

Finance Report 2013

**Excerpt from the
51st Annual Report 2013/2014**



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

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EMS-CHEMIE HOLDING AG

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Share Performance

	2013	2012	2011	2010	2009
Number of registered shares	23 389 028	23 389 028	23 389 028	23 389 028	23 389 028
Shares entitled to dividend	23 352 828	23 389 028	23 389 028	23 386 528	22 373 911
Treasury shares	36 200	0	0	2 500	1 015 117
Information per share (in CHF):					
Dividend per share	11.00 ¹⁾	10.00	7.00	12.50	10.00
Of which ordinary dividend	8.50	7.50	7.00	6.50	5.00
Of which extraordinary dividend	2.50	2.50	–	–	5.00
Of which anniversary dividend	–	–	–	6.00	–
Earnings per share	13.58	11.45	10.14	9.71	9.66
Cash flow per share ²⁾	16.21	14.02	12.64	12.50	12.47
Equity per share ³⁾	50.68	48.03	44.53	47.16	44.91
Stock prices ⁴⁾					
High	331.50	233.10	175.91	166.00	125.00
Low	218.00	162.90	137.07	117.25	80.00
At December 31	317.00	215.40	159.10	165.80	123.80
Market capitalisation on December 31 (CHF millions)	7 414.3	5 038.0	3 721.2	3 877.9	2 895.6

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.

CHF millions	2013	2012	2011	2010	2009
Net sales revenue	1 885.2	1 755.4	1 657.7	1 595.6	1 197.7
Change in % against previous year	+7.4%	+5.9%	+3.9%	+33.2%	-20.4%
Change in local currencies	+8.7%	+4.9%	+15.5%	+39.6%	-17.6%
Of which in Switzerland	3.9%	4.5%	5.3%	4.7%	4.7%
Net operating income (EBIT)	368.9	319.7	294.0	281.6	221.8
Change in % against previous year	+15.4%	+8.7%	+4.4%	+27.0%	+1.0%
In % of net sales revenue	19.6%	18.2%	17.7%	17.6%	18.5%
Net financial income	16.2	2.6	0.9	-1.5	27.9
Income taxes	61.3	48.6	52.7	48.0	28.5
Net income	323.8	273.7	242.1	232.1	221.2
Change in % against previous year	+18.3%	+13.0%	+4.3%	+4.9%	+2.8%
In % of net sales revenue	+17.2%	15.6%	14.6%	14.5%	18.5%
Cash flow ¹⁾	378.9	328.0	295.5	290.8	279.0
Change in % against previous year	+15.5%	+11.0%	+1.6%	+4.2%	+2.1%
In % of net sales revenue	20.1%	18.7%	17.8%	18.2%	23.3%
Investments	57.4	44.2	75.9	49.0	37.6
In % of cash flow	15.2%	13.5%	25.7%	16.9%	13.5%
Balance sheet total	1 737.9	1 661.0	1 634.3	1 668.9	1 711.3
Assets					
Current assets	1 096.1	1 093.4	1 042.3	1 110.3	1 141.9
Non-current assets	641.8	567.5	592.0	558.6	569.4
Equity and liabilities					
Current liabilities	415.3	304.2	363.0	391.3	417.0
Non-current liabilities	123.3	218.6	214.8	167.3	272.5
Equity ²⁾	1 184.9	1 123.4	1 041.4	1 096.8	1 004.8
Balance sheet equity ratio	68.2%	67.6%	63.7%	65.7%	58.7%
Return on equity	26.8%	23.8%	22.8%	20.6%	21.5%
Number of employees on December 31 ³⁾	2 670	2 371	2 242	2 256	2 106

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 (2013: 132; 2012: 132; 2011: 134; 2010: 138; 2009: 137).

Consolidated Income Statement

	Notes	2013 (CHF '000)	2012 Restated* (CHF '000)
Net sales revenue from goods and services		1 885 187	1 755 363
Inventory changes, semi-finished and finished goods		(2 409)	21 451
Capitalised costs and other operating income	1	33 692	30 350
Material expenses		1 150 114	1 102 886
Personnel expenses	2	222 413	207 399
Other operating expenses	3	119 922	122 916
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)		424 021	373 963
Depreciation and amortization	9, 23	55 134	54 302
NET OPERATING INCOME (EBIT)		368 887	319 661
Income from associated companies	4	25 680	9 461
Financial income	6	3 567	2 172
Financial expenses	7	13 030	9 012
NET FINANCIAL INCOME		16 217	2 621
NET INCOME BEFORE TAXES		385 104	322 282
Income taxes	8	61 298	48 601
NET INCOME		323 806	273 681
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		317 618	267 890
Non-controlling interests	17	6 188	5 791
Earnings per share in CHF:			
Basic	26	13.58	11.45
Diluted	26	13.58	11.45

Consolidated Statement of Comprehensive Income

Net income recognized in income statement		323 806	273 681
Remeasurements of defined benefit liability/(asset), after taxes		13 684	(12 550)
Total items that will never be reclassified to profit or loss		13 684	(12 550)
Net changes from cash flow hedges, after taxes	14	(7 823)	(5 178)
Currency translation differences		(18 293)	(4 128)
Total items that are or may be reclassified to profit or loss		(26 116)	(9 306)
Other comprehensive income, after taxes		(12 432)	(21 856)
TOTAL COMPREHENSIVE INCOME		311 374	251 825
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		306 595	247 074
Non-controlling interests	17	4 779	4 751

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.
Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

EMS Group
Consolidated Financial Statements
Annual Report 2013/2014

	Notes	31.12.2013 (CHF '000)	31.12.2012 Restated* (CHF '000)	1.1.2012 Restated* (CHF '000)
NON-CURRENT ASSETS		641 754	567 554	589 065
Intangible assets	9	92 586	31 789	23 375
Property, plant and equipment	9	515 201	496 051	506 989
Investments	9	4 267	22 778	22 286
Other non-current assets	10	17 615	3 299	16 292
Derivative financial instruments	14	0	3 192	12 110
Deferred income tax assets	8	12 085	10 445	8 013
CURRENT ASSETS		1 096 098	1 093 432	1 042 296
Inventories	11	314 183	315 196	297 588
Trade receivables	12	258 920	247 970	231 649
Income tax assets		5 715	1 514	1 563
Other receivables	13	74 264	59 601	62 198
Securities		0	0	15 117
Derivative financial instruments	14	2 997	8 110	16 186
Cash and cash equivalents	15	440 019	461 041	417 995
TOTAL ASSETS		1 737 852	1 660 986	1 631 361
EQUITY		1 199 312	1 138 167	1 055 192
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 184 888	1 123 435	1 040 084
Share capital	16	234	234	234
Retained earnings and reserves		867 036	855 311	804 029
Net income		317 618	267 890	237 131
Equity, attributable to non-controlling interests	17	14 424	14 732	15 108
LIABILITIES		538 540	522 819	576 169
Non-current liabilities		123 254	218 655	213 123
Derivative financial instruments	14	5 889	1 178	502
Bank loans	18	42	100 053	100 061
Other non-current liabilities		236	339	363
Deferred income tax liabilities	8	97 503	87 635	88 404
Pension liabilities	19	15 509	25 437	19 151
Provisions	20	4 075	4 013	4 642
Current liabilities		415 286	304 164	363 046
Derivative financial instruments	14	9 179	2 110	19 661
Bank loans	18	100 000	19 042	62 705
Trade payables		108 085	109 514	112 458
Income tax liabilities		62 368	52 300	45 986
Provisions	20	4 623	1 442	759
Other current liabilities	21	131 031	119 756	121 477
TOTAL EQUITY AND LIABILITIES		1 737 852	1 660 986	1 631 361

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.
Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(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 31.12.2011	234	21 563	0	1 059 845	15 432	(55 680)	1 041 394	15 108	1 056 502
Adjustment*				(1 310)			(1 310)	0	(1 310)
At 1.1.2012, restated*	234	21 563	0	1 058 535	15 432	(55 680)	1 040 084	15 108	1 055 192
Net changes from cash flow hedges, after taxes					(5 178)		(5 178)		(5 178)
Remeasurements of defined benefit liability/(asset), after taxes				(12 550)			(12 550)		(12 550)
Currency translation differences						(3 088)	(3 088)	(1 040)	(4 128)
Other comprehensive income, after taxes				(12 550)	(5 178)	(3 088)	(20 816)	(1 040)	(21 856)
Net income recognized in income statement				267 890			267 890	5 791	273 681
Total comprehensive income	0	0	0	255 340	(5 178)	(3 088)	247 074	4 751	251 825
Dividends paid				(163 723)			(163 723)	(5 127)	(168 850)
At 31.12.2012, restated*	234	21 563	0	1 150 152	10 254	(58 768)	1 123 435	14 732	1 138 167
Net changes from cash flow hedges, after taxes					(7 823)		(7 823)		(7 823)
Remeasurements of defined benefit liability/(asset), after taxes				13 684			13 684		13 684
Currency translation differences						(16 884)	(16 884)	(1 409)	(18 293)
Other comprehensive income, after taxes				13 684	(7 823)	(16 884)	(11 023)	(1 409)	(12 432)
Net income recognized in income statement				317 618			317 618	6 188	323 806
Total comprehensive income	0	0	0	331 302	(7 823)	(16 884)	306 595	4 779	311 374
Transactions with treasury shares		131	(11 383)				(11 252)		(11 252)
Transactions with non-controlling interests							0	273	273
Dividends paid				(233 890)			(233 890)	(5 360)	(239 250)
At 31.12.2013	234	21 694	(11 383)	1 247 564	2 431	(75 652)	1 184 888	14 424	1 199 312

	2013	2012*
Balance sheet equity ratio	69.0%	68.5%

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2012: KCHF 47) not eligible for distribution.

The change in other comprehensive income and income taxes recognized directly in equity amounts to KCHF -655 (2012: KCHF -440) on hedge accounting to IAS 39, KCHF -2 392 (2012: 2 658) on remeasurements of defined benefit liability (asset) and KCHF -11 (2012: KCHF 0) on transactions with treasury shares.

The translation differences contains KCHF -8 221 (2012: KCHF -6 739) from IAS 21 "Net investment in a foreign operation".

On February 7, 2014, the company announced that the Board of Directors will propose a dividend payment of CHF 11.00 per each share to the ordinary annual shareholder meeting on August 9, 2014 (CHF 8.50 ordinary dividend, CHF 2.50 extraordinary dividend).

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

Consolidated Statement of Cash Flows

EMS Group
Consolidated Financial Statements
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	Notes	2013 (CHF '000)	2012 Restated* (CHF '000)
Net income		323 806	273 681
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	9, 23	55 134	54 302
(Profit)/loss from disposal of property, plant and equipment, net	3	(1 078)	2 638
Increase/(decrease) of provisions	20	2 527	687
Increase/(decrease) of other non-current liabilities		217	0
(Income)/expenses from the equity-valuation of associated companies	4	(25 680)	(9 461)
Unrealised currency translation (gains)/losses on foreign exchange positions		7 880	11 763
Change assets and liabilities of post-employment benefits, net	19	(24 065)	4 084
Net interest expense	6, 7	1 364	1 516
Dividends on available-for-sale securities	6	(2 891)	(1 637)
(Income)/loss from sale of available-for-sale securities	7	0	2 145
Expenses for income taxes	8	61 298	48 601
Changes in net working capital		7 668	(53 840)
Taxes paid		(59 518)	(48 488)
Interest paid		(2 043)	(2 074)
Provisions used	20	(286)	(1 015)
CASH FLOW FROM OPERATING ACTIVITIES A		344 333	282 902
(Purchase) of intangible assets and property, plant and equipment	9	(57 448)	(44 225)
Disposal of intangible assets and property, plant and equipment	3, 9	2 424	629
(Increase) in other non-current assets		(517)	(62)
Decrease in other non-current assets		2 920	283
(Purchase) of available-for-sale securities		0	(32 445)
Sale of available-for-sale securities		0	45 417
Interest received		679	533
Dividends received		2 846	4 899
Cash inflow from sale of fully consolidated companies	24	(46 721)	(6 966)
(Increase)/decrease of interest-bearing assets		435	41
CASH FLOW FROM INVESTING ACTIVITIES B		(95 382)	(31 896)
Dividends paid		(233 890)	(163 723)
Dividends paid to non-controlling interests	17	(5 360)	(5 127)
(Purchase) of treasury shares	16	(13 834)	0
Sale of treasury shares	16	2 582	0
Increase in interest-bearing liabilities		0	7 025
(Decrease) in interest-bearing liabilities		(21 061)	(50 024)
CASH FLOW FROM FINANCING ACTIVITIES C		(271 563)	(211 849)
Increase/(decrease) in cash and cash equivalents (A + B + C)		(22 612)	39 157
Cash and cash equivalents at 1.1.		461 041	417 995
Translation difference on cash and cash equivalents		1 590	3 889
Cash and cash equivalents at 31.12.	15	440 019	461 041

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.
Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Consolidated accounting principles

General information on the consolidated financial statements

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

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

Significant estimates and assumptions made by management

Impairment of non-current assets

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

Provisions for litigation risks and other provisions

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

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 19.

Taxes

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

Changes to the consolidated accounting principles

The IASB published a series of new and revised standards and interpretations, which took effect in financial year 2013 and were implemented by the EMS Group on January 1, 2013.

- IAS 1 Financial Statement Presentation
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (revised)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (early application)
- Annual Improvements 2011

The individual changes have no material impact on the accounting principles except IAS 19 – Employee Benefits (revised) – (hereinafter IAS 19R), IAS 1 (Presentation of Financial Statements) and IFRS 13 (Fair Value Measurement).

Adoption of IAS 19 – Employee Benefits (revised)

The material impacts of the adoption of IAS 19R on the EMS Group's financial reporting are as follows:

- Elimination of the corridor approach: The actuarial gains and losses must now be recognized in other comprehensive income.
- Calculation of pension costs: The net interest on the net defined benefit liability or the net defined benefit asset is recognized in the employee costs.
- Past service costs are recognized through profit or loss when they occur.

The changes to IAS 19R have been applied retrospectively in accordance with IAS 8. The effects on the relevant items in the balance sheet, income statement, statement of comprehensive income and cash flow statement are presented below.

Consolidated Balance Sheet as of January 1, 2012

(CHF '000)	Reported	Adjustment	Restated
Other non-current assets	19 249	(2 957)	16 292
Non-current assets	592 022	(2 957)	589 065
Deferred income tax liabilities	88 682	(278)	88 404
Pensions liabilities	20 520	(1 369)	19 151
Liabilities	214 770	(1 647)	213 123
Equity	1 056 502	(1 310)	1 055 192
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	1 041 394	(1 310)	1 040 084
Non-controlling interests	15 108	0	15 108

Consolidated Balance Sheet as of December 31, 2012

(CHF '000)	Reported	Adjustment	Restated
Other non-current assets	19 244	(15 945)	3 299
Non-current assets	583 499	(15 945)	567 554
Deferred income tax liabilities	90 387	(2 752)	87 635
Pensions liabilities	25 642	(205)	25 437
Liabilities	221 612	(2 957)	218 655
Equity	1 151 155	(12 988)	1 138 167
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	1 136 423	(12 988)	1 123 435
Non-controlling interests	14 732	0	14 732

Consolidated Income Statement 2012

(CHF '000)	Reported	Adjustment	Restated
Personnel expenses	208 456	(1 057)	207 399
Net operating income (EBIT)	318 604	1 057	319 661
Net income before taxes	321 225	1 057	322 282
Income taxes	48 416	185	48 601
Net income	272 809	872	273 681
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG	267 018	872	267 890
Non-controlling interests	5 791	0	5 791
Earnings per share in CHF			
Basic	11.42		11.45
Diluted	11.42		11.45

Consolidated Statement of Comprehensive Income 2012

(CHF '000)	Reported	Adjustment	Restated
Net income	272 809	872	273 681
Net changes from cash flow hedges, after taxes	(5 178)	0	(5 178)
Currency translation differences	(4 128)	0	(4 128)
Remeasurements of defined benefit liability (assets), after taxes	0	(12 550)	(12 550)
Other comprehensive income, after taxes	(9 306)	(12 550)	(21 856)
Total comprehensive income	263 503	(11 678)	251 825
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG	258 752	(11 678)	247 074
Non-controlling interests	4 751	0	4 751

Consolidated Statement of Cash Flows 2012

(CHF '000)	Reported	Adjustment	Restated
Net income	272 809	872	273 681
Change assets and liabilities of post-employment benefits, net	5 141	(1 057)	4 084
Income taxes	48 416	185	48 601
Cash flow from operating activities A	282 902	0	282 902

The effects on the year 2013 and beyond are similar.

Financial instruments

The difference between the carrying value less allowances of financial assets and liabilities is not material. Financial assets and liabilities that are measured at fair value are insignificant, which is why no further disclosure is made.

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 and non-controlling interests").

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

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

Method of consolidation

The financial statements of majority-owned companies are fully consolidated. Assets and liabilities, income and expenses are incorporated in full. Capital consolidation is effected using the acquisition method. Intercompany transactions and relations have been eliminated in the course of

consolidation. Unrealised profits from intercompany deliveries are eliminated in the income statement. All assets and liabilities of acquired companies are valued at fair value at the time of acquisition. Any positive difference between the resulting fair value of the net assets and contingent liabilities acquired and the cost of acquisition is capitalised as goodwill. Results for acquired companies are included in consolidation as from the date on which control was transferred.

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

Consistency

Compared to the prior-year period, the following reclassifications were made within the non-current liabilities:

(CHF '000)	31.12.2012	1.1.2012
Other non-current liabilities	24 726	19 635
Reclassification to pension liabilities	(24 387)	(19 272)
Other non-current liabilities	339	363
Provisions	6 710	6 649
Reclassification provision for pension liabilities	(1 255)	(1 248)
Provisions	5 455	5 401
Reclassification from other non-current liabilities	24 387	19 272
Reclassification from provisions	1 255	1 248
Adjustment IAS 19R	(205)	(1 369)
Pension liabilities	25 437	19 151

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

Standards that have been approved, but not yet applied

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

Standard / Interpretation		Effective as of	Planned application by the EMS Group
IFRS 10, IFRS 12 and IAS 27 – Investment Entities	*	January 1, 2014	Financial year 2014
IFRIC 21 – Levies	*	January 1, 2014	Financial year 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	*	January 1, 2014	Financial year 2014
IFRS 19 – Employee Contributions	*	January 1, 2014	Financial year 2014
Annual Improvements to IFRSs 2010–2012 Cycle	*	January 1, 2014	Financial year 2014
Annual Improvements to IFRSs 2011–2013 Cycle	*	January 1, 2014	Financial year 2014

Standard / Interpretation		Effective as of	Planned application by the EMS Group
IAS 32 – Offsetting Amendments	**	January 1, 2014	Financial year 2014
IFRIC 9 – Financial Instruments: Classification and Measurement	***	January 1, 2018 (expected)	Financial year 2018 (expected)

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

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

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

Balance sheet date

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

Valuation principles

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

Intangible assets (excluding goodwill)

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

Goodwill

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

Property, plant and equipment

Property, plant and equipment are shown at purchase price or manufacturing cost less depreciation and impairments. Assets are depreciated using the straight-line method over their estimated useful lives. Useful lives are estimated in terms of the asset's physical life expectancy, corporate policy on asset renewals and technological and commercial obsolescence. The value of the 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 realisable value, whichever is lower. Inventories are valued using the "fifo" (first-in, first-out) method. Besides individual costs, the cost of production also includes a proportionate allocation of manufacturing overheads.

Receivables

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

Securities

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

Cash and cash equivalents

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

This definition is also used for the cash flow statement.

Non-current bank loans

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

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

Liabilities and deferred income

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

Provisions

Provisions are set up for legal or constructive obligations if these obligations resulting from a past event and existing at balance sheet date will most probably lead to a cash outflow and if the amounts can be reliably estimated. A provision is 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 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	
		2013	2012	2013	2012
Euro	EUR 1	1.231	1.205	1.225	1.208
US Dollar	USD 1	0.927	0.937	0.888	0.915
Japanese Yen	JPY 100	0.951	1.175	0.845	1.063
Chinese Renminbi	CNY 100	15.065	14.868	14.650	14.680
Taiwan Dollar	TWD 100	3.115	3.162	2.975	3.150

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 by the Board of Directors quarterly. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment.

Financial risk management

General

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

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

Credit risks

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

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

Liquidity risks

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

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

Market risks

Interest rate risks

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

This risk is not hedged.

Currency risks

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

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

Capital management

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

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

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The EMS Group aims for a balance sheet equity ratio between 40% and 60%. The balance sheet equity ratio is 69.0% as at December 31, 2013 (December 31, 2012: 68.5%). The EMS Group has no external minimum capital requirements.

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

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

Segment Information

Segment information by business area

(CHF '000)	High Performance Polymers		Specialty Chemicals		Elimination		Total	
	2013	2012*	2013	2012	2013	2012	2013	2012*
Net sales revenue with third parties	1 620 202	1 470 841	264 985	284 522	0	0	1 885 187	1 755 363
Net sales revenue with other segments	87	166	0	0	(87)	(166)	0	0
Total net sales revenue	1 620 289	1 471 007	264 985	284 522	(87)	(166)	1 885 187	1 755 363
EBITDA	366 377	317 058	57 644	56 905	0	0	424 021	373 963
Depreciation, amortisation and impairments ¹⁾	46 572	45 638	8 562	8 664	0	0	55 134	54 302
Net operating income (EBIT)	319 805	271 420	49 082	48 241	0	0	368 887	319 661
Net financial income							16 217	2 621
Net income before taxes							385 104	322 282
Income taxes							(61 298)	(48 601)
Net income							323 806	273 681

(CHF '000)	High Performance Polymers		Specialty Chemicals		Non-segment assets/liabilities		Total	
	2013	2012*	2013	2012	2013	2012	2013	2012*
Segment assets ²⁾	1 133 507	1 004 988	160 242	172 362	444 103	483 636	1 737 852	1 660 986
Segment liabilities ³⁾	423 788	386 180	14 710	17 544	100 042	119 095	538 540	522 819
Investments	52 327	39 137	5 122	5 088			57 449	44 225
Income from equity-valuation of associated companies	25 680	9 461	0	0			25 680	9 461

Segment information by geographical region

(CHF '000)	Total net sales revenue (customers)		Total net sales revenue (production)		Segment assets ²⁾	
	2013	2012	2013	2012	2013	2012*
Europe	1 027 429	974 982	1 347 860	1 276 750	963 047	849 773
<i>thereof Switzerland</i>	73 330	79 364	870 826	861 008	676 680	642 121
<i>thereof Germany</i>	412 334	445 319	230 485	228 320	98 106	88 959
Asia	536 023	481 866	340 949	298 121	221 011	219 552
<i>thereof China</i>	264 486	206 457	138 373	109 139	121 401	100 422
NAFTA	251 290	236 968	173 288	165 381	98 361	93 481
<i>thereof USA</i>	223 541	209 523	173 288	165 381	98 361	93 481
Others	70 445	61 547	23 090	15 111	11 330	14 544
Non-segment assets					444 103	483 636
Total	1 885 187	1 755 363	1 885 187	1 755 363	1 737 852	1 660 986

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.

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

¹⁾ See note 9.

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

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

Consolidated Income Statement

EMS Group
Consolidated Financial Statements
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Notes	2013 (CHF '000)	2012 Restated* (CHF '000)
1 Capitalised costs and other operating income		
Capitalised costs	12 306	10 861
Other operating income	21 386	19 489
Total capitalised costs and other operating income	33 692	30 350
2 Personnel expenses		
Wages and salaries	172 500	158 731
Subcontractor salaries	10 371	6 415
Expenses for defined benefit plans (see note 19)	9 804	6 528
Legal/contractual social insurance	29 738	35 725
Total personnel expenses	222 413	207 399
3 Other operating expenses		
Rents	9 657	9 022
Repairs and maintenance	26 245	26 168
Insurance, duties, fees	8 007	7 372
Energy	34 092	34 532
Administration, promotion	27 642	25 406
(Profit)/Losses on disposal of property, plant and equipment, net	(1 078)	2 638
Other operating expenses	15 357	17 778
Total other operating expenses	119 922	122 916
4 Income from associated companies		
Income from equity-valuation of associated companies	6 510	6 863
Revaluation existing investment in D PLAST – EFTEC to fair value (see note 24)	23 141	0
Revaluation existing investment in EFTEC (India) Pvt. Ltd. to fair value (see note 24)	0	2 598
Currency effects, transferred to income statement	(3 971)	0
Total income from associated companies	25 680	9 461
5 Research and development		
Expenditures for research and development amount to In percent of net sales revenue	39 962 2.1 %	35 887 2.0 %

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Notes	2013 (CHF '000)	2012 Restated* (CHF '000)	
6	Financial income		
	Other interest income	660	529
	Interest income on loans and receivables	16	6
	Total interest income	676	535
	Dividends on available-for-sale securities	2 891	1 637
	Total financial income	3 567	2 172
7	Financial expenses		
	Interest expenses	2 040	2 051
	Foreign exchange losses, net	9 286	3 609
	Expenses from sale of available-for-sale securities, net	0	2 145
	Bank charges and commissions	1 704	1 207
	Total financial expenses	13 030	9 012
8	Income taxes		
	Current income taxes	65 683	56 095
	Deferred income taxes	(4 385)	(7 494)
	Total income taxes	61 298	48 601
	The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The expected income tax rate corresponds to the weighted average of the tax rates in the tax jurisdictions in which the EMS Group operates. Due to the mix of the EMS Group's taxable income and changes in some local tax rates, the expected income tax rate changes from year to year. The effective income tax expenses differed from the expected income tax expenses as follows:		
	Breakdown of the income tax expenses		
	Net income before income taxes	385 104	322 282
	Expected income tax rate	22.8%	19.4%
	Expected income taxes	87 804	62 458
	Use of tax losses carried forward from previous years	(2 028)	(7 074)
	Change in deferred tax assets not having been set up	(3 159)	125
	Tax exemption/Expenses not being deductible for tax purposes	(17 481)	(5 643)
	Taxes from previous years	(3 870)	(689)
	Impact of changed deferred income tax rates	(94)	(37)
	Other	126	(539)
	Effective income taxes	61 298	48 601
	Effective income tax rate	15.9%	15.1%

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Notes	2013		2012	
	(CHF '000)		Restated* (CHF '000)	
Deferred income taxes: Change in recognised assets/liabilities				
	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
At 1. 1.	10 445	87 635	8 013	88 404
Change in scope of consolidation	0	8 562	0	2 557
Increase via income statement	5 114	4 125	3 562	1 849
Decrease via income statement	(3 065)	(2 035)	(1 018)	(4 958)
Translation differences	(409)	(784)	(112)	(217)
At 31. 12.	12 085	97 503	10 445	87 635
Note to the deferred income tax liabilities				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	81 696		73 127	
Deferred income taxes on current assets	11 062		10 106	
Deferred income taxes on liabilities	4 745		4 402	
Total deferred income tax liabilities	97 503		87 635	
Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.				
Tax loss carryforwards				
	Tax loss carryforwards	Tax effect	Tax loss carryforwards	Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognized	13 389	3 034	28 925	8 299
Of which to be carried forward for up to:				
1 year	0	0	0	0
2 years	0	0	0	0
3 years	71	18	0	0
4 years	9	2	72	18
5 years	0	0	9	2
More than 5 years	13 309	3 014	28 844	8 279

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Consolidated Balance Sheet as at December 31

Notes

9 Intangible assets, property, plant and equipment, investments

1. Intangible assets

(CHF '000)	Goodwill	Patents, trade- marks	Others	Total
At 1.1.2012				
Cost	20 678	1 268	23 432	45 378
Accumulated amortisation and impairment	0	(1 266)	(20 737)	(22 003)
Net book value	20 678	2	2 695	23 375
2012				
At 1.1.	20 678	2	2 695	23 375
Change in scope of consolidation	2 077	0	7 891	9 968
Additions	0	0	494	494
Disposals	0	0	(1)	(1)
Amortisation	0	(2)	(1 963)	(1 965)
Reclassifications	0	0	492	492
Translation differences	(210)	0	(364)	(574)
At 31.12.	22 545	0	9 244	31 789
Cost	22 545	1 268	31 261	55 074
Accumulated amortisation and impairment	0	(1 268)	(22 017)	(23 285)
Net book value	22 545	0	9 244	31 789
2013				
At 1.1.	22 545	0	9 244	31 789
Change in scope of consolidation	27 438	0	42 498	69 936
Additions	0	0	339	339
Disposals	0	0	(103)	(103)
Amortisation	0	0	(6 258)	(6 258)
Reclassifications	0	0	134	134
Translation differences	(241)	0	(3 010)	(3 251)
At 31.12.	49 742	0	42 844	92 586
Cost	49 742	1 268	69 884	120 894
Accumulated amortisation and impairment	0	(1 268)	(27 040)	(28 308)
Net book value	49 742	0	42 844	92 586

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

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 49 742 (2012: KCHF 22 545) is the Business Unit EMS-EFTEC (business area "High Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:

- The cash flows for the first three years were determined on the basis of medium-term plans.
- The cash flows of the following years were calculated with an annual growth rate of 1% (2012: 1%).
- The discount rate before taxes is 10% (2012: 10%).

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

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

Notes

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction	Total
2012						
At 1. 1. 2012						
Cost	20 395	291 334	925 038	50 724	21 125	1 308 616
Accumulated depreciation and impairment	(1 579)	(164 838)	(599 001)	(35 458)	(751)	(801 627)
Net book value	18 816	126 496	326 037	15 266	20 374	506 989
2013						
At 1. 1.	18 816	126 496	326 037	15 266	20 374	506 989
Change in scope of consolidation	807	2 145	1 387	124	0	4 463
Additions	0	205	3 249	3 879	36 398	43 731
Disposals	(1)	(253)	(735)	(140)	(2 137)	(3 266)
Depreciation	(67)	(6 428)	(35 083)	(3 961)	0	(45 539)
Impairment	0	0	(6 611)	0	(187)	(6 798)
Reclassifications	0	3 250	25 783	1 583	(31 108)	(492)
Translation differences	(254)	(894)	(1 687)	(150)	(52)	(3 037)
At 31. 12.	19 301	124 521	312 340	16 601	23 288	496 051
Cost	20 964	294 132	929 042	53 886	24 203	1 322 227
Accumulated depreciation and impairment	(1 663)	(169 611)	(616 702)	(37 285)	(915)	(826 176)
Net book value	19 301	124 521	312 340	16 601	23 288	496 051
2014						
At 1. 1.	19 301	124 521	312 340	16 601	23 288	496 051
Change in scope of consolidation	1 461	9 973	4 907	1 435	422	18 198
Additions	0	1 168	2 453	2 816	50 672	57 109
Disposals	(139)	(352)	(423)	(190)	(139)	(1 243)
Depreciation	(69)	(7 669)	(35 785)	(5 132)	(221)	(48 876)
Reclassifications	32	1 751	17 445	3 662	(23 022)	(132)
Translation differences	(502)	(2 358)	(2 544)	(312)	(190)	(5 906)
At 31. 12.	20 084	127 034	298 393	18 880	50 810	515 201
Cost	21 798	304 274	926 075	60 796	51 910	1 364 853
Accumulated depreciation and impairment	(1 714)	(177 240)	(627 682)	(41 916)	(1 100)	(849 652)
Net book value	20 084	127 034	298 393	18 880	50 810	515 201

Fire insurance value is KCHF 1 846 265 (2012: KCHF 1 760 354). 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
2013:	KCHF 0	—
2012:	KCHF 6 798	High Performance Polymers

Notes

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
2012			
At 1.1. 2012			
Cost/Fair value	22 103	183	22 286
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 103	183	22 286
2012			
At 1.1.	22 103	183	22 286
Change in scope of consolidation	(5 663)	0	(5 663)
Additions/Increase	7 140	0	7 140
Disposals/Decrease	(941)	0	(941)
Translation differences	(44)	0	(44)
At 31.12.	22 595	183	22 778
Cost/Fair value	22 595	183	22 778
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 595	183	22 778
2013			
At 1.1.	22 595	183	22 778
Change in scope of consolidation	(24 859)	0	(24 859)
Income from equity-valuation of associated companies	6 510	0	6 510
Additions/Increase	0	0	0
Disposals/Decrease	0	0	0
Translation differences	(162)	0	(162)
At 31.12.	4 084	183	4 267
Cost/Fair value	4 084	183	4 267
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	4 084	183	4 267

Notes	2013 (CHF '000)	2012 Restated* (CHF '000)
10 Other non-current assets		
Other non-current assets	1 057	878
Assets from employee benefits (see note 19)	16 558	2 421
Total other non-current assets	17 615	3 299
Other non-current assets mainly comprise loans to third parties.		
11 Inventories		
Raw materials and supplies	148 429	147 137
Semi-finished goods, work in progress	10 384	10 883
Finished products	184 670	185 620
Value adjustments	(29 300)	(28 444)
Total inventories	314 183	315 196
12 Trade receivables		
Trade receivables from associated companies	8	67
Trade receivables from third parties	265 748	255 251
Allowances for doubtful receivables	(6 836)	(7 348)
Total trade receivables	258 920	247 970
Allowances for doubtful receivables are determined on the basis of historical losses and recognisable individual risks.		
Due dates of trade receivables		
Not due	239 379	225 596
Overdue <30 days	24 268	25 445
Overdue 30 to 90 days	1 713	2 932
Overdue >90 days	396	1 345
Total	265 756	255 318

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Notes

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:

	2013		2012	
	Individual allowance	General allowance	Individual allowance	General allowance
At 1.1.	1 935	5 413	1 803	4 311
Change in scope of consolidation	46	244	0	0
Increase in allowances	326	541	442	1 428
Decrease in allowances	(145)	(1 202)	(143)	(162)
Losses on trade receivables	(207)	0	(249)	–
Reclassifications	34	(34)	86	(86)
Translation differences	3	(118)	(4)	(78)
At 31.12.	1 992	4 844	1 935	5 413

		2013 (CHF '000)	2012 (CHF '000)
13	Other receivables		
	Other receivables	42 960	39 175
	Prepayments and accrued income	31 304	20 426
	Total other receivables	74 264	59 601

14 Derivative financial instruments

The following summary shows the most important derivative financial instruments:

Financial instruments at fair value classified through profit or loss

Currency	EUR/CHF	Notional amount CHF	187 389	300 418
SWAPS and forward rate agreements		Positive replacement value CHF	349	0
		Negative replacement value CHF	3 214	3 111
	JPY/CHF	Notional amount CHF	79 540	0
		Positive replacement value CHF	0	0
		Negative replacement value CHF	7 186	0
	CZK/EUR	Notional amount CHF	48 308	0
		Positive replacement value CHF	0	0
		Negative replacement value CHF	4 561	0
	EUR/USD	Notional amount CHF	1 712	0
		Positive replacement value CHF	1	0
		Negative replacement value CHF	0	0
	Others	Notional amount CHF	8 195	0
		Positive replacement value CHF	0	0
		Negative replacement value CHF	107	0

Notes			2013 (CHF '000)	2012 (CHF '000)
Total		Notional amount CHF	325 144	300 418
		Positive replacement value CHF	350	0
		Negative replacement value CHF	15 068	3 111
Thereof: Current portion		Notional amount CHF (<12 months)	265 464	186 130
		Positive replacement value CHF (<12 months)	350	0
		Negative replacement value CHF (<12 months)	9 179	1 933
Non-current portion		Notional amount CHF (1–5 years)	59 680	114 288
		Positive replacement value CHF (1–5 years)	0	0
		Negative replacement value CHF (1–5 years)	5 889	1 178
Financial instruments effective for hedge accounting purposes				
Currency SWAPS and forward rate agreements	USD/CHF	Notional amount CHF	34 564	169 111
		Positive replacement value CHF	2 638	5 319
		Negative replacement value CHF	0	177
	JPY/CHF	Notional amount CHF	0	82 020
		Positive replacement value CHF	0	5 983
		Negative replacement value CHF	0	0
CZK/EUR	Notional amount CHF	6 745	0	
	Positive replacement value CHF	9	0	
	Negative replacement value CHF	0	0	
Total		Notional amount CHF	41 309	251 131
		Positive replacement value CHF	2 647	11 302
		Negative replacement value CHF	0	177
Thereof: Current portion		Notional amount CHF (<12 months)	41 309	202 010
		Positive replacement value CHF (<12 months)	2 647	8 110
		Negative replacement value CHF (<12 months)	0	177
Non-current portion		Notional amount CHF (1–5 years)	0	49 121
		Positive replacement value CHF (1–5 years)	0	3 192
		Negative replacement value CHF (1–5 years)	0	0
<p>Derivative financial instruments were mostly effected for hedging purposes. Currency SWAPS, forward rate agreements and currency option contracts are used for the hedging of future purchases and sales in foreign currencies.</p> <p>The replacement value is understood as being the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.</p>				

Notes	2013 (CHF '000)	2012 (CHF '000)			
Net changes from cash flow hedges in equity, after taxes					
At 1.1.	10 254	15 432			
Transfer to consolidated income statement	(9 221)	(4 870)			
Fair value adjustments	733	(748)			
Income taxes recognised directly in equity	665	440			
Total net changes from cash flow hedges in equity, after taxes	(7 823)	(5 178)			
At 31.12.	2 431	10 254			
15 Cash and cash equivalents					
Deposits	439 417	460 153			
Cash and cash equivalents	602	888			
Total cash and cash equivalents	440 019	461 041			
16 Share capital					
	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12.2011	CHF 0.01	23 389 028	0	23 389 028	234
Purchase of treasury shares		–	0	0	–
Sale of treasury shares		–	0	0	–
At 31.12.2012	CHF 0.01	23 389 028	0	23 389 028	234
Purchase of treasury shares		–	44 019	(44 019)	–
Sale of treasury shares		–	(7 819)	7 819	–
At 31.12.2013	CHF 0.01	23 389 028	36 200	23 352 828	234
17 Non-controlling interests					
This item reflects the non-controlling interests in capital and profit/loss for the year. Significant non-controlling interests exist for shares in EFTEC (Elabuga) OOO, EMS-UBE Ltd., Shanghai EFTEC Chemical Products Ltd. and Wuhu EFTEC Chemical Products Ltd.					
The change in non-controlling interests is as follows:					
At 1.1.				14 732	15 108
Change in the scope of consolidation				273	0
Dividends paid				(5 360)	(5 127)
Net income				6 188	5 791
Translation differences				(1 409)	(1 040)
At 31.12.				14 424	14 732

Notes	2013 (CHF '000)	2012 (CHF '000)
18 Bank loans		
The non-current bank loans are composed as follows:		
CHF: Average interest rate: – (2012: 1.35 %)	0	100 000
JPY: Average interest rate: 1.48 % (2012: 1.48 %)	42	53
Total non-current bank loans	42	100 053
The non-current bank loans in CHF have a fixed interest rate. The fair value amounts to KCHF 0 (2012: KCHF 100 635). 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: – (2012: 0.44 %)	0	17 540
INR: Average interest rate: – (2012: 13.00 %)	0	1 502
CHF: Average interest rate: 1.35 % (2012: –)	100 000	0
Total current bank loans	100 000	19 042
The current bank loans have a fixed interest rate. The fair value amounts to KCHF 100 030 (2012: –). The current bank loans were entirely repayed on January 31, 2014.		

19 Pension Liabilities

Description of Swiss defined benefit plans

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 2013, the minimum interest rate was unchanged at 1.5% compared to 2012.

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.

Notes

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.

Beginning January 1, 2013, the following amendments were made to the Swiss defined benefit plans:

- The pension benefits for insured individuals over the age of 45 were improved
- The conversion rate was reduced from 6.4% to 6.0%.

As a result of these adjustments, the defined benefit liability of the group was reduced by KCHF 2 355. The corresponding income from past service cost was recognized in the consolidated income statement during 2012.

Balance sheet reconciliation

	Pension plans CH	Other post-employment benefit plans	Total 2013	Pension plans CH	Other post-employment benefit plans	Total 2012
Funded plans						
– Fair value of plan assets	366 465	6 730	373 195	374 691	0	374 691
– Defined benefit obligation	(359 027)	(6 198)	(365 225)	(374 998)	(20 973)	(395 971)
Over/(under) funding	7 438	532	7 970	(307)	(20 973)	(21 280)
Unfunded plans						
– defined benefit obligation	0	(423)	(423)	0	(481)	(481)
Net recognized asset/(liability)	7 438	109	7 547	(307)	(21 454)	(21 761)
Jubilees	0	(4 945)	(4 945)	0	0	0
Provision for termination pay	0	(1 553)	(1 553)	0	(1 255)	(1 255)
(Net liability)/asset	7 438	(6 389)	1 049	(307)	(22 709)	(23 016)
Reported in balance sheet						
– Other non-current assets (see note 10)			16 558			2 421
– Pension liabilities			(15 509)			(25 437)
Net recognized asset/(liability)			1 049			(23 016)

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)	
	2013	2012 Restated*	2013	2012 Restated*	2013	2012 Restated*
1.1.	374 998	362 129	(374 691)	(375 186)	307	(13 057)
Included in profit or loss						
Current service cost	9 799	9 262	0	0	9 799	9 262
Past service cost	0	(2 420)	0	0	0	(2 420)
Interest cost/(income)	6 562	8 691	(6 557)	(9 005)	5	(314)
Total	16 361	15 533	(6 557)	(9 005)	9 804	6 528
Included in OCI						
Remeasurements loss/(gain):						
– Actuarial loss (gain) arising from:						
– demographic assumptions	0	0			0	0
– financial assumptions	(9 646)	19 169			(9 646)	19 169
– experience adjustment	212	(5 962)			212	(5 962)
– Return on plan assets excluding interest income	0	0	(7 150)	2 002	(7 150)	2 002
Total	(9 434)	13 207	(7 150)	2 002	(16 584)	15 209
Other						
Employers' contributions	0	0	(965)	(8 373)	(965)	(8 373)
Employees' contributions	6 232	6 037	(6 232)	(6 037)	0	0
Vested benefits paid in/(paid out), net	(29 130)	(21 908)	29 130	21 908	0	0
Total	(22 898)	(15 871)	21 933	7 498	(965)	(8 373)
Balance at 31.12.	359 027	374 998	(366 465)	(374 691)	(7 438)	307

EMS expects to pay MCHF 15 into defined benefit plans in 2014.

	2013 (CHF '000)	2012 Restated* (CHF '000)
Plan assets		
Total assets	366 465	374 691
Liquidity	53%	73%
Bonds CHF	14%	4%
Bonds EUR	2%	0%
Swiss shares	4%	1%
Shares Abroad	3%	0%
Property	21%	19%
Mortgages, loans	3%	3%
Other investments	0%	0%
Total	100%	100%

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Notes	2013 (CHF '000)	2012 (CHF '000)
Actuarial assumptions as of 31.12.		
Discount rate	2.00%	1.75%
Future salary growth	1.00%	1.00%
Future pension growth	0.25%	0.25%
Mortality table	BVG 2010 GT	BVG 2010 GT
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.		
Sensitivity analysis		
	Defined benefit obligation Increase	Decrease
Discount rate (+/-0.5%)	(16 827)	18 704
Future salary growth (+/-0.5%)	1 061	(1 031)
Future mortality (+/-1 year)	9 135	(8 782)
At December 31, 2013, the weighted average duration of the defined benefit obligation was 9.9 years (2012: 10.2 years).		

20 Provisions

(CHF '000)	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
At 31.12. 2012	457	1 983	3 015	5 455
Change in scope of consolidation	0	0	1 132	1 132
Increase via income statement	0	194	3 455	3 649
Decrease via income statement	(259)	(862)	(1)	(1 122)
Amounts used	(185)	0	(101)	(286)
Translation differences	(13)	5	(122)	(130)
At 31.12. 2013	0	1 320	7 378	8 698
Of which: Current portion of provisions	0	178	4 445	4 623
Non-current portion of provisions	0	1 142	2 933	4 075

The provisions for restructuring costs concern the merger of sites in the USA and in India ("High Performance Polymers" business area), which was completed in 2013.

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

Warranty provisions are mainly included within other provisions.

The non-current provisions for litigation risks and the non-current other provisions are expected with an average maturity of 2.5 years. The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be <3% as per December 31, 2013.

Notes	2013 (CHF '000)	2012 (CHF '000)
21 Other current liabilities		
Advances from customers	2 238	4 108
Prepaid expenses and deferred income	76 377	74 997
Other current liabilities to related parties	5 716	5 700
Other current liabilities to associated companies	0	224
Liabilities to social security institutions	2 255	1 598
Other current liabilities	44 445	33 129
Total other current liabilities	131 031	119 756
22 Liabilities, net/(net cash position)		
Pension liabilities (see note 19)	1 553	1 255
Bank loans (see note 18)	100 042	119 095
Other current liabilities to related parties (see note 21)	5 716	5 700
Interest-bearing liabilities	107 311	126 050
less		
Deposits (see note 15)	439 417	460 153
Interest-bearing liabilities, net/(cash, net)	(332 106)	(334 103)
less		
Cash and cash equivalents (see note 15)	602	888
Liabilities, net/(net cash position)	(332 708)	(334 991)

Consolidated Statement of Cash Flows

Notes	2013 (CHF '000)	2012 (CHF '000)
23 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation intangible assets	6 258	1 965
Depreciation property, plant and equipment	48 876	45 539
Impairment property, plant and equipment	0	6 798
Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	55 134	54 302
For the breakdown of the depreciation, amortisation and impairment of intangible assets and property, plant and equipment please refer to note 9 and to the segment reporting.		
24 Purchase/disposal of fully consolidated companies and non-controlling interests		
2013		
Cash outflow from purchase of fully consolidated companies		
Acquisition of D PLAST-EFTEC		
On April 15, 2013, EMS Group acquired the 50% shareholding of its Czech partner D PLAST in the joint venture D PLAST-EFTEC a.s. In this way EMS gains complete control of the EFTEC business in Central and Eastern Europe. The investment was treated as a associated company in prior years.		
From April 15, 2013 to June 30, 2013, the acquired business contributed net sales revenue of CHF 67.9 million and a net gain of CHF 5.9 million to the EMS Group. If the acquisition had occurred on January 1, 2013, Group net sales revenue would have been CHF 21.6 million higher, while net income would have been CHF 3.3 million higher. These amounts have been calculated using the Group's accounting policies.		
Net assets acquired and goodwill are shown as follows:		
Purchase price	60 000	
Existing investment in D PLAST-EFTEC a.s. (Fair value)	48 000	
Fair value of assets acquired	(80 562)	
Goodwill	27 438	
The goodwill includes expected operating synergies from the acquisition and the positive effects of easier market development.		
Revaluation D PLAST-EFTEC a.s.		
Book value	24 859	
Fair value	48 000	
Revaluation gain (see note 4)	23 141	

Notes	2013 (CHF '000)	2012 (CHF '000)
The acquisition of D PLAST-EFTEC a.s. has been accounted for using the acquisition method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:		
Intangible assets	42 498	
Property, plant and equipment	18 198	
Inventories	9 249	
Trade receivables	16 770	
Other receivables	1 965	
Cash and cash equivalents	13 279	
Deferred income tax liabilities	(8 562)	
Trade payables	(7 967)	
Provisions	(1 132)	
Other current liabilities	(3 736)	
Fair value of assets acquired	80 562	
Purchase price paid	60 000	
Cash and cash equivalents of subsidiary acquired	(13 279)	
Cash outflow from purchase of fully consolidated companies	46 721	
2012		
Acquisition of EFTEC (India) Pvt. Ltd.		
On April 18, 2012, EMS Group acquired a 51% shareholding of Indian partner Shroff in the EFTEC (India) Pvt. Ltd. joint venture (formerly: EFTEC Shroff (India) Ltd.). The investment was treated as a associated company in prior years.		
From April 18, 2012 to December 31, 2012, the acquired business contributed net sales revenue of CHF 12.4 million and a net loss of CHF 0.2 million to the EMS Group. If the acquisition had occurred on January 1, 2012, Group net sales revenue would have been CHF 17.4 million higher, while net income would have been CHF 0.2 million lower. These amounts have been calculated using the Group's accounting policies.		
Net assets acquired and goodwill are shown as follows:		
Purchase price		7 200
Existing investment in EFTEC (India) Pvt. Ltd. (Fair value)		5 534
Fair value of assets acquired		(10 657)
Goodwill		2 077
The goodwill represents the additional future business opportunities in the growth market India.		

Notes	2013 (CHF '000)	2012 (CHF '000)
<p>The acquisition of EFTEC (India) Pvt. Ltd. has been accounted for using the acquisition method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:</p>		
Intangible assets		7 891
Property, plant and equipment		4 463
Inventories		1 639
Trade receivables		2 300
Other receivables		988
Cash and cash equivalents		234
Deferred income tax liabilities		(2 557)
Bank loans		(1 600)
Trade payables		(2 260)
Other current liabilities		(441)
Fair value of assets acquired		10 657
Purchase price paid		7 200
Cash and cash equivalents of subsidiary acquired		(234)
Cash outflow from purchase of fully consolidated companies		6 966

Further Details

Notes	2013 (CHF '000)	2012 Restated* (CHF '000)
25		
Contingent liabilities		
Contingent liabilities at the end of the year amount to	22 675	21 203
This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).		
26		
Earnings per share – EPS		
Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
Details of earnings per share:		
Basic earnings per share		
Weighted average of registered shares outstanding	23 381 559	23 389 028
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	317 618	267 890
Basic earnings per share (CHF)	13.58	11.45
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
27		
Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2012: 14 224 143 registered shares)		
Amount of holding	60.82%	60.82%
Miriam Blocher, 2 079 000 registered shares (2012: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%

* Adjustment of the previous year's figures due to the change of IAS 19, see consolidated accounting principles, page 22.

Notes	2013 (CHF '000)	2012 (CHF '000)
28 Transactions with related parties		
EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Senior Management as well as the close members of their families and associated companies are regarded as related parties.		
The members of the Board of Directors or Senior Management as well as the close members of their families did not receive any credits, advances or other types of loans. No related party transactions took place with them.		
The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the annual report 2013/2014 in the financial statements of EMS-CHEMIE HOLDING AG.		
Breakdown of the total compensation		
Short-term employee benefits to the members of the Board of Directors and Senior Management	3 400	3 272
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	3 400	3 272
The detailed disclosures of compensation as per Swiss law can be found in the financial statements of EMS-CHEMIE HOLDING AG.		
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG of the members of the Board of Directors and members of the Senior Management as well as their related parties are as follows:		
Board of Directors	Number of shares	
Dr U. Berg, Chairman	3 600	2 350
M. Martullo, Vice-Chairman and CEO*	0	0
Dr J. Streu, Member (since 10. 8. 2013)	0	–
U. Fankhauser, Member (since 10. 8. 2013 to 27. 2. 2014)**	103	–
Dr H. J. Frei, Member (until 10. 8. 2013)	–	2 095
Dr W. Prätorius, Member (until 10. 8. 2013)	–	0
Total Board of Directors	3 703	4 445

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

** Passed away 27. 2. 2014

Notes	2013	2012
Senior Management	Number of shares	
M. Martullo, Vice-Chairman and CEO*	shown under "Board of Directors"	
P. Germann, CFO	0	0
Dr R. Holderegger, Member	0	0
Total Senior Management	0	0
* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 27).		
Neither the members of the Board of Directors and the Senior Management nor their related parties have any conversion rights or options in EMS-CHEMIE HOLDING AG.		
29 Change in scope of consolidation		
Fully consolidated:		
Addition:		
D PLAST-EFTEC: On April 15, 2013, EMS Group acquired 50% shareholding of its Czech partner D PLAST in the joint venture D PLAST-EFTEC. The investment was treated as a associated company in prior years.		
Foshan EFTEC Automotive Materials Co., Ltd.: This company was founded on June 27, 2013.		

Notes

30 List of subsidiaries and non-controlling interests (at 31.12.2013)

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.	Gyeonggi-do	South Korea
EMS-CHEMIE (Italia) S.r.l.	Como	Italy
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Taiwan) Ltd.	Hsin Chu Hsien	Taiwan (R.O.C.)
EMS-CHEMIE (China) Ltd.	Suzhou	China (People's Rep.)
EMS-CHEMIE (Suzhou) Ltd.	Suzhou	China (People's Rep.)
EMS-GRILON HOLDING Inc.	Wilmington, DE	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC Europe Holding AG	Zug	Switzerland
EMS-CHEMIE (Luxembourg) Sarl	Senningerberg	Luxembourg
EFTEC (Shanghai) Engineering Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Boulogne-Billancourt Cedex	France
EFTEC Brasil Ltda.	Santana de Parnaiba	Brazil
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 (Elabuga) OOO	Elabuga	Russia
EFTEC (Nizhniy Novgorod) OOO	Nizhniy Novgorod	Russia
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 (Guangzhou) Automotive Materials Co., Ltd.	Guangzhou	China (People's Rep.)
EFTEC (Shanghai) Services Co. Ltd.	Shanghai	China (People's Rep.)
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Taylor, MI	USA
Grupo Placosa EFTEC, S.A. de C.V.	Mexico City	Mexico
BUSINESS AREA SPECIALTY CHEMICALS		
EMS-GRILTECH *		
EMS-METERING AG	Domat/Ems	Switzerland
EMS-CHEMIE (Neumünster) Holding GmbH	Neumünster	Germany
EMS-CHEMIE (Neumünster) GmbH & Co. KG	Neumünster	Germany
EMS-CHEMIE (Neumünster) Verwaltungs GmbH	Neumünster	Germany
EMS-PATVAG s.r.o.	Brankovice	Czech Republic

Currency	Share capital (in '000)	Amount of holding	Category	Consolidation
CHF	234		D	K
CHF	60	100.00%	D	K
CHF	100	100.00%	D	K
CHF	100	100.00%	P, V	K
EUR	1 951	100.00%	V	K
GBP	1 530	100.00%	V	K
JPY	210 000	100.00%	V	K
JPY	1 500 000	66.67%	P, V	K
KRW	113 000	100.00%	V	K
EUR	1 300	100.00%	V	K
EUR	2 556	100.00%	P, V	K
TWD	281 000	100.00%	P, V	K
CNY	5 000	100.00%	V	K
CNY	98 693	100.00%	P	K
USD	2 420	100.00%	D	K
USD	3 385	100.00%	P, V	K
CHF	8 000	100.00%	D	K
EUR	200	100.00%	V	K
CNY	886	100.00%	P, V	K
CHF	2 500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
EUR	25	100.00%	P, V	K
CZK	47 569	100.00%	P, V	K
EUR	10	100.00%	V	K
EUR	7	100.00%	V	K
RON	8 083	100.00%	P, V	K
UAH	23	100.00%	V	K
RUB	37 514	75.00%	P, V	K
RUB	37 200	100.00%	P, V	K
GBP	352	100.00%	P, V	K
EUR	1 240	100.00%	P, V	K
EUR	944	100.00%	P, V	K
USD	3 518	100.00%	D, V	K
THB	49 500	100.00%	P, V	K
INR	15 000	100.00%	P, V	K
USD	3 700	100.00%	D	K
CNY	6 848	100.00%	P, V	K
CNY	20 750	60.00%	P, V	K
CNY	27 500	100.00%	P, V	K
CNY	6 650	60.00%	P, V	K
CNY	1 000	100.00%	V	K
CNY	952	100.00%	D	K
USD	750	100.00%	D	K
USD	38 222	100.00%	P, V	K
MXN	19 451	33.33%	P, V	E
CHF	100	100.00%	D	K
EUR	25	100.00%	D	K
EUR	3 000	100.00%	P, V	K
EUR	25	100.00%	D	K
CZK	30 000	100.00%	P, V	K

Notes	2013 (CHF '000)	2012 (CHF '000)
31 Risk management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 10)	1 057	878
Trade receivables (see note 12)	258 920	247 970
Derivative financial instruments (see note 14)	2 997	11 302
Cash and cash equivalents (see note 15)	440 019	461 041
Total financial assets	702 993	721 191
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 12.		

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2013 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 18)	100 000	101 350	101 350	0	0
Non-current bank loans (see note 18)	42	45	1	44	0
Trade payables	108 085	108 085	108 085	0	0
Prepaid expenses and deferred income (see note 21)	76 377	76 377	76 377	0	0
Other current liabilities to related parties (see note 21)	5 716	5 716	5 716	0	0
Other current liabilities to associated companies (see note 21)	0	0	0	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	15 068	301 103	241 423	59 680	0
Total financial liabilities	305 288	592 676	532 952	59 724	0

At 31.12.2012 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities					
Current bank loans (see note 18)	19 042	19 042	19 042	0	0
Non-current bank loans (see note 18)	100 053	102 753	1 403	101 350	0
Trade payables	109 514	109 514	109 514	0	0
Prepaid expenses and deferred income (see note 21)	74 997	74 997	74 997	0	0
Other current liabilities to related parties (see note 21)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 21)	224	224	224	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	3 288	469 529	320 677	148 852	0
Total financial liabilities	312 818	781 759	531 557	250 202	0

Notes

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

CHF 100 million (2012: CHF 100.0 million) of the bank loans have a fixed interest rate. No derivative financial instruments on interest rates are used. A 100 basis point rise in the interest rate for deposits and bank loans would increase net income after taxes by CHF 2.6 million (2012: CHF 3.6 million). A 100 basis point fall in the interest rate for deposits and bank loans would increase net income after taxes by CHF 0.3 million (2012: CHF 0.3 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. 2013 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 12)	72	132 495	60 577	15 249	28 106	17 107
Loans to group companies	6 033	160 716	80 896	5 324	0	6 239
Derivative financial instruments (see note 14)	0	0	0	0	0	0
Trade payables	(375)	(56 248)	(16 488)	(11 225)	(5 757)	(29 637)
Loans from group companies	23 000	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	0	0	0
Non-current bank loans (see note 18)	0	0	0	(42)	0	0
Derivative financial instruments (see note 14)	0	(187 389)	(34 564)	(79 540)	0	(64 960)
Currency exposure, net	28 730	49 574	90 421	(70 234)	22 349	(71 251)

At 31.12. 2012 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 12)	8 286	130 288	57 013	16 242	17 623	10 980
Loans to group companies	9 991	151 662	105 912	5 634	0	3 989
Derivative financial instruments (see note 14)	0	0	0	82 020	0	0
Trade payables	(400)	(49 994)	(23 782)	(14 243)	(3 409)	(5 287)
Loans from group companies	(23 603)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(17 540)	0	(1 502)
Non-current bank loans (see note 18)	0	0	0	(53)	0	0
Derivative financial instruments (see note 14)	0	(300 418)	(169 111)	0	0	0
Currency exposure, net	(5 726)	(68 462)	(29 968)	72 060	14 214	8 180

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 -12.1 million (2012: CHF +18.1 million). Per currency: EUR: CHF -1.0 million (2012: CHF +12.3 million), USD: CHF -2.4 million (2012: CHF +9.3 million), JPY: CHF -6.0 million (2012: CHF -0.5 million), other currencies: CHF -2.7 million (2012: CHF -3.0 million).

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF -13.8 million (2012: CHF 23.9 million decrease/(increase)). Per currency: EUR: CHF -1.0 million (2012: CHF +27.4 million), USD: CHF -4.0 million (2012: CHF +4.1 million), JPY: CHF -6.0 million (2012: CHF -4.6 million), other currencies: CHF -2.7 million (2012: CHF -3.0 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 31.12.2013 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 14)		2 997		2 997
Financial liabilities:				
Derivative financial instruments (see note 14)		(15 068)		(15 068)

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

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	2013 (CHF '000)	2012 (CHF '000)
Categories of financial assets and liabilities		
The carrying amounts of financial assets and liabilities correspond approximately to the fair values in accordance with IFRS. Regarding the fair values of bank loans see note 18.		
Cash and cash equivalents (see note 15)	440 019	461 041
Other non-current assets (see note 10)	1 057	878
Trade receivables (see note 12)	258 920	247 970
Loans and receivables	259 977	248 848
Derivative financial instruments (assets; see note 14)	2 997	11 302
Non-current bank loans (see note 18)	42	100 053
Current bank loans (see note 18)	100 000	19 042
Trade payables	108 085	109 514
Prepaid expenses and deferred income (see note 21)	76 377	74 997
Other current liabilities to related parties (see note 21)	5 716	5 700
Other current liabilities to associated companies (see note 21)	0	224
Financial liabilities measured at amortised cost	290 220	309 530
Derivative financial instruments (liabilities; see note 14)	15 068	3 288

32 Information about the risk assessment process

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

33 Subsequent events

The consolidated financial statements were approved by the Board of Directors on March 18, 2014 and need to be approved by the Annual General Meeting on August 9, 2014.

Between December 31, 2013 and March 18, 2014 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Report of the Statutory Auditor on the Consolidated Financial Statements



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

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 18 to 59) for the year ended December 31, 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Zurich, March 18, 2014

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Kurt Stocker
Licensed Audit Expert

Financial Statements **EMS-CHEMIE HOLDING AG**

for the Financial Year May 1, 2013 – April 30, 2014



Income Statement May 1, 2013 to April 30, 2014

	Notes	2013/2014 (CHF '000)	2012/2013 (CHF '000)
INCOME			
License fees from group companies		49 120	52 265
Financial income			
Interest income		3 947	3 969
Dividends from group companies		157 543	184 421
Income from financial assets		6 126	5 459
Total income		216 736	246 114
EXPENSES			
Operating expenses to group companies		16 959	16 432
Financial expenses			
Expenses from financial assets		0	2 437
Interest expenses		1 678	1 397
Foreign exchange differences, net	1	2 104	10 590
Bank charges, duties, fees		122	109
Administration expenses		1 067	1 019
Total expenses		21 930	31 984
Net income before taxes		194 806	214 130
Taxes		2 330	2 424
Net income		192 476	211 706

Balance Sheet as at April 30, 2014

EMS-CHEMIE HOLDING AG
Financial Statements
Annual Report 2013/2014

	Notes	30. 4. 2014 (CHF '000)	30. 4. 2013 (CHF '000)
Non-current assets		355 482	359 185
Investments in group companies	2	280 352	280 352
Loans to group companies		75 130	78 833
Current assets		202 529	341 780
Prepayments and accrued income		16 839	18 590
Receivables from third parties		184	185
Receivables from group companies		5 763	17 633
Loans to group companies		11 720	5 588
Treasury shares	4	754	0
Cash and cash equivalents		167 269	299 784
TOTAL ASSETS		558 011	700 965
Shareholders' equity	3	487 756	529 170
Share capital	4/5	234	234
Legal reserves		47	47
Reserves for treasury shares	4	754	0
Other reserves		10 000	10 000
Available earnings		476 721	518 889
Liabilities		70 255	171 795
Non-current liabilities		14 169	14 169
Provisions		14 169	14 169
Current liabilities		56 086	157 626
Bank loans		0	100 000
Accruals and deferred income		11 005	13 006
Payables to third parties		4 623	5 343
Payables to group companies		40 458	39 277
TOTAL EQUITY AND LIABILITIES		558 011	700 965
Balance sheet equity ratio		87.4 %	75.5 %

Notes to the Financial Statements 2013/2014

Income Statement 2013/2014

Notes	2013/2014 (CHF '000)	2012/2013 (CHF '000)
1 Foreign exchange differences		
Foreign exchange gains	5 133	6 339
Foreign exchange losses	7 237	16 929
Foreign exchange differences	(2 104)	(10 590)

Balance Sheet as at April 30, 2014

2 Investments in group companies					
Details of the investments as at 31.12. 2013 can be seen in note 30, "List of subsidiaries and non-controlling interests", in the consolidated financial statements of the EMS Group.					
In the period to 30.4. 2014, investments changed as follows:					
25% of EFTEC (Elabuga) OOO was bought by EFTEC Europe Holding AG on January 15, 2014.					
In the previous period, investments changed as follows:					
50% of the Joint-Venture D PLAST-EFTEC a.s. was bought by EMS-CHEMIE AG on April 15, 2013.					
20% of EMS-GRILON HOLDING Inc. was sold from EMS-CHEMIE AG to EMS-TOGO Corporation on February 18, 2013.					
3 Shareholders' equity					
At 1.5.	529 170				481 187
Dividends paid	(233 890)				(163 723)
Net income	192 476				211 706
At 30.4.	487 756				529 170
4 Share capital					
	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.4.2012	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	0	0	0
At 30.4.2013	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	2 402	(2 402)	0
At 30.4.2014	CHF 0.01	23 389 028	2 402	23 386 626	234

Notes	2013/2014 (CHF '000)	2012/2013 (CHF '000)
	Number of registered shares	
Details to treasury shares:		
At 1.5.	0	0
Purchases	50 565	0
Sales	(48 163)	0
At 30.4.	2 402	0
Purchase of 50 565 treasury shares at an average market price of CHF 313.88, sale of 48 163 treasury shares at an average market price of CHF 342.75.		
5 Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2012/2013: 14 224 143 registered shares)		
Amount of holding	60.82%	60.82%
Miriam Blocher, 2 079 000 registered shares (2012/2013: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%
No other representation of significant shareholders is known to the Board of Directors.		
Further Details		
6 Contingent liabilities		
Guarantees (maximum liability)	71 842	72 010
7 Compensation and shareholdings		
The following compensation was paid in the reporting year:		
Board of Directors	Function	Compensation
Dr U. Berg	Chairman	244 244
M. Martullo	Vice-Chairman and CEO*	1 219 1 219
Dr J. Streu	Member (since 10.8.2013)	39 –
U. Fankhauser	Member (from 10.8.2013 to 27.2.2014)**	70 –
Dr H.J. Frei	Member (until 10.8.2013)***	262 356
Dr W. Prätorius	Member (until 10.8.2013)	90 136
Total Board of Directors		1 924 1 955
* Amount shown under compensation of the Board of Directors as well as under compensation of Senior Management.		
** Passed away on 27.2.2014.		
*** Double function as Member of the Board of Directors and Chairman of the Foundation Board of the Pension Fund for the EMS Group. Compensation as Member of the Board of Directors: KCHF 90 (2012/2013: KCHF 136).		

Notes	2013/2014	2012/2013																																
<p>Senior Management Total compensation paid to the Senior Management was 2 707 The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 219 (2012/2013: KCHF 1 219) and was paid to M. Martullo.</p>	2 707	2 673																																
<p>Total compensation paid to the Board of Directors and Senior Management was 3 412 The compensation is paid exclusively in cash. EMS has no stock option program.</p>	3 412	3 409																																
<p>Advisory board There is no advisory board.</p>																																		
<p>No compensation was paid to former members of the Board of Directors or Senior Management. Furthermore, all compensation for current or former members of the Board of Directors, Senior Management and related parties was paid on an arm's length basis. The current as well as former members of the Board of Directors, Senior Management and related parties did not receive any loans or credits.</p>																																		
<p>Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by members of the Board of Directors, members of the Senior Management and related parties were as follows:</p>																																		
<table border="1"> <thead> <tr> <th>Board of Directors</th> <th>Function</th> <th colspan="2">Number of registered shares</th> </tr> </thead> <tbody> <tr> <td>Dr U. Berg</td> <td>Chairman</td> <td>3 600</td> <td>3 600</td> </tr> <tr> <td>M. Martullo</td> <td>Vice-Chairman and CEO*</td> <td>0</td> <td>0</td> </tr> <tr> <td>Dr J. Streu</td> <td>Member (since 10.8.2013)</td> <td>0</td> <td>–</td> </tr> <tr> <td>U. Fankhauser</td> <td>Member (from 10.8.2013 to 27.2.2014)**</td> <td>–</td> <td>–</td> </tr> <tr> <td>Dr H.J. Frei</td> <td>Member (until 10.8.2013)</td> <td>–</td> <td>2 395</td> </tr> <tr> <td>Dr W. Prätorius</td> <td>Member (until 10.8.2013)</td> <td>–</td> <td>0</td> </tr> <tr> <td colspan="2">Total Board of Directors</td> <td>3 600</td> <td>5 995</td> </tr> </tbody> </table>	Board of Directors	Function	Number of registered shares		Dr U. Berg	Chairman	3 600	3 600	M. Martullo	Vice-Chairman and CEO*	0	0	Dr J. Streu	Member (since 10.8.2013)	0	–	U. Fankhauser	Member (from 10.8.2013 to 27.2.2014)**	–	–	Dr H.J. Frei	Member (until 10.8.2013)	–	2 395	Dr W. Prätorius	Member (until 10.8.2013)	–	0	Total Board of Directors		3 600	5 995		
Board of Directors	Function	Number of registered shares																																
Dr U. Berg	Chairman	3 600	3 600																															
M. Martullo	Vice-Chairman and CEO*	0	0																															
Dr J. Streu	Member (since 10.8.2013)	0	–																															
U. Fankhauser	Member (from 10.8.2013 to 27.2.2014)**	–	–																															
Dr H.J. Frei	Member (until 10.8.2013)	–	2 395																															
Dr W. Prätorius	Member (until 10.8.2013)	–	0																															
Total Board of Directors		3 600	5 995																															
<table border="1"> <thead> <tr> <th>Senior Management</th> <th>Function</th> <th colspan="2">Number of registered shares</th> </tr> </thead> <tbody> <tr> <td>M. Martullo</td> <td>CEO*</td> <td colspan="2">shown under «Board of Directors»</td> </tr> <tr> <td>P. Germann</td> <td>CFO</td> <td>0</td> <td>0</td> </tr> <tr> <td>Dr R. Holderegger</td> <td>Member</td> <td>0</td> <td>0</td> </tr> <tr> <td colspan="2">Total Senior Management</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Senior Management	Function	Number of registered shares		M. Martullo	CEO*	shown under «Board of Directors»		P. Germann	CFO	0	0	Dr R. Holderegger	Member	0	0	Total Senior Management		0	0														
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Total Senior Management		0	0																															
<p>* Excluding ERESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 5). ** Passed away on 27.2.2014.</p>																																		
<p>The members of the Board of Directors, Senior Management and related parties did not hold any conversion rights or options in EMS-CHEMIE HOLDING AG.</p>																																		

Notes

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

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

	2013/2014 (CHF)	2012/2013 (CHF)
Available earnings		
Balance brought forward	284 998 626	307 183 279
Reclassification reserves for treasury shares	(753 938)	0
Net income	192 476 279	211 705 627
Total available earnings	476 720 967	518 888 906
Appropriation		
Payment of an ordinary dividend of CHF 8.50 (previous year CHF 7.50) gross and an extraordinary dividend of CHF 2.50 (previous year CHF 2.50) gross per registered share entitled to dividend	(198 786 321) ¹⁾ (58 466 565) ¹⁾	(175 417 710) (58 472 570)
Balance to be carried forward	219 468 081	284 998 626

¹⁾ 23 386 626 registered shares eligible for distribution – net of own shares held by the company – at April 30, 2014.
 The number of registered shares eligible for distribution may change due to activities in own shares.

Report of the Statutory Auditor on the Financial Statements



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

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet and notes (pages 62 to 67) for the year ended April 30, 2014.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements for the year ended April 30, 2014 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Zurich, May 23, 2014

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Kurt Stocker
Licensed Audit Expert