

54th ANNUAL REPORT 2016/2017

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

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Dear Shareholders

For EMS, the business year 2016 was rather turbulent but successful. As expected, development of the global economy fluctuated and slowed overall compared to the previous year. In Europe, terrorism and Brexit affected consumer spending and our customers were significantly more cautious in the second half of the year. In the US, continuous disputes around the presidential election dampened the otherwise confident mood. The Asian markets China and India showed pleasing growth. In China this was further supported by high government spending and tax incentives for car buyers. Raw material markets such as Russia and Brazil suffered continuously due to low oil prices.

At EMS we followed our annual target "Every employee generates growth". Focus was put on the development of new products, innovative applications and additional business. This approach has proved successful. New business was generated and sales volumes could be pleasingly increased in all regions and customer markets. New business with profitable specialities showed especially positive growth. Simultaneous efficiency improvements had a further positive effect on the net opera-

ting income (EBIT) which grew by nearly 17% compared to the previous year to reach CHF 548 million.

To satisfy growing demand, EMS again invested around CHF 71 million globally, mainly in further capacity expansion. CHF 50 million alone were invested in the production site at Domat/Ems in Switzerland, where an additional polymerisation plant and a new production line for high-temperature polymers started operations. At Changshu (China) the cornerstone was laid for the latest and to-date largest production site of EMS-EFTEC to supply the Chinese automotive industry. EMS also invested in a new bonding agent production line for EFTEC PU adhesives in Taylor (US), and in a new plant for long-fiber reinforced polymers in Gross-Umstadt, Germany.

We were able to satisfy our customers needs with innovative high temperature under-the-hood applications and with light-weight car body materials. As a result, EMS was named "Global Supplier of the Year" for the seventh time in series by leading world automotive manufacturer General Motors

(GM). Mercedes Benz honored our plant in Thailand for its "Outstanding Continual Improvements". Together with the Chinese automotive manufacturer Geely, EMS received a prize for "Innovative Technology". In the US we were presented with the award for "Excellent Supplier Performance". EMS takes these honors as a commitment to further strengthen the current successful cooperation in future.

In 2016, EMS celebrated its 80th anniversary. The interest in our company and its eventful history is high. This is also demonstrated by the continuing popularity of our exhibition "EMS – An unbelievable story", opened in 2011 to celebrate the company's 75th anniversary and which has already welcomed more than 20 000 visitors. On the occasion of its 80th anniversary, EMS opened another attraction at the production site in Domat/Ems with the "EMSORAMA". The first Science Centre in the region provides more than 50 experiments for young and old to touch and feel. It is open to the public and free of charge. The EMSORAMA promotes the interest of children in natural sciences and motivates them towards technical studies. It also supports teachers in their educational work and is a popular new tourism attraction in the region.

For the business year 2017, EMS expects an overall positive but slower global economy. Even

though the economic and political environment will remain unpredictable, EMS is confident for its own business. The future will continuously demand new solutions. EMS is ready to take its opportunities and to meet possible changes with flexibility. The successful strategy of global growth with specialties in the area of High Performance Polymers will be continued. Global markets will be further exploited with new and innovative products and applications.

The success of our company is based above all on our valuable employees and management with their active and commitment efforts, flexibility and spontaneity for which we express our thanks. A special thank you also goes to our customers and business partners for the outstanding cooperation and inspiring business relations.

Last but not least, we would also like to thank you, dear shareholders, for your confidence in us and your loyalty. We look forward to successfully shaping the future of the next 80 years together!



Dr Ulf Berg
Chairman of the
Board of Directors



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

Share Performance

	2016	2015	2014	2013	2012
Number of registered shares	23 389 028	23 389 028	23 389 028	23 389 028	23 389 028
Shares entitled to dividend	23 381 277	23 389 028	23 389 028	23 352 828	23 389 028
Treasury shares	7 751	0	0	36 200	0
Information per share (in CHF):					
Dividend per share	17.00 ¹⁾	15.00	12.00	11.00	10.00
Of which ordinary dividend	13.00	11.00	10.00	8.50	7.50
Of which extraordinary dividend	4.00	4.00	2.00	2.50	2.50
Earnings per share	19.19	16.09	14.66	13.58	11.45
Cash flow per share ²⁾	21.89	18.78	17.30	16.21	14.02
Equity per share ³⁾	60.09	55.18	53.47	50.68	48.03
Stock prices ⁴⁾					
High	547.50	472.00	413.25	331.50	233.10
Low	404.50	327.00	305.45	218.00	162.90
At December 31	517.50	441.00	403.75	317.00	215.40
Market capitalisation on December 31 (CHF millions)	12 103.8	10 314.6	9 443.3	7 414.3	5 038.0

Registered shares are listed on the SIX Swiss Exchange.

EMS-CHEMIE	Security number 1.644.035	ISIN CH0016440353	Investdata/Reuters EMSN
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¹⁾ 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.

Business development

As expected, in 2016 the global economy developed in a moderately positive way. The economic development in the North American markets was pleasing. The automotive market in China developed in a very positive way due to effective government impulse programmes. The European market also showed slight growth.

EMS was again able to continually expand business with innovative specialty products and successfully realise planned new business worldwide in both the main business area of High Performance Polymers as well as the secondary business area Specialty Chemicals. Pleasing growth was achieved in all regions and customer markets. In order to satisfy growing demand, EMS invested in expansion of additional production capacity.

Sales volumes increased by 6.7% compared to previous year. Net sales in Swiss Francs rose by 4.1% to reach CHF 1 983 million (1 905). Net operating income (EBIT) climbed to CHF 548 million (469) which is 16.9% above the previous year. The operational cash flow (EBITDA) closed at CHF 604 million (525) which is an increase of 15.1% compared to previous year. The EBIT margin was 27.6% (24.6%), the EBITDA margin 30.5% (27.5%).

For the business year 2017, EMS expects an overall positive but slower global economy. Political changes will lead to instability in global economic development. Short-term oriented political actions may cause turbulence in market segments. Higher oil prices and a lack of available capacities in the markets are pushing raw material prices up.

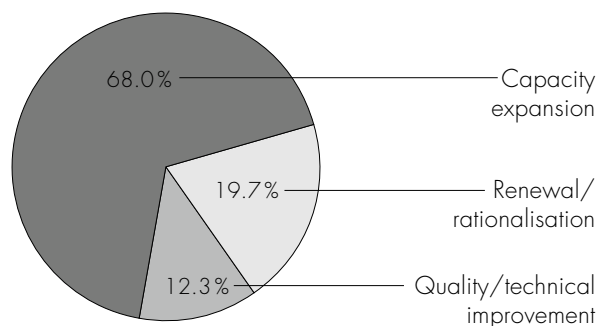
EMS will meet this situation with flexibility. Focus will be put on exploiting global markets with new, innovative products and applications as well as on strengthening market positions. EMS will implement sales price increases in reaction to strongly increasing raw material prices.

For 2017, EMS expects net sales and net operating income (EBIT) slightly above the previous year.

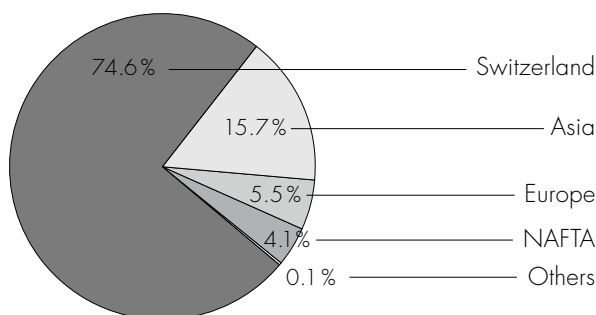
Investments

Overall investments in 2016 amounted to CHF 71 million (55). The majority of this sum was invested in expanding production capacity.

Investment by application



Investment by country and region



EMS Group production by country

Switzerland	44.8%
Germany	11.9%
USA	11.0%
China	8.8%
Belgium	5.1%
Czech Republic	4.7%
Japan	2.8%
Mexico	2.1%
Taiwan	2.1%
Great Britain	1.7%
Spain	1.1%
India	0.8%
Russia	0.7%
Brazil	0.7%
Others	1.7%

EMS Group net sales by country

Germany	21.3%
China	15.4%
USA	14.1%
Japan	5.8%
France	5.5%
Italy	3.4%
Switzerland	3.1%
Mexico	2.9%
Spain	2.5%
Poland	2.4%
Czech Republic	2.0%
South Korea	1.9%
Great Britain	1.8%
Austria	1.4%
Sweden	1.4%
India	1.2%
Canada	1.2%
Taiwan	1.2%
Brazil	1.1%
Russia	1.0%
Slovakia	1.0%
Romania	0.9%
Hungary	0.9%
The Netherlands	0.8%
Others	5.8%

Management structure

At the 2016 Annual General Meeting, Dr Ulf Berg, Magdalena Martullo, Bernhard Merki and Dr Joachim Streu were elected to the Board of Directors for a term of office lasting until the next ordinary Annual General Meeting.

Personnel

At the end of December 2016, the EMS Group had a total of 2 897 (2 855) employees (excluding apprentices), of whom 1 011 (1 006) work in Switzerland, 824 (830) in the rest of Europe, 719 (665) in Asia and 343 (354) in America. At the end of the year, the EMS Group employed

142 (141) apprentices in Switzerland covering 14 (14) different vocational fields. A total of 33 (38) 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 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, 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 reporting year 2016, the main business area High Performance Polymers achieved net sales amounting to CHF 1 713 million (1 655) and a net operating income (EBIT) of CHF 476 million (411). Realisation of new applications with high-performance polymers and innovative process materials for the automotive industry generated considerable new business. These solutions provide customers with higher performance and, at the same time, lower total cost and weight savings.

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.

The secondary business area of Specialty Chemicals was also able to realise profitable new business. This had a positive influence on the development of net sales and result. In the reporting year 2016, net sales amounted to CHF 270 million (251), EBIT was CHF 71 million (57).

CHF millions	2016	2015	2014	2013	2012
Net sales revenue	1 983.1	1 905.4	1 971.9	1 885.2	1 755.4
Change in % against previous year	+4.1 %	–3.4 %	+4.6 %	+7.4 %	+5.9 %
Change in local currencies	+3.8 %	+3.7 %	+7.8 %	+8.7 %	+4.9 %
Of which in Switzerland	3.1 %	3.4 %	3.9 %	3.9 %	4.5 %
Net operating income (EBIT)	547.7	468.6	423.2	368.9	319.7
Change in % against previous year	+16.9 %	+10.7 %	+14.7 %	+15.4 %	+8.7 %
In % of net sales revenue	27.6 %	24.6 %	21.5 %	19.6 %	18.2 %
Net financial income	–5.2	–9.5	–8.5	16.2	2.6
Income taxes	86.9	76.4	65.3	61.3	48.6
Net income	455.5	382.7	349.4	323.8	273.7
Change in % against previous year	+19.0 %	+9.5 %	+7.9 %	+18.3 %	+13.0 %
In % of net sales revenue	23.0 %	20.1 %	17.7 %	17.2 %	15.6 %
Cash flow ¹⁾	511.8	439.0	404.5	378.9	328.0
Change in % against previous year	+16.6 %	+8.5 %	+6.7 %	+15.5 %	+11.0 %
In % of net sales revenue	25.8 %	23.0 %	20.5 %	20.1 %	18.7 %
Investments	71.5	54.8	52.3	57.4	44.2
In % of cash flow	14.0 %	12.5 %	12.9 %	15.2 %	13.5 %
Balance sheet total	1 984.6	1 891.0	1 845.6	1 737.9	1 661.0
Assets					
Current assets	1 337.5	1 257.8	1 194.2	1 096.1	1 093.4
Non-current assets	647.1	633.2	651.4	641.8	567.5
Equity and liabilities					
Current liabilities	366.6	373.7	388.2	415.3	304.2
Non-current liabilities	190.2	205.5	189.2	123.3	218.6
Equity ²⁾	1 405.0	1 290.3	1 250.2	1 184.9	1 123.4
Balance sheet equity ratio	70.8 %	68.2 %	67.7 %	68.2 %	67.6 %
Return on equity	31.9 %	29.2 %	27.4 %	26.8 %	23.8 %
Number of employees on December 31 ³⁾	2 897	2 855	2 865	2 670	2 371

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 (2016: 142, 2015: 141; 2014: 139; 2013: 132; 2012: 132).

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/articlesofassociation and in the Organisational Rules of the EMS Group. All data refer to the situation as at December 31, 2016, except where stated otherwise.

1. Group structure and shareholders

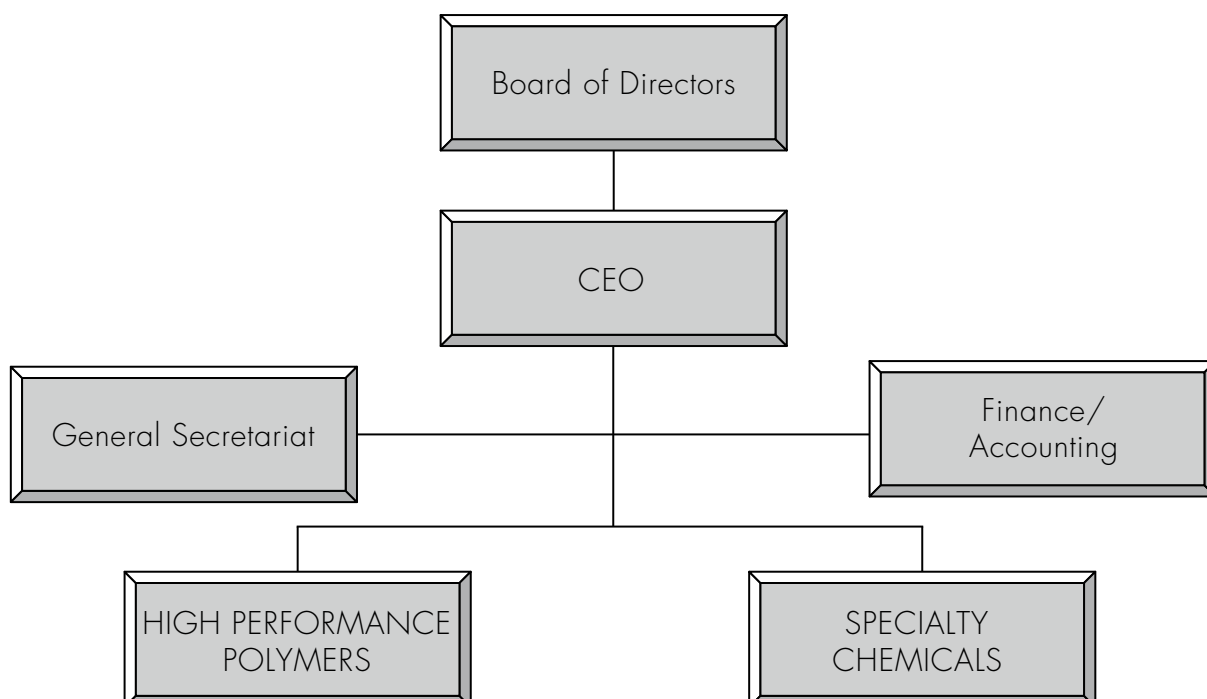
1.1 Group structure

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, 2016, the market capitalization of EMS amounted to CHF 12 103.8 million. No subsidiaries hold EMS registered shares.

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

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



1.2 Significant shareholders

In the 2016 calendar year, two shareholders 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 Baumann-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 authorized or conditional capital exists.

2.3 Changes in capital

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

2.4 Shares and participation certificates/

2.5 Profit sharing certificates

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

2.6 Limitations on transferability and nominee registrations

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

The Board of Directors may 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	2017
Magdalena Martullo	Swiss	Executive	1969	August 2001	2017
Dr Joachim Streu	German	Non-executive	1956	August 2013	2017
Bernhard Merki	Swiss	Non-executive	1962	August 2014	2017

On December 31, 2016, the Board of Directors of EMS-CHEMIE HOLDING AG consisted of the following four members:

Dr Ulf Berg (1950, Swiss citizen, M.Sc. and 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 Ulf Berg was COO/CEO of Carlo Gavazzi Holding AG. From 2003 to 2004, he was CEO of SIG Beverages Int. AG before moving to Sulzer AG as CEO in 2004. From 2007 to 2009, he was non-executive Chairman of the Board of Directors of Sulzer AG Switzerland. Dr Ulf Berg was a member of the Management Board Committee of Swissmem from 2004 to 2015 and 2006 to 2017 he was a member of the Board of Directors of Bobst SA Switzerland. Since 2012, Dr Ulf Berg is member of the Board of Greater Zurich Area AG, Switzerland, of Synagro Ltd., Baltimore, USA, and Am-Tec AG, Zurich. Since 2016 Dr Ulf Berg is a member of the advisory board of G+E Getec Holding GmbH, Magdeburg and Chairman of the Board of Directors of Kuoni Reisen Holding AG, Zurich. He is partner of BLR Partners Ltd. in Thalwil, Zurich and member of the Board of Directors of various BLR-portfolio-firms.

Magdalena Martullo (1969, Swiss citizen, Master of Business Administration) 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. Due to her shareholding in the ERESTA HOLDING AG, she is today

majority shareholder in the EMS-CHEMIE HOLDING AG together with her sister Rahel Blocher. Magdalena Martullo graduated from 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 for various other companies in Switzerland and abroad. She also leads the Board Committee on Economic Policy for scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she has been a member of the Executive Board since 2004. Since 2015 she has been member of the National Council of Swiss Parliament as representative of the Swiss People's Party of Grisons. In addition, since 2016 Magdalena Martullo has been a member of the party leadership of the Swiss People's Party of Switzerland responsible for the area "Economic Policy". She is also a member of the party leadership committee of the Swiss People's Party of Grisons.

Dr Joachim Streu (1956, German citizen, Diploma and Ph.D. in organic chemistry) has been non-executive member of the Board of Directors of EMS-CHEMIE HOLDING AG since August 2013. He worked for BASF from 1984 to 2011 where he held many international responsibilities. From 1987 to 1995 he was active in different positions for the BASF subsidiary Elastogran GmbH (thermoplastic polyurethanes and polyurethane systems). From 1995 until 2001 Dr Joachim Streu was Director of BASF Polyurethanes in Brussels. From 1995 until 1998 he was Head of Marketing for the business of polyurethane chemicals worldwide, from 1998 to 2001 Vice President of the Global Business Unit Polyurethane Specialties. From 2001 to 2004 he was Group Vice President of the Global Business Unit Styrene. From 2004 to 2008 he was Head of BASF Management Consulting

and from 2008 to 2010 President of the BASF Division Styrenics. Since 2012 Dr Joachim Streu has worked as an independent corporate consultant.

Bernhard Merki (1962, Swiss citizen, Dipl. Masch. Ing. HTL) has been non-executive member of the Board of Directors of EMS-CHEMIE HOLDING AG since August 2014. From 1988 to 2013 he held different management positions within the Netstal Group, Näfels, Switzerland; the last ten years as CEO. From 2003 to 2012, Bernhard Merki served as member of the Executive Committee of the Krauss Maffei AG, Germany, and from 2006 until 2012 as Vice President of the Board of Directors of Netstal-Maschinen AG. From 2005 to 2012 he was President of EUROMAP, the European association for plastics and rubber machinery manufacturers and from 2013 to 2016 he was a member of the Board of Directors of Hermann Bühler AG, Switzerland. Since 2010, Bernhard

Merki is a member of the Board of Directors of RONDO Burgdorf AG and of the Seewer Holding AG, Switzerland. Since 2008, Bernhard Merki is also a member of the Board of Governors of the University of Applied Sciences and Technology in Rapperswil, Switzerland. He is CEO of the 4B AG in Hochdorf, Switzerland, since 2014.

None of the non-executive members of the Board of Directors have ever been a member of any Executive 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 Number of permitted activities outside the EMS Group

As per Article 19 of the Articles of Association, members of the Board of Directors must not hold more than 15 additional mandates.

Attendance at meetings of the Board of Directors and committees 2016

Name	Function	Attendance at meetings		
		Board of Directors	Audit Committee	Remuneration Committee
Dr Ulf Berg	Chairman	7 ¹⁾	7	5
Magdalena Martullo	Vice-Chairman and CEO	7		
Dr Joachim Streu	Member	7	7 ¹⁾	4
Bernhard Merki	Member	7		5 ¹⁾
Total meetings		7	7	5
Total duration (hours)		1–5	1–3	1–2

¹⁾ Chairman

3.4 Elections and terms of office

The President and the members of the Board of Directors as well as the members of the Remuneration Committee are elected individually by the Annual General Meeting for a term of office lasting until the next ordinary Annual General Meeting; re-election is possible.

3.5 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 super-

vising and monitoring the company's management and that of its affiliated companies which together form the EMS Group. With the exception of the President and the Members of the Remuneration Committee, who are elected by the Annual General Meeting, the Board of Directors constitutes itself. 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 Remuneration Committee. Their tasks and responsibilities are set out in guidelines. Both committees have assessment, advisory and monitoring functions but no decision-making powers.

As of December 31, 2016, the Audit Committee consisted of two non-executive, independent members of the Board of Directors (Dr Joachim Streu, Chairman, 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.

As per December 31, 2016, the Remuneration Committee consisted of three non-executive members of the Board of Directors (Bernhard Merki, Chairman, Dr Joachim Streu, member, Dr Ulf Berg, member). The Remuneration Committee is concerned with the remuneration policy of the EMS Group (Board of Directors, Executive Management, senior executives). It supports the Board of Directors, in particular in the writing of the Remuneration Report.

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 seven meetings in 2016, each lasting between one and five hours. The Audit Committee held seven meetings, each lasting between one and three hours, while the Remuneration Committee held five meetings, each lasting between one and two hours.

The Head of Finance (CFO) also attends the meetings of the Board of Directors and the Audit Committee. Other members of Executive 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. The Chairman does not have a casting vote. Resolutions can also be passed by telephone, electronic media or circular, provided that no member requests discussion in person. Individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely associated.

Members of Executive 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.

3.6 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 716a 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 Executive 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 organization 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 executive managers of other companies and with important customers.

3.7 Information and control instruments vis-à-vis the Executive Management

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. Additionally, 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. 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 Executive 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 Executive 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, ten internal 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 internal 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 Executive 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. Executive Management

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

The Executive Management of EMS-CHEMIE HOLDING AG is consisted of the following five persons:

Magdalena Martullo (1969, Swiss citizen, Master of Business Administration) 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. Due to her shareholding in the ERESTA HOLDING AG, she is today majority shareholder in the EMS-CHEMIE HOLDING AG together with her sister Rahel Blocher. Magdalena Martullo graduated from 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 for various other companies in Switzerland and abroad. She also leads the Board Committee on Economic Policy for scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she has been a member of the Executive Board since 2004. Since 2015 she has been member of the National Council of Swiss Parliament as representative of the Swiss People's Party of Grisons. In addition, since 2016 Magdalena Martullo has been a member of the party leadership of the Swiss People's Party of Switzerland responsible for the area "Economic Policy". She is also a member of the party leadership committee of the Swiss People's Party of Grisons.

Peter Germann (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 Executive 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 (1952, Swiss citizen, Dr sc. techn., dipl. Chem. ETH) has been a member of Executive 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.

Markus Kremmel (1960, Austrian citizen, Qualified financial expert) has been a member of Executive Management since January 2016. He has been active for the EMS Group since 1984. From 1991 to 2001 he was responsible for the financial and accounting department as well as mergers and acquisitions for the business unit EMS-EFTEC. In 2002 he became global Head of Business Development for EMS-EFTEC. Before joining EMS he worked for seven years in his parents' company.

Dr Jürgen Spindler (1958, Swiss citizen, Dr rer. nat., dipl. Chem. University of Stuttgart) has been a member of Executive Management since February 2017. He joined the EMS Group in 1988 as research assistant in research & development. Since then he has held various leadership positions in different business units at EMS, his last position being Business Unit Leader of EMS-GRILTECH. Dr Jürgen Spindler is Chairman of the Board of the pension fund of the EMS-CHEMIE AG and also represents EMS as member of the University Council of the University for Applied Sciences (HTW) Chur, Switzerland.

Members of Executive 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. Executive Management usually meets every two weeks. In addition, the Secretary General attends these meetings in an advisory function. The duties and responsibilities of Executive Management are listed in section 3.6 (Definition of areas of responsibility).

4.3 Number of permitted activities outside the EMS Group

As per Article 19 of the Articles of Association, members of Executive Management must not hold more than 15 additional mandates.

4.4 Management contracts

No management contracts with third parties exist.

5. Remuneration, shareholdings and loans

Details about remuneration, participation and loans are given in the Remuneration Report on page 17 and 18, resp. in the appendix to the annual financial statement of the EMS-CHEMIE HOLDING AG in note 3.2.

6. Shareholders' participation

Shareholders' participation rights are laid down in the Articles of Association of EMS-CHEMIE HOLDING AG (www.ems-group.com/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 or by the Independent Proxy. Shareholders may also issue powers of attorney or directives to the Independent Proxy electronically. The Independent Proxy is elected by the Annual General Meeting for a term of office lasting until the next ordinary Annual General Meeting; re-election is permissible. 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 cast.

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. 730a par. 2 CO).

8.2 Audit fees

The EMS Group paid KPMG a global total of approximately CHF 401 959 for services relating to the audit of the Group's annual financial statements.

8.3 Additional fees

KPMG charged a global total of approximately CHF 411 011, comprising CHF 406 453 for tax consultancy services, CHF 4 558 for legal advices and CHF 0 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 (regarding the meetings held see section 3.5, page 11). The independent statutory auditor was invited to attend one meeting of the Audit Committee. Executive 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 Executive 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 14, 2017:

Half-year report 2017 (Media conference)

August 12, 2017:

Annual General Meeting 2017
of EMS-CHEMIE HOLDING AG

End of August 2017:

Definitive Half-year report 2017

October 2017:

Third-quarter report 2017

February 2018:

Annual results 2017 (Media conference)

April 2018:

First-quarter report 2018

Further details regarding dates can be found at www.ems-group.com/calendar.

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

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

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Remuneration system, competence and method of determining

The remuneration system for members of the Board of Directors and Executive Management consists, as per the Articles of Association, of a fixed remuneration and a possible variable remuneration component, which are paid out in cash only. EMS has no participation plan. The fixed and any possible variable remuneration component are independent of each other. The variable remuneration component may form a central part of the overall remuneration package. The principle criteria for the variable remuneration component are the achievement of earnings targets and

project objectives. The Board of Directors determines the variable remuneration component at its discretion taking target achievement into account.

The remuneration sum is defined by the Board of Directors at the proposal of the Remuneration Committee and after consultation with the CEO. Variable remuneration components are paid in May of the following year. According to the current contracts, members of the Board of Directors only receive a fixed remuneration. In the reporting year, the variable remuneration component of members of Executive Management amounts on average to 55% of the total remuneration sum (2015/2016: 53%).

Remuneration for the reporting period and comparison with previous period (audited by the Statutory Auditors)

The following remuneration was paid in the reporting year (1.5.2016–30.4.2017):

		2016/2017 (CHF '000)	2015/2016 (CHF '000)
Board of Directors	Function	Remuneration	
Dr U. Berg	Chairman	242	243
M. Martullo	Vice-Chairman and CEO	236	230
Dr J. Streu	Member	130	130
B. Merki	Member	137	137
Total Board of Directors		745	740
Executive Management			
Total remuneration paid to the Executive Management was Of this, KCHF 1 721 (2015/2016: KCHF 1 390) was variable remuneration components. The highest remuneration for a member of Executive Management in the reporting year was KCHF 1 192 (2015/2016: KCHF 1 052) and of this, KCHF 679 (2015/2016: KCHF 522) as variable remuneration component, paid to M. Martullo, independent of her remuneration as Member of the Board of Directors.		3 127	2 610
Total remuneration paid to the Board of Directors and Executive Management was The remuneration is paid exclusively in cash. EMS has no stock option program.		3 872	3 350
Advisory board	There is no advisory board.		
No remuneration was paid to former members of the Board of Directors or Executive Management. Furthermore, all remuneration for current or former members of the Board of Directors, Executive Management and related parties was paid based on standard market terms.			

Voting of the Annual General Meeting on remuneration

According to Article 23 of the Articles of Association, the Board of Directors annually requests the Annual General Meeting for approval, for the Board of Directors and Executive Management separately, of the remuneration for the previous business year. Any remuneration already paid is subject to subsequent approval by the Annual General Meeting.

Credit Facilities

As per Article 20 of the Articles of Association, members of the Board of Directors and Executive Management may be granted loans and credit facilities. Such loans and credit facilities must not

in aggregate exceed the amount of 50 MCHF, may only be granted on standard market terms and in compliance with the applicable withdrawal rules.

Neither the current nor previous members of the Board of Directors or Executive Management or persons associated to them have received loans or credit facilities.

Proposals to the Annual General Meeting 2017: Approval of the remuneration 2016/2017

Total sum of remuneration to the Board of Directors to be approved: KCHF 745.

Total sum of remuneration to Executive Management to be approved: KCHF 3 127.

Report of the Statutory Auditor on the Remuneration Report



To the General Meeting of Shareholders of EMS-CHEMIE HOLDING AG, Domat/Ems

We have audited the remuneration report dated June 23, 2017 of EMS-CHEMIE Holding AG for the year ended April 30, 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the table «Remuneration for the reporting year and comparison with previous period» on page 17 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended April 30, 2017 of EMS-CHEMIE HOLDING AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Roman Künzle
Licensed Audit Expert

Zurich, June 23, 2017

Consolidated Income Statement

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	Notes	2016 (CHF '000)	2015 (CHF '000)
Net sales revenue from goods and services		1 983 071	1 905 430
Inventory changes, semi-finished and finished goods		(5 696)	7 617
Capitalized costs and other operating income	1	28 831	26 471
Material expenses		(1 056 250)	(1 078 147)
Personnel expenses	2	(226 950)	(222 478)
Other operating expenses	3	(119 027)	(113 981)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION		603 979	524 912
Depreciation and amortization	8, 22	(56 276)	(56 321)
OPERATING PROFIT		547 703	468 591
Financial income	5	749	1 862
Financial expenses	6	(5 980)	(11 382)
PROFIT BEFORE TAXES		542 472	459 071
Income taxes	7	(86 946)	(76 356)
NET PROFIT		455 526	382 715
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		448 755	376 248
Non-controlling interests	16	6 771	6 467
Earnings per share in CHF:			
Basic	24	19.19	16.09
Diluted	24	19.19	16.09

Consolidated Statement of Comprehensive Income

Net income recognized in income statement		455 526	382 715
Actuarial gains from defined benefit pension plans, net of tax		8 508	2 024
Items that will not be reclassified to income statement, net of tax		8 508	2 024
Net changes from cash flow hedges, net of tax	13	9 855	(15 097)
Currency translation differences		2 444	(44 802)
Items that are or may be reclassified to profit or loss		12 299	(59 899)
Other comprehensive income		20 807	(57 875)
COMPREHENSIVE INCOME		476 333	324 840
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		468 923	319 153
Non-controlling interests	16	7 410	5 687

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	31.12.2016 (CHF '000)	31.12.2015 (CHF '000)
NON-CURRENT ASSETS		647 127	633 203
Intangible assets	8	78 077	84 984
Property, plant and equipment	8	533 303	514 158
Investments		183	183
Other non-current assets	9	6 503	6 638
Derivative financial instruments	13	3 522	1 255
Deferred income tax assets	7	25 539	25 985
CURRENT ASSETS		1 337 497	1 257 770
Inventories	10	299 862	305 921
Trade receivables	11	276 786	250 370
Income tax assets		3 380	14 537
Other receivables	12	368 806	251 343
Derivative financial instruments	13	3 998	2 114
Cash and cash equivalents	14	384 665	433 485
TOTAL ASSETS		1 984 624	1 890 973
EQUITY		1 427 782	1 311 806
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 404 950	1 290 286
Share capital	15	234	234
Treasury shares	15	(3 540)	0
Retained earnings and reserves		959 501	913 804
Net income		448 755	376 248
Equity, attributable to non-controlling interests	16	22 832	21 520
LIABILITIES		556 842	579 167
Non-current liabilities		190 205	205 510
Derivative financial instruments	13	308	8 491
Bank loans	17	2 666	2 504
Other non-current liabilities		15	71
Deferred income tax liabilities	7	97 228	98 141
Pension liabilities	18	61 632	66 359
Provisions	19	28 356	29 944
Current liabilities		366 637	373 657
Derivative financial instruments	13	12 899	12 727
Bank loans	17	9 357	1 642
Trade payables		106 252	107 348
Income tax liabilities		60 823	88 418
Provisions	19	4 447	2 671
Other current liabilities	20	172 859	160 851
TOTAL EQUITY AND LIABILITIES		1 984 624	1 890 973

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

EMS Group
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(CHF '000)	Share capital	Capital reserves (share premium)	Treasury shares	Retained earnings	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. 2014	234	22 631	0	1 291 412	0	(64 124)	1 250 153	18 059	1 268 212
Net changes from cash flow hedges					(15 097)		(15 097)		(15 097)
Acturial gains from defined benefit pension plans				2 024			2 024		2 024
Currency translation differences						(44 022)	(44 022)	(780)	(44 802)
Other comprehensive income				2 024	(15 097)	(44 022)	(57 095)	(780)	(57 875)
Net income recognized in income statement				376 248			376 248	6 467	382 715
Comprehensive income	0	0	0	378 272	(15 097)	(44 022)	319 153	5 687	324 840
Transactions with treasury shares		1 648					1 648		1 648
Dividends paid				(280 668)			(280 668)	(2 225)	(282 893)
At 31.12. 2015	234	24 279	0	1 389 016	(15 097)	(108 146)	1 290 286	21 520	1 311 806
Net changes from cash flow hedges					9 855		9 855		9 855
Acturial gains from defined benefit pension plans				8 508			8 508		8 508
Currency translation differences						1 805	1 805	639	2 444
Other comprehensive income				8 508	9 855	1 805	20 168	639	20 807
Net income recognized in income statement				448 755			448 755	6 771	455 526
Comprehensive income	0	0	0	457 263	9 855	1 805	468 923	7 410	476 333
Transactions with treasury shares			(3 540)				(3 540)		(3 540)
Dividends paid				(350 719)			(350 719)	(6 099)	(356 818)
At 31.12. 2016	234	24 279	(3 540)	1 495 560	(5 242)	(106 341)	1 404 950	22 832	1 427 782
								2016	2015
Balance sheet equity ratio								71.9%	69.4%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2015: KCHF 47) not eligible for distribution.

On February 10, 2017, the company announced that the Board of Directors will propose a dividend payment of CHF 17.00 per each share to the ordinary annual shareholder meeting on August 12, 2017 (CHF 13.00 ordinary dividend, CHF 4.00 extraordinary dividend).

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

Consolidated Statement of Cash Flows

	Notes	2016 (CHF '000)	2015 (CHF '000)
Net income		455 526	382 715
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	8, 22	56 276	56 321
Loss from disposal of property, plant and equipment, net	3	604	505
Increase/(decrease) of provisions	19	984	(72)
Increase/(decrease) of other non-current liabilities		(56)	56
Unrealized currency translation (gains)/losses on foreign exchange positions		1 825	(2 638)
Change assets and liabilities of post-employment benefits, net	18	5 644	10 448
Net interest income	5, 6	(133)	(287)
Dividends on available-for-sale securities	5	(4)	(1 085)
Expenses for income taxes	7	86 945	76 356
Changes in net working capital		(12 485)	(42 771)
Taxes paid		(107 880)	(69 230)
Interest paid		(437)	(494)
Provisions used	19	(771)	(183)
CASH FLOW FROM OPERATING ACTIVITIES A		486 038	409 641
Purchase of intangible assets and property, plant and equipment	8	(71 454)	(54 795)
Disposal of intangible assets and property, plant and equipment	3, 8	3 545	792
Decrease in other non-current assets	9	15	205
Interest received		694	777
Dividends received		3	1 085
Paid withholding taxes	12	(105 089)	(127 440)
Purchase of interest-bearing assets	12	(35 000)	0
Disposal of interest-bearing assets	12	24 101	26 154
CASH FLOW FROM INVESTING ACTIVITIES B		(183 185)	(153 222)
Dividends paid to shareholders of EMS-CHEMIE HOLDING AG		(350 719)	(280 668)
Dividends paid to non-controlling interests	16	(6 098)	(2 225)
Purchase of treasury shares	15	(3 540)	(10 639)
Sale of treasury shares	15	0	12 287
Borrowing of interest-bearing liabilities	17	7 877	2 463
Repayment of interest-bearing liabilities	17	0	(9 955)
CASH FLOW FROM FINANCING ACTIVITIES C		(352 480)	(288 737)
Increase/(decrease) in cash and cash equivalents (A + B + C)		(49 627)	(32 318)
Cash and cash equivalents at 1. 1.		433 485	473 288
Translation difference on cash and cash equivalents		807	(7 485)
Cash and cash equivalents at 31.12.	14	384 665	433 485

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 may 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.

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 expectancies to be reduced, the intended use of property, plant and equipment to change, production sites to be relocated or closed, and production plants to generate lower-than-expected sales in the medium term. The carrying amounts for property, plant and equipment and intangible assets are shown in note 8.

Provisions for litigation risks, environmental risks and other provisions

In the course of their ordinary business operations, Group companies may be involved in legal proceedings. If considered necessary, provisions for litigation risks, environmental risks and other provisions are measured using available information on the basis of the realistically expected net cash outflow. 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 19.

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 note 18.

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 capitalized requires critical assessment of their usability in terms of netting with future profits, which are dependent on numerous imponderables. The book values of the current deferred income tax assets and deferred income tax liabilities are shown in note 7. The current deferred income tax assets and deferred income tax liabilities are shown in the balance sheet on a separate line.

Changes to the consolidated accounting principles

In 2016, the EMS Group implemented various minor amendments to existing standards and interpretations, which have no material impact on the Group's overall results and financial position.

The EMS Group is currently assessing the potential impact of the various new and revised standards and interpretations that will be mandatory from January 1, 2017 which the EMS Group has not yet applied. Based on the analysis to date, the EMS Group does not anticipate that these will have a material impact on the Group's overall results and financial position.

The EMS Group is also assessing other new and revised standards which are not mandatory until after 2017, as summarised below.

IFRS 9 Financial Instruments: The EMS Group plans to implement the new standard effective January 1, 2018. The EMS Group does not currently anticipate that the comparative 2017 results will be restated when the new standard is applied. The standard deals with the classification, recognition and measurement (including impairment) of financial instruments, the impairment of financial assets, including trade and lease receivables and also introduces a new hedge accounting model.

IFRS 15 Revenues from Contracts with Customers: The EMS Group plans to implement the new standard effective January 1, 2018. The EMS Group does not anticipate that the new standard will change the amounts of revenue recognized for 2017 and therefore then no restatement should be necessary. The new standard contains a new set of principles on when and how to recognize and measure revenue as well as new requirements related to presentation. The core principle in that framework is that revenue should be recognized dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration to which should be received in exchange for those goods or services.

IFRS 16 Leases: The EMS Group plans to implement the new standard effective January 1, 2019 and will apply the cumulative catch-up method option for the transition, meaning that the comparative 2018 results will not be restated when the new standard is applied. The main impact of the new standard will be to bring operating leases on balance sheet. The EMS Group is assessing the potential impact. The application of the new

standard will result in part of what is currently reported as operating lease costs being recorded as interest expenses. Given the leases involved and the prevailing low interest rate environment the EMS Group does not currently expect this effect to be material.

Consistency

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

Financial instruments

The difference between the carrying value less allowances of financial assets and liabilities is not material.

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, either by it holding more than 50% of the voting rights or by contracts or other agreements (see note 30 "List of subsidiaries").

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).

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. Unrealized 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 capitalized 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 recognized.

In the case of disposal of companies the deconsolidation is effected through the income statement as of the date when control is relinquished. The companies' results are then included in the consolidation up to such date.

Balance sheet date

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

Valuation principles

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

Intangible assets (excluding goodwill)

This item consists of acquired customer relationships, patents, trademarks, software and other intangible assets. Intangible assets are valued at their acquisition cost less depreciation and impairment. Depreciation is amortized on a straight-line basis over its limited, economic life. These are 7 years for customer relationships and generally 3 to 12 years for patents, trademarks and software.

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 capitalized 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 capitalized 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 realizable 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 recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, non-current bank loans are stated at amortized 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 recognized 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

Swiss group entities participate in individual, legally independent pension funds, which are managed autonomously. These funds are fully funded by employee and employer contributions. Present and former employees or their surviving dependents, respectively, receive benefits for retirement, disability or in case of death, depending on the regulations of the individual pension funds.

For the purpose of the consolidated financial statements, the corresponding employee benefit obligations resulting from the Swiss plans are calculated on an annual basis. These plans are considered to be defined benefit plans for which independent actuaries calculate the future employee benefit obligations for each plan by using actuarial assumptions and methods in accordance with IFRS. For pension funds with defined benefit obligations, such obligations are calculated based on past and expected future service periods, the expected development of salaries and the indexation of pensions using the "Projected Unit Credit Method".

The amount recognized in the consolidated financial statements represents the deficit or surplus of the defined benefit plans (net pension liability or asset). However, in case of a surplus the recognized asset is limited to the present value of the economic benefits from future reductions in contributions.

The components of pension costs from defined benefit plans are recognized as follows:

- service costs and net interest income or expense are recognized in profit or loss as part of personnel expenses,
- remeasurements are recognized in other comprehensive income.

Service costs comprise current service costs, any past service costs, and gains and losses on settlements. Gains and losses on plan curtailments are treated equally to past service costs. Employee contributions reduce the service costs and are deducted from these costs depending on the individual pension fund regulations or in cases where there is a factual obligation to do so.

Net interest income or expense result from the multiplication of the net defined benefit liability (or asset) at the beginning of the financial year with the actuarial discount rate, under consideration of changes resulting from the payments of contribution and annuities throughout the financial year.

Remeasurements comprise:

- actuarial gains and losses from changes of the present value of the defined benefit liability (asset) arising from changes in actuarial assumptions and experience adjustments;
- the actual return on plan assets, excluding amounts included in net interest income or expense; and
- changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in net interest income or expense.

The employees of foreign group entities are covered either by state managed social welfare schemes or independent defined contribution pension plans.

The expenses which are recognized in the statement of profit or loss for these defined contribution pension plans represent the employer contributions made to these 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 recognized 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 recognized as sales when the main risks and benefits incidental to ownership are transferred. In the EMS Group more than 90% of net sales are recognized 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 amortization on research and development assets. Development costs are capitalized 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 recognized 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 recognized in the income statement (transaction gains and losses).

The most important exchange rates are:

	Unit	Average exchange rates		Year-end exchange rates	
		2016	2015	2016	2015
Euro	EUR 1	1.090	1.068	1.074	1.082
US Dollar	USD 1	0.985	0.962	1.019	0.990
Japanese Yen	JPY 100	0.907	0.795	0.874	0.821
Chinese Renminbi	CNY 100	14.832	15.309	14.630	15.000
Taiwan Dollar	TWD 100	3.056	3.030	3.163	3.005

Income taxes

Current income taxes are calculated on the taxable profit.

Deferred income taxes are recognized to reflect the tax impact on differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes and are recognized in the consolidated income statement, unless they relate to a transaction which is recognized in equity or other comprehensive income. 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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. Operating performance is monitored quarterly by the Board of Directors. 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 Executive 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 Executive Management or Head of Business Unit, monitors exposure and prepares the relevant reports, which are submitted monthly to Executive 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 balance sheet equity ratio is 71.9% as at December 31, 2016 (December 31, 2015: 69.4%). 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.

Segment Information

Segment information by business area

(CHF '000)	High Performance Polymers		Specialty Chemicals		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales revenue with third parties	1 712 824	1 654 878	270 247	250 552			1 983 071	1 905 430
Net sales revenue with other segments	0	0	0	0	0	0	0	0
Total net sales revenue	1 712 824	1 654 878	270 247	250 552	0	0	1 983 071	1 905 430
Operating profit before depreciation and amortization	524 957	459 934	79 022	64 978	0	0	603 979	524 912
Depreciation, amortization and impairments ¹⁾	48 655	48 664	7 621	7 657	0	0	56 276	56 321
Operating profit	476 302	411 270	71 401	57 321	0	0	547 703	468 591
Net financial income							(5 231)	(9 520)
Profit before taxes							542 472	459 071
Income taxes							(86 946)	(76 356)
Net profit							455 526	382 715

(CHF '000)	High Performance Polymers		Specialty Chemicals		Non-segment assets/liabilities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Segment assets ²⁾	1 395 572	1 277 473	157 082	143 609	431 970	469 891	1 984 624	1 890 973
Segment liabilities ³⁾	530 822	560 216	12 843	13 906	13 177	5 045	556 842	579 167
Investments	60 336	43 520	11 118	11 275			71 454	54 795

Segment information by geographical region

(CHF '000)	Total net sales revenue (customers)		Total net sales revenue (production)		Segment assets ²⁾	
	2016	2015	2016	2015	2016	2015
Europe	1 034 169	995 832	1 400 121	1 339 151	1 191 150	1 081 285
<i>thereof Switzerland</i>	61 974	64 769	888 697	857 880	850 595	746 461
<i>thereof Germany</i>	423 220	414 586	235 512	217 403	91 285	92 002
Asia	542 034	525 740	307 683	307 755	260 719	229 477
<i>thereof China</i>	305 859	301 069	174 544	167 319	147 957	124 518
NAFTA	362 304	341 068	259 823	245 089	94 252	104 651
<i>thereof USA</i>	280 050	258 217	217 983	202 156	74 327	84 377
Others	44 564	42 790	15 444	13 435	6 533	5 669
Non-segment assets					431 970	469 891
Total	1 983 071	1 905 430	1 983 071	1 905 430	1 984 624	1 890 973

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

Most important customers

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

¹⁾ See note 8.

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

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

Consolidated Income Statement

Notes	2016 (CHF '000)	2015 (CHF '000)
1	Capitalized costs and other operating income	
	Capitalized costs	14 119
	Other operating income	14 712
	Total capitalized costs and other operating income	28 831
2	Personnel expenses	
	Wages and salaries	178 054
	Subcontractor salaries	11 608
	Expenses for defined benefit plans (see note 18)	6 078
	Legal/contractual social insurance	31 210
	Total personnel expenses	226 950
3	Other operating expenses	
	Rents	11 293
	Repairs and maintenance	27 200
	Insurance, duties, fees	6 829
	Energy	30 822
	Administration, promotion	30 281
	Losses on disposal of property, plant and equipment, net	604
	Supplies	6 797
	Other operating expenses	5 201
	Total other operating expenses	119 027
4	Research and development	
	Expenditures for research and development amount to	46 053
	In percent of net sales revenue	2.3%
5	Financial income	
	Other interest income	739
	Interest income on loans and receivables	6
	Total interest income	745
	Dividends on available-for-sale securities	4
	Total financial income	749

Notes	2016 (CHF '000)	2015 (CHF '000)
6		
Financial expenses		
Interest expenses	612	490
Foreign exchange losses, net	4 826	8 962
Bank charges and commissions	542	1 930
Total financial expenses	5 980	11 382
7		
Income taxes		
Current income taxes	90 754	73 900
Deferred income taxes	(3 808)	2 456
Total income taxes	86 946	76 356

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.

Taxation on other items in the statement of comprehensive income and equity

	2016			2015		
	Amount before taxes	Taxes	Amount after taxes	Amount before taxes	Taxes	Amount after taxes
Actuarial gains from defined benefit pension plans	10 251	(1 743)	8 508	2 439	(415)	2 024
Cash flow hedges	10 693	(838)	9 855	(16 380)	1 283	(15 097)
Currency translation differences	2 444	0	2 444	(44 802)	0	(44 802)
Comprehensive income	23 388	(2 581)	20 807	(58 743)	868	(57 875)
Treasury shares	3 540	0	3 540	1 789	(141)	1 648

Breakdown of the income tax expenses

Net income before income taxes	542 472	459 071
Expected income tax rate	17.1%	19.6%
Expected income taxes	92 789	89 885
Utilisation of previously unrecognized tax losses	(975)	(573)
Losses for the current year for which no deferred tax asset was recognized	1 982	1 119
Tax exemption	(8 691)	(7 981)
Expenses not being deductible for tax purposes	923	2 515
Taxes from previous years	879	(257)
Resolution tax provision	0	(8 234)
Impact of changed deferred income tax rates	39	(116)
Other	0	(2)
Effective income taxes	86 946	76 356
Effective income tax rate	16.0%	16.6%

Notes	2016 (CHF '000)		2015 (CHF '000)	
	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
Deferred income taxes: Change in recognized assets/liabilities				
At 1. 1.	25 985	98 141	25 650	96 600
Increase/Decrease via income statement	1 444	(2 364)	1 053	3 509
Increase/Decrease via other comprehensive income/Equity	(1 743)	837	(576)	(1 283)
Translation differences	(147)	614	(142)	(685)
At 31. 12.	25 539	97 228	25 985	98 141
Note to the deferred income tax				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	0	81 344	0	80 943
Deferred income taxes on current assets	0	9 718	0	11 533
Deferred income taxes on liabilities	0	6 166	0	5 665
Deferred income taxes on pension liabilities	8 122	0	6 485	0
Deferred income taxes on provisions and accruals	17 417	0	19 500	0
Total deferred income tax liabilities	25 539	97 228	25 985	98 141
Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.				
As at December 31, 2016, temporary differences of KCHF 16 819 (2015: KCHF 8 444) existed from investments in subsidiaries. A deferred tax liability was not recognized as the Group controls the date of the reversal of the related contingent temporary differences and does not expect them to be realized in the near future.				
Tax loss carryforwards				
	Tax loss carryforwards	Tax effect	Tax loss carryforwards	Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognized	21 803	5 710	17 553	3 727
Of which to be carried forward for up to:				
1 year	638	217	530	154
2 years	2 754	936	651	211
3 years	1 706	580	2 830	671
4 years	434	147	1 695	464
5 years	0	0	421	81
More than 5 years	16 271	3 830	11 426	2 146

Notes

8 Intangible assets, property, plant and equipment, investments

I. Intangible assets

	Goodwill	Customer and supplier relationships	Others	Total
(CHF '000)				
At 1.1.2015	50 621	41 667	3 387	95 675
Cost	50 621	47 747	33 530	131 898
Accumulated amortization and impairment	0	(6 080)	(30 143)	(36 223)
Net book value	50 621	41 667	3 387	95 675
2015				
At 1.1.	50 621	41 667	3 387	95 675
Additions	0	0	350	350
Disposals	0	0	0	0
Amortization	0	(6 924)	(882)	(7 806)
Reclassifications	0	17	644	661
Translation differences	18	(4 747)	833	(3 896)
At 31.12.	50 639	30 013	4 332	84 984
Cost	50 639	48 778	28 327	127 744
Accumulated amortization and impairment	0	(18 765)	(23 995)	(42 760)
Net book value	50 639	30 013	4 332	84 984
2016				
At 1.1.	50 639	30 013	4 332	84 984
Additions	0	0	255	255
Disposals	0	0	(2 738)	(2 738)
Amortization	0	(6 922)	(993)	(7 915)
Reclassifications	0	0	3 087	3 087
Translation differences	253	(728)	879	404
At 31.12.	50 892	22 363	4 822	78 077
Cost	50 892	47 705	29 292	127 889
Accumulated amortization and impairment	0	(25 342)	(24 470)	(49 812)
Net book value	50 892	22 363	4 822	78 077

The other intangible assets mainly contain patents, trademarks and capitalized software usage rights.

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 50 892 (2015: KCHF 50 639) 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 2% (2015: 1%).
- The discount rate before taxes is 9% (2015: 11%).

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

Impairment testing as of the closing date confirmed the recoverability of goodwill. A deterioration of the assumptions by 10% would not impair goodwill. Even if cash flow forecasts were based on zero growth, the carrying amount would not exceed the recoverable amount. An increase of 10 percentage points in the assumed discount rate would not alter the results of the impairment test.

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. 2015	22 275	129 355	303 248	18 745	48 724	522 347
Cost	24 463	313 228	951 873	64 138	48 724	1 402 426
Accumulated depreciation and impairment	(2 188)	(183 873)	(648 625)	(45 393)	0	(880 079)
Net book value	22 275	129 355	303 248	18 745	48 724	522 347
2015						
At 1.1.	22 275	129 355	303 248	18 745	48 724	522 347
Additions	0	389	1 640	2 532	49 884	54 445
Disposals	(6)	(201)	(232)	(263)	(595)	(1 297)
Depreciation	(74)	(5 931)	(32 887)	(4 623)	0	(43 515)
Impairment	0	(500)	(4 500)	0	0	(5 000)
Reclassifications	36	10 086	31 903	3 791	(46 477)	(661)
Translation differences	(1 489)	(4 910)	(4 088)	(1 123)	(551)	(12 161)
At 31.12.	20 742	128 288	295 084	19 059	50 985	514 158
Cost	22 915	316 288	964 635	63 332	50 994	1 418 164
Accumulated depreciation and impairment	(2 173)	(188 000)	(669 551)	(44 273)	(9)	(904 006)
Net book value	20 742	128 288	295 084	19 059	50 985	514 158
2016						
At 1.1.	20 742	128 288	295 084	19 059	50 985	514 158
Additions	4	362	1 125	3 808	65 900	71 199
Disposals	(6)	(30)	(554)	(291)	(530)	(1 411)
Depreciation	(71)	(6 059)	(31 900)	(5 621)	(4)	(43 655)
Impairment	0	0	(4 706)	0	0	(4 706)
Reclassifications	0	3 771	16 932	4 224	(28 014)	(3 087)
Translation differences	82	684	150	11	(122)	805
At 31.12.	20 751	127 016	276 131	21 190	88 215	533 303
Cost	22 975	321 677	981 151	69 053	88 215	1 483 071
Accumulated depreciation and impairment	(2 224)	(194 661)	(705 020)	(47 863)	0	(949 768)
Net book value	20 751	127 016	276 131	21 190	88 215	533 303

Fire insurance value is KCHF 1 828 633 (2015: KCHF 1 806 478). 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
2016:	KCHF 4 706	High Performance Polymers (technically obsolete equipment)
2015:	KCHF 4 000	High Performance Polymers (technically obsolete equipment)
	KCHF 1 000	Speciality Chemicals (technically obsolete equipment)

Notes	2016 (CHF '000)	2015 (CHF '000)
9 Other non-current assets		
Other non-current assets	776	791
Assets from employee benefits (see note 18)	5 727	5 847
Total other non-current assets	6 503	6 638
Other non-current assets mainly comprise loans to third parties.		
10 Inventories		
Raw materials and supplies	141 472	139 609
Semi-finished goods, work in progress	8 789	8 392
Finished products	179 276	183 118
Value adjustments	(30 268)	(25 198)
Total inventories	299 269	305 921
11 Trade receivables		
Trade receivables from third parties	283 809	257 253
Allowances for doubtful receivables	(7 023)	(6 883)
Total trade receivables	276 786	250 370
Allowances for doubtful receivables are determined on the basis of historical losses and recognizable individual risks.		
Due dates of trade receivables		
Not due	261 754	235 037
Overdue < 30 days	19 039	18 619
Overdue 30 to 90 days	2 049	2 785
Overdue > 90 days	967	812
Total	283 809	257 253

For the assessment of the valuation of trade receivables, management relies on payment history and regular credit analysis. It rates the recovery of trade receivables as good, except the allowances below.

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

	2016		2015	
	Individual allowance	General allowance	Individual allowance	General allowance
At 1.1.	2 112	4 771	2 202	5 211
Increase in allowances	724	906	370	1 118
Decrease in allowances	(267)	(175)	(64)	(1 260)
Losses on trade receivables	(982)	0	(241)	0
Reclassifications	0	0	(87)	87
Translation differences	(15)	(51)	(68)	(385)
At 31.12.	1 572	5 451	2 112	4 771

Notes		2016 (CHF '000)	2015 (CHF '000)
12	Other receivables		
	Withholding tax receivables	233 057	127 968
	Prepayments and accrued income	60 828	57 758
	Other short-term financial assets	47 305	36 406
	Other receivables	27 616	29 211
	Total other receivables	368 806	251 343
13	Derivative financial instruments		
	The following summary shows the most important derivative financial instruments:		
	Financial instruments at fair value classified through profit or loss		
	Currency swaps and forward rate agreements		
	USD/EUR		
	Notional amount CHF	844	0
	Positive replacement value CHF	0	0
	Negative replacement value CHF	51	0
	CZK/EUR		
	Notional amount CHF	0	14 112
	Positive replacement value CHF	0	28
	Negative replacement value CHF	0	1 497
	Total	844	14 112
		0	28
		51	1 497
	Thereof: Current portion		
	Notional amount CHF (<12 months)	727	14 112
	Positive replacement value CHF (<12 months)	0	28
	Negative replacement value CHF (<12 months)	51	1 497
	Non-current portion		
	Notional amount CHF (1–5 years)	117	0
	Positive replacement value CHF (1–5 years)	0	0
	Negative replacement value CHF (1–5 years)	0	0

Notes			2016 (CHF '000)	2015 (CHF '000)
Financial instruments effective for hedge accounting purposes				
Currency swaps and forward rate agreements	EUR/CHF	Notional amount CHF	347 041	460 578
		Positive replacement value CHF	2 191	0
		Negative replacement value CHF	6 130	12 520
	JPY/CHF	Notional amount CHF	67 679	75 748
		Positive replacement value CHF	5 029	1 095
		Negative replacement value CHF	0	1 964
	USD/CHF	Notional amount CHF	93 305	260 745
		Positive replacement value CHF	0	460
		Negative replacement value CHF	6 339	5 237
	CNY/CHF	Notional amount CHF	29 948	63 786
		Positive replacement value CHF	300	1 786
		Negative replacement value CHF	18	0
GBP/CHF	Notional amount CHF	10 896	0	
	Positive replacement value CHF	0	0	
	Negative replacement value CHF	669	0	
Total		Notional amount CHF	548 869	860 857
		Positive replacement value CHF	7 520	3 341
		Negative replacement value CHF	13 156	19 721
Thereof: Current portion		Notional amount CHF (<12 months)	411 814	493 976
		Positive replacement value CHF (<12 months)	3 998	2 086
		Negative replacement value CHF (<12 months)	12 848	11 230
Non-current portion		Notional amount CHF (1–5 years)	137 055	366 881
		Positive replacement value CHF (1–5 years)	3 522	1 255
		Negative replacement value CHF (1–5 years)	308	8 491
<p>Derivative financial instruments were mostly effected for hedging purposes. Forward rate agreements are used for the hedging of future purchases and sales in foreign currencies. The replacement value is understood to be the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.</p>				
Net changes from cash flow hedges in equity, after taxes				
At 1.1.			(15 097)	0
Transfer to consolidated income statement			9 494	0
Fair value adjustments			1 199	(16 380)
Income taxes recognized directly in equity			(838)	1 283
Total net changes from cash flow hedges in equity, after taxes			9 855	(15 097)
At 31.12.			(5 242)	(15 097)

Notes		2016 (CHF '000)	2015 (CHF '000)			
14	Cash and cash equivalents					
	Deposits	384 428	433 341			
	Cash and cash equivalents	237	144			
	Total cash and cash equivalents	384 665	433 485			
15	Share capital					
		Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)	
	At 31.12. 2014	CHF 0.01	23 389 028	0	23 389 028	234
	Purchase of treasury shares		–	30 141	(30 141)	–
	Sale of treasury shares		–	(30 141)	30 141	–
	At 31.12. 2015	CHF 0.01	23 389 028	0	23 389 028	234
	Purchase of treasury shares		–	7 751	(7 751)	–
	Sale of treasury shares		–	0	0	–
	At 31.12. 2016	CHF 0.01	23 389 028	7 751	23 381 277	234
16	Non-controlling interests					
	This item reflects the non-controlling interest in capital and profit/loss for the year. Non-controlling interest exist at EFTEC China Ltd., EMS-UBE and Wuhu EFTEC Chemical Products Ltd.					
	The change in non-controlling interests is as follows:					
	At 1.1.				21 520	18 058
	Dividends paid				(6 098)	(2 225)
	Net income				6 771	6 467
	Translation differences				639	(780)
	At 31.12.				22 832	21 520

Notes	2016 (CHF '000)	2015 (CHF '000)
17 Bank loans		
The non-current bank loans are composed as follows:		
JPY: Average interest rate: 0.25% (2015: 0.27%)	2 666	2 504
Total non-current bank loans	2 666	2 504
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: 0.28% (2015: 0.38%)	7 429	1 642
CNY: Average interest rate: variable	1 928	0
Total current bank loans	9 357	1 642

18 Pension liabilities

All Swiss group entities have their individual, legally independent pension funds. The board of trustees of each pension fund is the body charged with governance and comprises an equal number of employee and employer representatives. The board of the pension fund is required by law and by regulations of the pension fund to act in the best interest of the pension fund and its beneficiaries. Resolutions must be passed on a basis of parity. The board is responsible for the determination of and any adjustments to be made to the pension regulations as well as for determining the funding requirements of the plan.

The funding requirements are subject to the legal minimum requirements of the Swiss Federal Law on Occupational Retirement, Surviving Dependents and Disability Pension (BVG) and its implementing provisions. The minimum insured salary and the minimum retirement credits are defined in the BVG. The minimum interest rate which has to be applied to these minimum retirement assets is determined by the Swiss Federal Council at least every two years. In 2016, the minimum interest rate was 1.25% (2015: 1.75%).

The pension funds are subject to oversight by the regulating authority (Stiftungsaufsicht).

All pension plans, with the exception of the "Kaderversicherung" (management insurance scheme) which is funded by the employer only, are jointly funded by employees and the employer. However, the group entities contribute a proportionally higher part to the plan than the employees.

The pension benefits are based on the pension balance. Retirement credits and interest are added to this balance annually. At the time of retirement, the insured individual can choose between either a lifelong annuity or a capital payment. The annuity is calculated by multiplication of the pension balance with the currently applicable conversion rate. In addition to the retirement benefits, pension benefits include disability benefits and widow's and/or orphans' pension. These are calculated as a percentage of the insured annual salary.

If an employee decides to leave the company, the pension balance of this employee is transferred to the pension fund of the new employer or to an independent benefits scheme. Following the design of defined benefit plans and the legal provisions of the BVG, there are actuarial risks such as the market (investment) risk, interest rate risk, disability risk and longevity risk associated with such plans.

In order to limit the risks arising from retirement benefits, long-term disability benefits and widow's and/or orphans' pensions which were incurred after January 1, 2013, a risk reinsurance contract was entered into with an insurance company. This contract replaced a Stop Loss Reinsurance which existed since January 1, 2008 with the same insurance company. The new contract contains a provision that transfers the risks of death and disability and the related regulatory benefit payments to the insurance company on a back to back basis.

Notes

Beginning January 1, 2017, the conversion rate will be reduced from 5.7292% to 5.4821%. As a result of this change, the Group's defined benefit liability was reduced by KCHF 4 540. The corresponding income from past service costs was recognized in the consolidated income statement during the year 2016.

Balance sheet reconciliation

	Pension plans CH	Other post-employment benefit plans	Total 2016	Pension plans CH	Other post-employment benefit plans	Total 2015
Funded plans						
– Fair value of plan assets	336 990	5 727	342 717	344 211	5 847	350 058
– Defined benefit obligation	(384 766)	(6 078)	(390 844)	(397 013)	(5 798)	(402 811)
Over/(under) funding	(47 776)	(351)	(48 127)	(52 802)	49	(52 753)
Unfunded plans						
– defined benefit obligation	0	(1 141)	(1 141)	0	(893)	(893)
Net recognized asset/(liability)	(47 776)	(1 492)	(49 268)	(52 802)	(844)	(53 646)
Jubilees	0	(5 571)	(5 571)	0	(5 841)	(5 841)
Provision for termination pay	0	(1 066)	(1 066)	0	(1 025)	(1 025)
(Net liability)/asset	(47 776)	(8 129)	(55 905)	(52 802)	(7 710)	(60 512)
Reported in balance sheet						
– Other non-current assets (see note 9)			5 727			5 847
– Pension liabilities			(61 632)			(66 359)
Net recognized asset/(liability)			(55 905)			(60 512)

The Swiss pension plans represent more than 95% of the plan assets and defined benefit obligation and are therefore disclosed in detail below.

Notes

Movement in net defined benefit (asset)/liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2016	2015	2016	2015	2016	2015
Balance at 1.1.	397 013	400 877	(344 211)	(356 064)	52 802	44 813
Included in profit or loss						
Current service cost	10 222	10 996	0	0	10 222	10 996
Past service cost	(4 540)	0	0	0	(4 540)	0
Interest cost (income)	2 978	4 009	(2 582)	(3 561)	396	448
Total	8 660	15 005	(2 582)	(3 561)	6 078	11 444
Included in OCI						
Remeasurements loss (gain):						
– Actuarial loss (gain) arising from:						
– demographic assumptions	(3 307)	0	0	0	(3 307)	0
– financial assumptions	4 625	(1 173)	0	0	4 625	(1 173)
– experience adjustment	(4 486)	2 135	0	0	(4 486)	2 135
– return on plan assets excluding interest income	0	0	(7 083)	(3 421)	(7 083)	(3 421)
Total	(3 168)	962	(7 083)	(3 421)	(10 251)	(2 459)
Other						
Employers' contributions	0	0	(853)	(996)	(853)	(996)
Employees' contributions	6 128	6 134	(6 128)	(6 134)	0	0
Vested benefits paid in/(paid out), net	(23 867)	(25 965)	23 867	25 965	0	0
Total	(17 739)	(19 831)	16 886	18 835	(853)	(996)
Balance at 31.12.	384 766	397 013	(336 990)	(344 211)	(47 776)	(52 802)

EMS expects to pay MCHF 0.9 into defined benefit plans in 2017.

	2016 (CHF '000)	2015 (CHF '000)
Plan assets		
Total assets	336 990	344 211
Liquidity	33 %	41 %
Bonds CHF*	8 %	6 %
Bonds EUR*	0 %	0 %
Swiss shares*	15 %	10 %
Shares abroad*	12 %	10 %
Property	28 %	27 %
Mortgages, loans	2 %	4 %
Other investments	2 %	2 %
Total	100 %	100 %

* Plan assets with market prices.

Notes	2016 (CHF '000)	2015 (CHF '000)
Actuarial assumptions as of 31.12.		
Discount rate	0.60%	0.75%
Future salary growth	1.00%	1.00%
Future pension growth	0.00%	0.00%
Mortality table	BVG 2015 GT	BVG 2010 GT

Sensitivity analysis

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date would have affected the defined benefit obligation by the amounts shown below, given that other assumptions remained constant:

Discount rate +0.5%	(25 601)	(27 011)
Discount rate -0.5%	28 933	30 557
Future salary growth +0.5%	1 227	1 472
Future salary growth -0.5%	(1 219)	(1 432)
Life expectancy +1 year	11 674	11 957
Life expectancy -1 year	(12 044)	(11 466)

At December 31, 2016, the weighted average duration of the defined benefit obligation was 14.2 years (2015: 14.5 years).

19 Provisions

(CHF 000)	Provisions for environmental risks	Provisions for litigation risks	Other provisions	Total
At 31.12. 2015	23 280	3 541	5 794	32 615
Increase via income statement	0	667	932	1 599
Decrease via income statement	0	(17)	(598)	(615)
Amounts used	0	(270)	(501)	(771)
Reclassifications	0	0	(73)	(73)
Translation differences	(20)	24	44	48
At 31.12. 2016	23 260	3 945	5 598	32 803
Of which: Current portion of provisions	0	798	3 649	4 447
Non-current portion of provisions	23 260	3 147	1 949	28 356

Provisions for environmental risks cover expected charges for ecological requirements, measures for water protection and for the recultivation and removal of ecological damages at existing production or storage sites. The non-current provision has an expected average maturity of 4–8 years.

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 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 < 5 % as per December 31, 2016.

Notes	2016 (CHF '000)	2015 (CHF '000)
20 Other current liabilities		
Advances from customers	3 013	2 520
Prepaid expenses and deferred income	123 241	114 906
Other current liabilities to related parties (pension fund)	0	5 700
Liabilities to social security institutions	1 683	1 796
Other current liabilities	44 922	35 929
Total other current liabilities	172 859	160 851
21 Liabilities, net/(net cash position)		
Bank loans (see note 17)	12 023	4 146
Loans	0	5 700
Hedges with a negative replacement value (see note 13)	13 207	21 218
Liabilities	25 230	31 064
less		
Other short-term financial assets (see note 12)	(47 305)	(36 406)
Loans from third party	(1)	(17)
Hedges with a positive replacement value (see note 13)	(7 520)	(3 369)
Treasury shares (see note 15)	(3 540)	0
Interest-bearing financial assets	(233 833)	(128 759)
Cash and cash equivalents (see note 14)	(384 665)	(433 485)
Liabilities, net/(net cash position)	(651 634)	(570 972)

Consolidated Statement of Cash Flows and further details

Notes	2016 (CHF '000)	2015 (CHF '000)
22 Depreciation, amortization and impairment of intangible assets and property, plant and equipment		
Amortization intangible assets	7 915	7 806
Depreciation property, plant and equipment	43 655	43 515
Impairment property, plant and equipment	4 706	5 000
Total depreciation, amortization and impairment of intangible assets and property, plant and equipment	56 276	56 321
For the breakdown of the depreciation, amortization and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		
23 Contingent liabilities		
Contingent liabilities at the end of the year amount to	18 684	20 047
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 19).		
24 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	23 381 875	23 382 560
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	448 755	376 248
Basic earnings per share (CHF)	19.19	16.09
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
25 Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2015: 14 224 143 registered shares)		
Amount of holding	60.82%	60.82%
Miriam Baumann-Blocher, 2 079 000 registered shares (2015: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%

Notes	2016 (CHF '000)	2015 (CHF '000)
26 Transactions with related parties		
EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Executive Management as well as the close members of their families and associated companies are regarded as related parties.		
The members of the Board of Directors or Executive 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 remuneration report 2016/2017.		
Breakdown of the total compensation		
Short-term employee benefits to the members of the Board of Directors and Executive Management	4 400	3 700
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	4 400	3 700
The detailed disclosures of compensation as per Swiss law can be found in the remuneration report.		
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG of the members of the Board of Directors and members of the Executive Management as well as their related parties are as follows:		
Board of Directors	Number of shares	
Dr U. Berg, Chairman	3 600	3 600
M. Martullo, Vice-Chairman	0*	0*
Dr. J. Streu, Member	0	0
B. Merki, Member	0	0
Total Board of Directors	3 600	3 600
Executive Management	Number of shares	
M. Martullo, CEO	0*	0*
P. Germann, CFO	0	0
Dr R. Holderegger, Member	0	0
M. Kremmel, Member	0	0
Total Executive Management	0	0

*Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 25).

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

Notes	2016 (CHF '000)	2015 (CHF '000)
27 Financial Risk Management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 9)	776	791
Trade receivables (see note 11)	276 786	250 370
Derivative financial instruments (see note 13)	7 520	3 369
Other short-term financial assets (see note 12)	47 305	36 406
Cash and cash equivalents (see note 14)	384 665	433 485
Total financial assets	717 052	724 421

The maximum credit risk is equal to the carrying amount of the respective assets. There are no collateralized financial assets. For the analysis of due dates and allowances for doubtful trade receivables, see note 11.

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12. 2016 (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 17)	9 357	9 378	9 378	0	0
Non-current bank loans (see note 17)	2 666	2 725	8	2 717	0
Trade payables	106 252	106 252	106 252	0	0
Prepaid expenses and deferred income (see note 20)	64 793	64 793	64 793	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 13)	13 207	549 713	412 541	137 172	0
Total financial liabilities	196 275	732 861	592 972	139 889	0

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12. 2015 (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 17)	1 642	1 648	1 648	0	0
Non-current bank loans (see note 17)	2 504	2 525	7	2 518	0
Trade payables	107 348	107 348	107 348	0	0
Prepaid expenses and deferred income (see note 20)	54 061	54 061	54 061	0	0
Other current liabilities to related parties (see note 20)	5 700	5 700	5 700	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 13)	21 218	874 969	508 088	366 881	0
Total financial liabilities	192 473	1 046 251	676 852	369 399	0

Notes

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bank loans have variable interest rates. 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 (2015: CHF 3.4 million). A 100 basis point fall in the interest rate for deposits and bank loans would increase net income after taxes by CHF 0.6 million (2015: CHF 0.6 million decrease).

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

Currency risks

Overview currency exposure, net

At 31.12. 2016 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 11)	2 449	119 460	75 064	13 420	42 166	26 797
Loans to group companies	18 892	345 153	3 206	9 439	0	4 034
Derivative financial instruments (see note 13)	0	0	0	67 679	0	0
Trade payables	(1 089)	(44 818)	(23 631)	(11 973)	(10 776)	(22 457)
Loans from group companies	(5 642)	0	0	0	0	0
Current bank loans (see note 17)	0	0	0	(7 429)	(1 928)	0
Non-current bank loans (see note 17)	0	0	0	(2 666)	0	0
Derivative financial instruments (see note 13)	0	(347 041)	(93 305)	0	(29 948)	(11 740)
Currency exposure, net	14 610	72 754	(38 666)	68 470	(486)	(3 366)

At 31.12. 2015 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 11)	1 118	118 788	62 938	13 127	36 833	21 588
Loans to group companies	20 044	344 636	15 345	3 120	0	6 984
Derivative financial instruments (see note 13)	0	0	0	75 748	0	0
Trade payables	(1 020)	(49 083)	(21 496)	(8 841)	(10 145)	(28 289)
Loans from group companies	(2 423)	0	0	0	0	0
Current bank loans (see note 17)	0	0	0	(1 642)	0	0
Non-current bank loans (see note 17)	0	0	0	(2 504)	0	0
Derivative financial instruments (see note 13)	0	(460 578)	(260 745)	0	0	0
Currency exposure, net	17 719	(46 237)	(203 958)	79 008	26 688	283

Notes

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 –15.1 million (2015: CHF –9.9 million). Per currency: EUR: CHF –7.5 million (2015: CHF –7.0 million), USD: CHF –5.1 million (2015: CHF –4.1 million), JPY: CHF +0.9 million (2015: CHF 0.0 million), other currencies: CHF –3.4 million (2015: CHF +1.2 million).

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF –79.1 million (2015: CHF +25.5 million decrease/(increase)). Per currency: EUR: CHF –50.6 million (2015: CHF –15.8 million), USD: CHF –25.5 million (2015: CHF +42.7 million), JPY: CHF –0.8 million (2015: CHF –0.2 million), other currencies: CHF –2.2 million (2015: CHF –1.1 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.

Financial assets/liabilities: fair value hierarchy

At 31.12. 2016 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 13)		7 520		7 520
Financial liabilities:				
Derivative financial instruments (see note 13)		(13 207)		(13 207)
<hr/>				
At 31.12. 2015 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 13)		3 369		3 369
Financial liabilities:				
Derivative financial instruments (see note 13)		(21 218)		(21 218)

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	2016 (CHF '000)	2015 (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 17.		
Cash and cash equivalents (see note 14)	384 665	433 485
Other short-term financial assets (see note 12)	47 305	36 406
Other non-current assets (see note 9)	776	791
Trade receivables (see note 11)	276 786	250 370
Loans and receivables	324 867	287 567
Derivative financial instruments (assets; see note 13)	7 520	3 369
Non-current bank loans (see note 17)	2 666	2 504
Current bank loans (see note 17)	9 357	1 642
Trade payables	106 252	107 348
Prepaid expenses and deferred income (see note 20)	64 793	54 061
Other current liabilities to related parties (see note 20)	0	5 700
Financial liabilities measured at amortized cost	183 068	171 255
Derivative financial instruments (liabilities; see note 13)	13 207	21 218

28 Change in scope of consolidation

2016

Additions:

EFTEC (Changshu) Automotive Materials Limited: The company was founded on February 2, 2016.

EFTEC (Changshu) Engineering Co. Limited: The company was founded on September 14, 2016.

2015

Additions:

EMS-CHEMIE (Deutschland) Vertriebs GmbH: The company was founded on January 8, 2015.

Disposals:

EMS-Grilon Holding Inc.: The company was dissolved on May 20, 2015.

Change of name:

EMS-Metering AG was renamed in EMS-CHEMIE (Produktion) AG.

Intragroup transaction:

As of July 29, 2015, EFTEC (Czech Republic) a.s. sold its stake in EFTEC (Elabuga) OOO and EFTEC (Nizhniy Novgorod) OOO to EFTEC AG.

29 Subsequent events

The consolidated financial statements were approved by the Board of Directors on March 24, 2017 and need to be approved by the Annual General Meeting on August 12, 2017.

Between December 31, 2016 and March 24, 2017 there were no subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Notes

30 List of subsidiaries (at 31.12. 2016)

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-Billancourt Cedex	France
EMS-CHEMIE (UK) Ltd.	Stafford	UK
EMS-CHEMIE (Japan) Ltd.	Tokyo	Japan
EMS-UBE Ltd.	Ube	Japan
EMS-CHEMIE (Korea) Ltd.	Geong Gi-do	South Korea
EMS-CHEMIE (Italia) S.r.l.	Milano	Italy
EMS-CHEMIE (Produktion) AG	Domat/Ems	Switzerland
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Deutschland) Vertriebs 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-TOGO Corp.	Taylor, MI	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC North America, L.L.C.	Taylor, MI	USA
EFTEC Europe Holding AG	Zug	Switzerland
EMS-CHEMIE (Luxembourg) Sàrl	Senningerberg	Luxembourg
EFTEC (Shanghai) Engineering Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC (Changshu) Engineering Co. Ltd.	Changshu	China (People's Rep.)
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Boulogne-Billancourt Cedex	France
EFTEC Brasil Ltda.	Santana de Parnaiba	Brazil
EFTEC (Elabuga) OOO	Elabuga	Russia
EFTEC (Nizhniy Novgorod) OOO	Nizhniy Novgorod	Russia
EFTEC Mexico S.A. de C.V.	Cuernavaca	Mexico
EFTEC Engineering GmbH	Markdorf	Germany
EFTEC (Czech Republic) a.s.	Zlin	Czech Republic
EFTEC SL d.o.o.	Novo mesto	Slovenia
EFTEC (Slovakia) s.r.o.	Bratislava	Slovakia
EFTEC (Romania) S.R.L.	Budeasa	Romania
EFTEC (Ukraine) LLC	Zaporozhie	Ukraine
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) Pvt. Ltd.	Pune	India
EFTEC China Ltd.	Hong Kong	China (People's Rep.)
Foshan EFTEC Automotive Materials Co., Ltd	Foshan	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 (Shanghai) Services Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC (Changshu) Automotive Materials Limited	Changshu	China (People's Rep.)
Grupo Placosa EFTEC, S.A. de C.V.	Cuernavaca	Mexico
Recubrimientos Modernos S.A. de C.V.	Cuernavaca	Mexico
Placosa S.A. de C.V.	Cuernavaca	Mexico
BUSINESS AREA SPECIALTY CHEMICALS		
EMS-GRILTECH *		
EMS-PATVAG s.r.o.	Brankovice	Czech Republic
EMS-CHEMIE (Neumünster) Holding GmbH	Neumünster	Germany
EMS-CHEMIE (Neumünster) GmbH & Co. KG	Neumünster	Germany
EMS-CHEMIE (Neumünster) Verwaltungs GmbH	Neumünster	Germany

Currency	Share capital (in '000)	Amount of holding	Category	Consolidation
CHF	234		D	K
CHF	60	100.00%	D	K
CHF	100	100.00%	D	K
CHF	100	100.00%	V	K
EUR	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.67%	P, V	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
CHF	100	100.00%	P	K
EUR	2556	100.00%	P	K
EUR	25000	100.00%	V	K
TVND	281000	100.00%	P, V	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P	K
USD	750	100.00%	D	K
USD	3385	100.00%	P, V	K
USD	38222	100.00%	P, V	K
CHF	8000	100.00%	D	K
EUR	200	100.00%	V	K
CNY	886	100.00%	P, V	K
CNY	765	100.00%	P, V	K
CHF	2500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
RUB	37514	100.00%	P, V	K
RUB	37200	100.00%	P, V	K
MXN	50	100.00%	V	K
EUR	25	100.00%	P, V	K
CZK	47569	100.00%	P, V	K
EUR	10	100.00%	V	K
EUR	7	100.00%	V	K
RON	8083	100.00%	P, V	K
UAH	23	100.00%	V	K
GBP	352	100.00%	P, V	K
EUR	1240	100.00%	P, V	K
EUR	944	100.00%	P, V	K
USD	3518	100.00%	D, V	K
THB	49500	100.00%	P, V	K
INR	15000	100.00%	P, V	K
USD	33206	75.00%	D	K
CNY	6849	100.00%	P, V	K
CNY	20750	100.00%	P, V	K
CNY	27500	100.00%	P, V	K
CNY	6650	60.00%	P, V	K
CNY	952	100.00%	D	K
CNY	80110	100.00%	P, V	K
MXN	19451	100.00%	D	K
MXN	550	100.00%	D	K
MXN	47409	100.00%	P	K
CZK	30000	100.00%	P, V	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	P, V	K
EUR	25	100.00%	D	K

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

Report of the Statutory Auditor on the Consolidated Financial Statements



To the General Meeting of EMS-CHEMIE HOLDING AG, Domat/Ems

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 19 to 53) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Valuation of property, plant and equipment



Uncertain tax positions

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of property, plant and equipment

Key Audit Matter

Property, plant and equipment used as part of the operating activities, as well as related assets under construction, comprise approximately 27% (CHF 533.3 million) of the total assets of EMS Group. Investments in property, plant and equipment amounted to CHF 71.2 million in 2016.

At the end of each reporting period, EMS Group assesses whether there is any indication of assets being impaired. If any such indication exists, the company estimates the appropriate value of the assets and records an impairment, if necessary. In this context, EMS Group recorded CHF 4.7 million in impairments for property, plant and equipment in 2016.

To determine a potential need for impairment, management uses various estimates and assumptions regarding the remaining useful life, the future use, expected revenues and production costs, the condition of the asset and the utilization level.

These estimates and assumptions are based on the information available as at the balance sheet date. Consequently, there is a risk that the actual results may deviate from these estimates and assumptions and therefore the value of property, plant and equipment may be incorrectly assessed.

Our response

We have performed mainly the following audit procedures:

- Obtaining an understanding of the property, plant and equipment management process and evaluating associated key financial controls;
- Challenging management's assessment of the existence of any impairment indicators, including examining meeting minutes of the board of directors and Group management;
- Discussing with management the impact of planned investments and related structural or technical changes to existing installations or changes in use and their impact on the valuation of existing facilities;
- Plausibility check of the statements received, taking into account our business understanding and current operating numbers and budget forecasts;
- Assessing the appropriateness and accuracy of assumptions and calculations used in the valuation of property, plant and equipment.

For further information on valuation of property, plant and equipment refer to the following:

- Consolidated accounting principles, Significant estimates and assumptions made by management, Impairment of non-current assets (page 23)
- Consolidated accounting principles, Valuation principles, Property, plant and equipment (page 25)
- Notes to the consolidated income statement Nr. 8 Property, plant and equipment (page 35).



Uncertain tax positions

Key Audit Matter

As a global corporation, EMS Group has to comply with a variety of laws and national application practices on direct and indirect taxes, including customs duties. Compliance with these requirements can, by nature, be ascertained only with delay on the basis of official statements, final tax assessments or completed tax audits. Due to the high complexity of applicable tax regulations, there is uncertainty about the amount of related tax liabilities.

The evaluation of uncertain tax positions includes a significant element of judgement in the estimates and assumptions to be made regarding the correct application of tax regulations and compliance with the respective authorities' tax practices.

These estimates and assumptions are based on the information available as at the balance sheet date. Consequently, there is a risk that the actual results may deviate from these estimates and assumptions and therefore the tax liabilities subsequently may require significant adjustments.

Our response

We have performed mainly the following audit procedures:

- Obtaining an overview of the current status of open tax assessment periods, procedures and tax audits as well as of the positions taken by the different authorities;
- Examining correspondence with tax authorities;
- Discussing management's assessment of identified uncertain tax positions;
- Evaluating the appropriateness of the estimates and assumptions made with the assistance of our tax specialists;
- Comparing the estimates and assumptions made to those of the previous year and assessing changes;
- Assessing the accuracy of the estimates by performing a retrospective comparison of the liability and the payment at the time of the effective cash outflows.

For further information on uncertain tax positions refer to the following:

- Consolidated accounting principles, Significant estimates and assumptions made by management, Taxes (page 23)

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises page 4 (Share performance) and page 7 (Key Figures 2012 – 2016) of the Financial Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG

A handwritten signature in black ink, appearing to read 'F. Rouiller'.

François Rouiller
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'R. Künzle'.

Roman Künzle
Licensed Audit Expert

Zurich, March 24, 2017

Financial Statements **EMS-CHEMIE HOLDING AG**

for the financial year May 1, 2016 – April 30, 2017


EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2016 to April 30, 2017

	Notes	2016/2017 (CHF '000)	2015/2016 (CHF '000)
INCOME			
Dividends from subsidiaries		374 402	287 738
License fees from subsidiaries		73 546	47 771
Other financial income	2.1	12 876	5 081
Other operating income		2 772	6 617
Total income		463 596	347 207
EXPENSES			
Financial expenses	2.2	19 627	38 018
Other operating expenses	2.3	16 367	16 274
Direct taxes		3 636	518
Total expenses		39 630	54 810
Net income		423 966	292 397

Balance Sheet as at April 30, 2017

EMS-CHEMIE HOLDING AG
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	Notes	30. 4. 2017 (CHF '000)	30. 4. 2016 (CHF '000)
Non-current assets		289 277	306 120
Investments in subsidiaries	2.4	280 352	280 352
Non-current financial assets	2.5	8 925	25 768
Current assets		445 891	348 023
Prepaid expenses and accrued income		23 305	16 300
Current financial assets	2.5	45 008	55 008
Other current receivables	2.6	318 438	206 020
Cash and cash equivalents		59 140	70 695
TOTAL ASSETS		735 168	654 143

Equity		662 247	589 001
Share capital	2.7	234	234
Legal retained earnings			
General legal reserve		47	47
Free reserves		10 000	10 000
Available earnings	2.8	655 506	582 260
Treasury shares	2.9	(3 540)	(3 540)
Liabilities		72 921	65 142
Long-term liabilities		12 574	12 574
Provisions		12 574	12 574
Short-term liabilities		60 347	52 568
Accrued expenses and deferred income	2.10	18 654	21 922
Other short-term liabilities	2.11	41 693	30 646
TOTAL EQUITY AND LIABILITIES		735 168	654 143
Balance sheet equity ratio		90.1 %	90.0 %

Notes to the Financial Statements 2016/2017

1. Principles

1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2 Investments in subsidiaries

The investments are valued using generally accepted valuation principles at cost or at the lower of the value in use at the balance sheet date.

1.3 Financial assets

Financial assets include loans and assets at banks. Loans granted in foreign currencies are valued at historical exchange rates or at the lower balance sheet rate.

1.4 Treasury shares

Treasury shares are recognized at acquisition costs at the acquisition date and deducted from equity. At disposal, the resulting gain or loss is recognized in the income statement as other financial income or as financial expenses.

1.5 Dividends and license fees from subsidiaries

Dividend income is recognized at the time of receipt of payment, licensing income when the legal claim is created.

1.6 Foregoing a cash flow statement and additional disclosures in the notes

As EMS-CHEMIE HOLDING AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has decided to forego presenting additional information as well as a cash flow statement in accordance with the law.

2. Information on income statement and balance sheet items

Notes	2016/2017 (CHF '000)	2015/2016 (CHF '000)
2.1 Other financial income		
Interest income	341	1 123
Foreign exchange gains	12 535	3 958
Total other financial income	12 876	5 081
2.2 Financial expenses		
Interest expenses	977	538
Bank charges, duties, fees	102	104
Foreign withholding taxes	2 783	1 356
Foreign exchange losses	15 765	36 020
Total financial expenses	19 627	38 018
2.3 Other operating expenses		
Fee for contract research	15 238	15 317
Administration	1 129	957
Total other operating expenses	16 367	16 274

Notes	30.04.2017 (CHF '000)	30.04.2016 (CHF '000)
EMS-CHEMIE HOLDING AG is beneficial owner of various intellectual property for which it receives royalty payments. EMS-PATENT AG is responsible for the development and research of new technologies, know-how and trademarks. The contract research is funded by EMS-CHEMIE HOLDING AG, which pays EMS-PATENT AG a fee in return.		
2.4 Investments in subsidiaries Details of the investments can be seen in note 30, "List of subsidiaries" in the consolidated financial statements of the EMS-Group. As in the prior year, there were no changes in the period from January 1, 2017 to April 30, 2017.		
2.5 Financial assets		
Deposits with Banks	45 008	55 008
Loans and investments to subsidiaries	8 925	25 768
Total financial assets	53 933	80 776
Thereof current	45 008	55 008
Thereof non-current	8 925	25 768
2.6 Other current receivables		
Receivables from third parties	311 482	199 907
Receivables from subsidiaries	6 956	6 113
Total other current receivables	318 438	206 020
Receivables from third parties consist of withholding tax credits. Receivables from subsidiaries include in particular short-term loans.		
2.7 Share capital		
The EMS-CHEMIE Holding has the following significant shareholders: EMESTA HOLDING AG, Zug, 14 244 143 registered shares (2015/2016: 14 244 143 registered shares) Amount of holding	60.82%	60.82%
Miriam Baumann-Blocher, 2 079 000 registered shares (2015/2016: 2 079 000 registered shares) Amount of holding	8.89%	8.89%
No other representation of significant shareholders is known to the Board of Directors.		
	2016/2017	2015/2016
2.8 Available earnings		
At 1. 5.	582 260	570 531
Dividends paid	(350 720)	(280 668)
Net income	423 966	292 397
At 30. 4.	655 506	582 260

Notes		30.04.2017 (CHF '000)	30.04.2016 (CHF '000)		
2.9 Treasury shares					
	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital
At 30.4.2015	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	7 751	(7 751)	0
At 30.4.2016	CHF 0.01	23 389 028	7 751	23 381 277	234
Change in treasury shares		–	0	0	0
At 30.4.2017	CHF 0.01	23 389 028	7 751	23 381 277	234
				Number of registered shares 2017	2016
Details to treasury shares:					
At 1. 5.				7 751	0
Purchases				0	7 751
Sales				0	0
At 30. 4.				7 751	7 751
There were no transactions with treasury shares during the reporting period. (Previous year: Purchase of 7 751 treasury shares at an average market price of CHF 456.73).					
2.10 Accrued expenses and deferred income					
The item includes accruals for losses on open forward exchange contracts, research expenses and third party services.					
2.11 Other short-term liabilities					
Other liabilities due to third parties				3 392	1 767
Other liabilities due to subsidiaries				38 301	28 879
Total other short-term liabilities				41 693	30 646
Other short-term liabilities due to third parties include particularly liabilities for income taxes. Other short-term liabilities due to subsidiaries mainly include current accounts from the cash pool.					
3. Other disclosures					
3.1 Contingent liabilities					
Guarantees (maximum liability)				65 503	79 653

Notes		30.04.2017 (CHF '000)	30.04.2016 (CHF '000)
3.2 Shareholding			
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by the members of the Board of Directors, members of the Executive Management and related parties:			
Board of Directors	Function	Number of registered shares	
Dr U. Berg	Chairman	3 600	3 600
M. Martullo	Vice-Chairman	0*	0*
Dr J. Streu	Member	0	0
B. Merki	Member	0	0
Total Board of Directors		3 600	3 600
Executive Management	Function		
M. Martullo	CEO	0*	0*
P. Germann	CFO	0	0
Dr R. Holderegger	Member	0	0
M. Kremmel	Member	0	0
Dr J. Spindler	Member (since 1.2.2017)	0	–
Total Executive Management		0	0

* Excluding EMESTA-HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 2.7).

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

3.3 Full-time equivalents

In the reporting period and in the prior year period, EMS-CHEMIE HOLDING AG employed fewer than 10 employees on average.

3.4 Events after the balance sheet date

7 751 treasury shares were sold at an average market price of CHF 652.38.

Proposed appropriation of available earnings

	2016/2017 (CHF)	2015/2016 (CHF)
Available earnings		
Balance brought forward	231 540 463	289 862 612
Net income	423 965 637	292 397 006
Total available earnings	655 506 100	582 259 618
The Board of Directors proposes the following appropriation of available earnings:		
Payment of an ordinary dividend of CHF 13.00 (previous year CHF 11.00) gross and an extraordinary dividend of CHF 4.00 (previous year CHF 4.00) gross per registered share entitled to dividend	(304 057 364)	(257 194 047)
	(93 556 112)	(93 525 108)
Balance to be carried forward	257 892 624	231 540 463

Report of the Statutory Auditor on the Financial Statements



To the General Meeting of EMS-CHEMIE HOLDING AG, Domat/Ems

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the balance sheet as at 30 April 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 60 to 65) for the year ended 30 April 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG



François Rouiller
Licensed Audit Expert
Auditor in Charge



Roman Künzle
Licensed Audit Expert

Zurich, June 23, 2017

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Annual Report 2016/2017

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