF '000)
13	Other receivables		
	Receivables from associated companies	0	74
	Other receivables	39 175	38 855
	Prepayments and accrued income	20 426	23 269
	Total other receivables	59 601	62 198

14 Derivative financial instruments

The following summary shows the most important derivative financial instruments:

Financial instruments at fair value classified through profit or loss

			2012 (CHF '000)	2011 (CHF '000)
Currency SWAPS and forward rate agreements	EUR/CHF	Notional amount CHF	300 418	374 700
		Positive replacement value CHF	0	7 499
		Negative replacement value CHF	3 111	7 149
	USD/CHF	Notional amount CHF	0	211 376
		Positive replacement value CHF	0	4 054
		Negative replacement value CHF	0	12 993
	GBP/CHF	Notional amount CHF	0	440
		Positive replacement value CHF	0	0
		Negative replacement value CHF	0	5
Currency options	JPY/CHF	Notional amount CHF	0	5 640
		Positive replacement value CHF	0	0
		Negative replacement value CHF	0	16
Total		Notional amount CHF	300 418	592 156
		Positive replacement value CHF	0	11 553
		Negative replacement value CHF	3 111	20 163
Thereof: Current portion		Notional amount CHF (<12 months)	186 130	542 416
		Positive replacement value CHF (<12 months)	0	11 316
		Negative replacement value CHF (<12 months)	1 933	19 661
Non-current portion		Notional amount CHF (1–5 years)	114 288	49 740
		Positive replacement value CHF (1–5 years)	0	237
		Negative replacement value CHF (1–5 years)	1 178	502

Notes			2012 (CHF '000)	2011 (CHF '000)
Financial instruments effective for hedge accounting purposes				
Currency SWAPS and forward rate agreements	USD/CHF	Notional amount CHF	169 111	0
		Positive replacement value CHF	5 319	0
		Negative replacement value CHF	177	0
	JPY/CHF	Notional amount CHF	82 020	129 905
		Positive replacement value CHF	5 983	16 743
		Negative replacement value CHF	0	0
Total		Notional amount CHF	251 131	129 905
		Positive replacement value CHF	11 302	16 743
		Negative replacement value CHF	177	0
Thereof: Current portion		Notional amount CHF (<12 months)	202 010	69 274
		Positive replacement value CHF (<12 months)	8 110	4 870
		Negative replacement value CHF (<12 months)	177	0
Non-current portion		Notional amount CHF (1–5 years)	49 121	60 631
		Positive replacement value CHF (1–5 years)	3 192	11 873
		Negative replacement value CHF (1–5 years)	0	0

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

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

Net changes from cash flow hedges in equity, after taxes	2012	2011
At 1.1.	15 432	(190)
Transfer to consolidated income statement	(4 870)	518
Fair value adjustments	(748)	16 431
Income taxes recognised directly in equity	440	(1 327)
Total net changes from cash flow hedges in equity, after taxes	(5 178)	15 622
At 31.12.	10 254	15 432

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

16 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12. 2010	CHF 0.01	23 389 028	2 500	23 386 528	234
Purchase of treasury shares		–	12 369	(12 369)	–
Sale of treasury shares		–	(14 869)	14 869	–
At 31.12. 2011	CHF 0.01	23 389 028	0	23 389 028	234
Purchase of treasury shares		–	0	0	–
Sale of treasury shares		–	0	0	–
At 31.12. 2012	CHF 0.01	23 389 028	0	23 389 028	234

		2012 (CHF '000)	2011 (CHF '000)
17	Net changes in fair value in equity, after taxes: available-for-sale securities		
	At 1.1.	0	9 037
	Transfer into consolidated income statement	0	(6 691)
	Fair value adjustments	0	(2 778)
	Income taxes recognised directly in equity due to fair value adjustments	0	432
	Total net changes in fair value, after taxes: available-for-sale securities	0	(9 037)
	At 31.12.	0	0

Notes		2012 (CHF '000)	2011 (CHF '000)
18	Non-controlling interests		
	This item reflects the non-controlling interests in capital and profit/loss for the year. Significant non-controlling interests exist for shares in EMS-UBE Ltd., Shanghai EFTEC Chemical Products Ltd. and Wuhu EFTEC Chemical Products Ltd.		
	The change in non-controlling interests is as follows:		
	At 1.1.	15108	13530
	Dividends paid	(5127)	(4204)
	Net income	5791	5015
	Translation differences	(1040)	767
	At 31.12.	14732	15108
19	Bank loans		
	The non-current bank loans are composed as follows:		
	CHF: Average interest rate: 1.35% (2011: 1.35%)	100000	100000
	JPY: Average interest rate: 1.48% (2011: 1.48%)	53	61
	Total non-current bank loans	100053	100061
	The non-current bank loans in CHF have a fixed interest rate. The fair value amounts to KCHF 100635 (2011: KCHF 100102). The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.		
	The current bank loans are composed as follows:		
	JPY: Average interest rate: 0.44% (2011: 0.48%)	17540	12705
	INR: Average interest rate: 13.00% (2011: –)	1502	0
	CHF: Average interest rate: – (2011: 2.10%)	0	50000
	Total current bank loans	19042	62705
	The carrying amounts of current bank loans in JPY and INR correspond to their fair values, as the interest rates are variable. CHF 50 million of the current bank loans in CHF were repaid in January 2012. Therefore the carrying amount corresponded to the fair value.		

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

21 Provisions

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

Pension liabilities mainly contain provisions for payments to governmental institutions or pension plans of subsidiaries abroad without separate assets.
An average cash outflow >5 years is expected. There is no discount, as the fair value of the pension liabilities is already discounted at the time the liability is calculated.

The provisions for restructuring costs concern the merger of sites in the USA and in India ("High Performance Polymers" business area).

Within the provisions for litigation risks, the risk arising from litigation processes is adequately covered as at the time of preparation of the financial statements.

Warranty provisions are mainly included within other provisions.

The non-current provisions for litigation risks and the non-current other provisions are expected with an average maturity of 2.5 years. The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be <3% as per December 31, 2012.

Notes		2012 (CHF '000)	2011 (CHF '000)
22	Other current liabilities		
	Advances from customers	4108	3256
	Prepaid expenses and deferred income	74997	68347
	Other current liabilities to related parties	5700	5700
	Other current liabilities to associated companies	224	9
	Liabilities to social security institutions	1598	1660
	Other current liabilities	33129	42505
	Total other current liabilities	119756	121477
23	Liabilities, net/(net cash position)		
	Pension liabilities (see note 21)	1255	1248
	Bank loans (see note 19)	119095	162766
	Other current liabilities to related parties (see note 22)	5700	5700
	Interest-bearing liabilities	126050	169714
	less		
	Receivables from associated companies (see note 13)	0	74
	Securities	0	15117
	Deposits (see note 15)	460153	417742
	Interest-bearing liabilities, net/(cash, net)	(334103)	(263219)
	less		
	Cash and cash equivalents (see note 15)	888	253
	Liabilities, net/(net cash position)	(334991)	(263472)

Consolidated Statement of Cash Flows

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

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

Notes		2012 (CHF '000)	2011 (CHF '000)
26	Contingent liabilities		
	Contingent liabilities at the end of the year amount to	21 203	21 092
	This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 21).		
27	Earnings per share – EPS		
	Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
	Details of earnings per share:		
	Basic earnings per share		
	Weighted average of registered shares outstanding	23 389 028	23 388 212
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	267 018	237 131
	Basic earnings per share (CHF)	11.42	10.14
	There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
28	Significant shareholders		
	EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2011: 14 224 143 registered shares) Amount of holding	60.82 %	60.82 %
	Miriam Blocher, 2 079 000 registered shares (2011: 2 079 000 registered shares) Amount of holding	8.89 %	8.89 %

Notes		2012 (CHF '000)	2011 (CHF '000)
29	Transactions with related parties		

EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Senior Management as well as the close members of their families and associated companies are regarded as related parties. For financial key figures of the significant associated company, see note 33.
In 2011, there was a transaction between EMS-CHEMIE AG and the pension fund (see note 1).

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

The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the annual report 2012/2013 in the financial statements of EMS-CHEMIE HOLDING AG (see note 7, page 65).

Breakdown of the total compensation*	2012	2011
Short-term employee benefits to the members of the Board of Directors and Senior Management	3 272	2 966
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation*	3 272	2 966

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

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

Board of Directors	Number of shares	
Dr U. Berg, Chairman	2 350	2 350
M. Martullo, Vice-Chairman and CEO**	0	0
Dr H. J. Frei, Member	2 095	2 330
Dr W. Prätorius, Member	0	1 000
Total Board of Directors	4 445	5 680

* These are provisional, accrued amounts. The definitive figures can be found on page 65 of the annual report of EMS-CHEMIE HOLDING AG, note 7.
** Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9 % stake (see note 28).

Notes	2012	2011

Senior Management	Number of shares	
M. Martullo, Vice-Chairman and CEO*	shown under "Board of Directors"	
P. Germann, CFO	0	0
Dr R. Holderegger, Member	0	0
Total Senior Management	0	0

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

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

30 Subsequent events

On March 6, 2013, the acquisition of 50% of the shareholding from the Czech partner D PLAST in the D PLAST-EFTEC joint venture by April 2013 was announced.

The consolidated financial statements were approved by the Board of Directors on March 26, 2013 and need to be approved by the Annual General Meeting on August 10, 2013.

Between December 31, 2012 and March 26, 2013 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Notes

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

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
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
EMS-CHEMIE (Luxembourg) Sarl	Senningerberg	Luxembourg
EFTEC (Shanghai) Engineering Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Montataire Cedex	France
EFTEC Brasil Ltda.	Santana de Parnaiba	Brazil
EFTEC Engineering GmbH	Markdorf	Germany
EFTEC Ltd.	Rhigos	UK
EFTEC NV	Genk	Belgium
EFTEC Systems S.A.	Zaragoza	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
EFTEC (India) Ltd.	Mumbai	India
EFTEC (China) Ltd.	Hong Kong	China (People's Rep.)
Shanghai EFTEC Chemical Products Ltd.	Shanghai	China (People's Rep.)
Changchun EFTEC Chemical Products Ltd.	Changchun	China (People's Rep.)
Wuhu EFTEC Chemical Products Ltd.	Wuhu	China (People's Rep.)
EFTEC (Guangzhou) Automotive Materials Co., Ltd.	Guangzhou	China (People's Rep.)
EFTEC (Shanghai) Services Ltd.	Shanghai	China (People's Rep.)
D PLAST – EFTEC a.s.	Zlín	Czech Republic
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Taylor, MI	USA
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: V = Trade, sale P = Production 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%	V, P	K
EUR	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.67%	V, P	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
EUR	2556	100.00%	V, P	K
TWD	281000	100.00%	V, P	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P	K
USD	2420	100.00%	D	K
USD	11285	100.00%	V, P	K
CHF	8000	100.00%	D	K
EUR	200	100.00%	V	K
CNY	886	100.00%	V, P	K
CHF	2500	100.00%	V, P	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
EUR	25	100.00%	V, P	K
GBP	352	100.00%	V, P	K
EUR	1240	100.00%	V, P	K
EUR	944	100.00%	V, P	K
USD	3518	100.00%	D, V	K
THB	49500	100.00%	V, P	K
INR	15000	100.00%	V, P	K
USD	3700	100.00%	D	K
CNY	20750	60.00%	V, P	K
CNY	27500	100.00%	V, P	K
CNY	6650	60.00%	V, P	K
CNY	1000	100.00%	V	K
CNY	952	100.00%	D	K
CZK	47569	50.00%	V, P	E
USD	750	100.00%	D	K
USD	38222	100.00%	V, P	K
CZK	30000	100.00%	V, P	K
CHF	100	100.00%	D	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	V, P	K
EUR	25	100.00%	D	K

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

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

32 Change in scope of consolidation

Fully consolidated:
Addition:
EFTEC (India) Pvt. Ltd.: On April 18, 2012, EMS Group acquired the 51% shareholding of Indian partner Shroff in the EFTEC (India) Pvt. Ltd. joint venture (former: EFTEC Shroff (India) Ltd.).
EMS-CHEMIE (Luxembourg) Sàrl: This company was founded on June 21, 2012.
EFTEC (Shanghai) Services Ltd.: This company was founded on June 21, 2012.
EFTEC (Shanghai) Engineering Co. Ltd.: This company was founded on September 24, 2012.
Disposal:
EFTEC Latin America S.A.: This company was deleted from the Commercial Register on January 6, 2012.

33 Significant associated company

		2012	2011
D PLAST – EFTEC a.s.			
Domicile	Zlín, Czech Republic		
Percentage held	50.00%		
Financial year	January 1 – December 31		
Category	Sale, Production		
Currency	CZK		
Net sales revenue		55 887	53 157
Net income		14 068	13 651
Assets		52 080	43 388
Equity		44 640	35 825
Liabilities		7 440	7 563

34 Risk management

Credit risks

Overview of financial assets

	2012	2011
Other non-current financial assets (see note 10)	878	1 138
Trade receivables (see note 12)	247 970	231 649
Receivables from associated companies (see note 13)	0	74
Derivative financial instruments (see note 14)	11 302	28 296
Cash and cash equivalents (see note 15)	461 041	417 995
Total financial assets	721 191	679 152

The maximum credit risk is equal to the carrying amount of the respective assets.
There are no collateralised financial assets. For the analysis of due dates and allowances for doubtful trade receivables, see note 12.

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2012 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 19)	19 042	19 042	19 042	0	0
Non-current bank loans (see note 19)	100 053	102 753	1 403	101 350	0
Trade payables	109 514	109 514	109 514	0	0
Other current liabilities to related parties (see note 22)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 22)	224	224	224	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	3 288	469 529	320 677	148 852	0
Total financial liabilities	237 821	706 762	456 560	250 202	0

At 31.12.2011 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 19)	62 705	63 755	63 755	0	0
Non-current bank loans (see note 19)	100 061	104 111	1 411	102 700	0
Trade payables	112 458	112 458	112 458	0	0
Other current liabilities to related parties (see note 22)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 22)	9	9	9	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	20 163	586 076	536 336	49 740	0
Total financial liabilities	301 096	872 109	719 669	152 440	0

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

CHF 100.0 million (2011: CHF 150.0 million) of the bank loans have a fixed interest rate. No derivative financial instruments on interest rates are used. A 100 basis point rise in the interest rate for deposits and bank loans would increase net income after taxes by CHF 3.6 million (2011: CHF 3.3 million). A 100 basis point fall in the interest rate for deposits and bank loans would decrease net income after taxes by CHF 0.3 million (2011: CHF 0.6 million).

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

Notes

Currency risks

Overview currency exposure, net

At 31.12.2012 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 12)	15 824	130 288	57 013	16 242	2 059	26 544
Loans to group companies	9 991	151 662	105 912	5 634	0	3 989
Derivative financial instruments (see note 14)	0	0	0	82 020	0	0
Trade payables	(12 799)	(49 994)	(23 782)	(14 243)	(1 215)	(7 481)
Loans from group companies	(23 603)	0	0	0	0	0
Current bank loans (see note 19)	0	0	0	(17 540)	0	(1 502)
Non-current bank loans (see note 19)	0	0	0	(53)	0	0
Derivative financial instruments (see note 14)	0	(300 418)	(169 111)	0	0	0
Currency exposure, net	(10 587)	(68 462)	(29 968)	72 060	844	21 550

At 31.12.2011 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 12)	15 053	125 135	46 626	23 074	1 772	19 989
Loans to group companies	63 946	169 050	81 929	3 025	0	3 911
Derivative financial instruments (see note 14)	0	0	0	135 545	0	440
Trade payables	(12 629)	(54 137)	(21 476)	(17 502)	(810)	(5 904)
Loans from group companies	(20 703)	0	0	0	0	0
Current bank loans (see note 19)	0	0	0	(12 705)	0	0
Non-current bank loans (see note 19)	0	0	0	(61)	0	0
Derivative financial instruments (see note 14)	0	(374 700)	(211 376)	0	0	0
Currency exposure, net	45 667	(134 652)	(104 297)	131 376	962	18 436

Notes	2012	2011

Sensitivity analysis of currency risks

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) net income after taxes by CHF 18.1 million (2011: CHF 6.3 million). Per currency: EUR: CHF +12.3 million (2011: CHF +1.7 million), USD: CHF +9.3 million (2011: CHF +11.8 million), JPY: CHF −0.5 million (2011: CHF −0.0 million), other currencies: CHF −3.0 million (2011: CHF −7.2 million).
A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF 23.9 million (2011: CHF 7.9 million decrease/(increase)). Per currency: EUR: CHF +27.4 million (2011: CHF +1.7 million), USD: CHF +4.1 million (2011: CHF +6.3 million), JPY: CHF −4.6 million (2011: CHF −8.7 million), other currencies: CHF −3.0 million (2011: CHF −7.2 million).
This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

Other price risks: Securities risks

The "securities" item in the balance sheet comprises the following countries:		
Switzerland	0%	100%
Total	0%	100%
There is no significant correlation to a share index.		

Sensitivity analysis of securities risks

As of December 31, 2012 EMS Group has no securities.
A 10% increase in the fair value of available-for-sale securities would have increased equity after taxes in 2011 by CHF 1.4 million, while the net income after taxes in 2011 would be CHF 0.0 million higher.
A 10% decrease in the fair value of available-for-sale securities would have decreased equity after taxes in 2011 by CHF 1.4 million, while net income after taxes in 2011 would be CHF 1.4 million lower.

Notes

Financial assets/liabilities: fair value hierarchy

At 31.12.2012 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 14)		11 302		11 302
Financial liabilities:				
Derivative financial instruments (see note 14)		(3 288)		(3 288)

At 31.12.2011 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	15 117			15 117
Derivative financial instruments (see note 14)		28 296		28 296
Financial liabilities:				
Derivative financial instruments (see note 14)		(20 163)		(20 163)

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

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

35 Information about the risk assessment process

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

Report of the Statutory Auditor on the Consolidated Financial Statements

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

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 19 to 59) for the year ended December 31, 2012.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Zurich, March 26, 2013

KPMG AG

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

Financial Statements
EMS-CHEMIE HOLDING AG

for the Financial Year May 1, 2012 – April 30, 2013

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2012 to April 30, 2013

	Notes	2012/2013 (CHF '000)	2011/2012 (CHF '000)
INCOME			
License fees from group companies		52 265	46 603
Financial income			
Interest income		3 969	3 728
Income from sale of group companies	2	0	147 564
Dividends from group companies		184 421	186 732
Income from financial assets		5 459	7 419
Total income		246 114	392 046

	Notes	2012/2013 (CHF '000)	2011/2012 (CHF '000)
EXPENSES			
Operating expenses to group companies		16 432	17 428
Financial expenses			
Expenses from financial assets		2 437	2 825
Interest expenses		1 397	2 507
Foreign exchange differences, net	1	10 590	5 570
Bank charges, duties, fees		109	122
Administration expenses		1 019	1 193
Total expenses		31 984	29 645
Net income before taxes		214 130	362 401
Taxes		2 424	3 642
Net income		211 706	358 759

Balance Sheet as at April 30, 2013

	Notes	30.4.2013 (CHF '000)	30.4.2012 (CHF '000)
Non-current assets		359 185	362 514
Investments in group companies	2	280 352	280 352
Loans to group companies		78 833	82 162
Current assets		341 780	275 315
Prepayments and accrued income		18 590	15 479
Receivables from third parties		185	629
Receivables from group companies		17 633	15 959
Loans to group companies		5 588	6 734
Securities		0	42 950
Cash and cash equivalents		299 784	193 564
TOTAL ASSETS		700 965	637 829

Shareholders' equity	3	529 170	481 188
Share capital	4/5	234	234
Legal reserves		47	47
Other reserves		10 000	10 000
Available earnings		518 889	470 907
Liabilities		171 795	156 641
Non-current liabilities		14 169	114 169
Bank loans		0	100 000
Provisions		14 169	14 169
Current liabilities		157 626	42 472
Bank loans		100 000	0
Accruals and deferred income		13 006	8 217
Payables to third parties		5 343	3 815
Payables to group companies		39 277	30 440
TOTAL EQUITY AND LIABILITIES		700 965	637 829
Balance sheet equity ratio		75.5 %	75.4 %

Notes to the Financial Statements 2012/2013

Income Statement 2012/2013

Notes		2012/2013 (CHF '000)	2011/2012 (CHF '000)
1	Foreign exchange differences		
	Foreign exchange gains	6339	13129
	Foreign exchange losses	16929	18699
	Foreign exchange differences	(10590)	(5570)

Balance Sheet as at April 30, 2013

2 Investments in group companies

Details of the investments as at 31.12.2012 can be seen in note 31, "List of subsidiaries and non-controlling interests", in the consolidated financial statements of the EMS Group.

In the previous year, investments changed as follows:

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

Notes		2012/2013 (CHF '000)	2011/2012 (CHF '000)
3	Shareholders' equity		
	At 1.5.	481188	414792
	Dividends paid	(163723)	(292363)
	Net income	211706	358759
	At 30.4.	529171	481188

4 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.4.2011	CHF 0.01	23389028	0	23389028	234
Change in treasury shares		–	0	0	0
At 30.4.2012	CHF 0.01	23389028	0	23389028	234
Change in treasury shares		–	0	0	0
At 30.4.2013	CHF 0.01	23389028	0	23389028	234

Notes		2012/2013	2011/2012
5	Significant shareholders		
	EMESTA HOLDING AG, Zug, 14224143 registered shares (2011/2012: 14224143 registered shares)		
	Amount of holding	60.82%	60.82%
	Miriam Blocher, 2079000 registered shares (2011/2012: 2079000 registered shares)		
	Amount of holding	8.89%	8.89%
	No other representation of significant shareholders is known to the Board of Directors.		

Notes			2012/2013 (CHF '000)	2011/2012 (CHF '000)
6	Contingent liabilities			
	Guarantees (maximum liability)		72010	141 226

7 Compensation and shareholdings

The following compensation was paid in the reporting year:

Board of Directors	Function	Compensation	
Dr U. Berg	Chairman	244	244
M. Martullo	Vice-Chairman and CEO*	1 219	1 093
Dr H. J. Frei	Member**	356	314
Dr W. Prätorius	Member	136	136
Total Board of Directors		1 955	1 787

* Amount shown under compensation of the Board of Directors as well as under compensation of Senior Management.

** Double function as Member of the Board of Directors and Chairman of the Foundation Board of the Pension Fund for the EMS Group. Compensation as Member of the Board of Directors: KCHF 136 (2011/2012: KCHF 136).

	2012/2013	2011/2012
Senior Management		
Total compensation paid to the Senior Management was	2 673	2 487
The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 219 (2011/2012: KCHF 1 093) and was paid to M. Martullo.		
Total compensation paid to the Board of Directors and Senior Management was	3 409	3 181
The compensation is paid exclusively in cash. EMS has no stock option program.		

Advisory board

There is no advisory board.

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

Notes		2012/2013	2011/2012

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

Board of Directors	Function	Number of registered shares	
Dr U. Berg	Chairman	3 600	2 350
M. Martullo	Vice-Chairman and CEO*	0	0
Dr H. J. Frei	Member	2 395	2 330
Dr W. Prätorius	Member	0	1 000
Total Board of Directors		5 995	5 680

Senior Management	Function		
M. Martullo	CEO*		
P. Germann	CFO	0	0
Dr R. Holderegger	Member	0	0
Total Senior Management		0	0

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

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

8 Information about the risk assessment process

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

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

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

Report of the Statutory Auditor on the Financial Statements

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

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet and notes (pages 62 to 67) for the year ended April 30, 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended April 30, 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Zurich, May 24, 2013

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Kurt Stocker
Licensed Audit Expert

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The original Annual Report is written in German. In case of inconsistencies between the German and this English version, the German version shall prevail.

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