

41st ANNUAL REPORT 2003/2004

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

Contents

	CEO's Statement	2
The EMS Group		
<hr/>		
	Spotlight on Share Performance	3
	Eulogy	4
	Chairman's Letter	5
	Key Figures 1999 – 2003	6
	General Information on the 2003 Fiscal Year at the EMS Group	8
	Corporate Governance	11
<hr/>		
Financial Statements		
<hr/>		
EMS Group consolidated data for the calendar year	Consolidated Income Statement	18
	Consolidated Balance Sheet	19
	Consolidated Changes in Shareholders' Equity	20
	Consolidated Cash Flow Statement	21
	Notes to the Consolidated Financial Statements	22
	Report of the Group Auditors	47
<hr/>		
EMS-CHEMIE HOLDING AG data for the fiscal year from May 1, 2003 to April 30, 2004	Income Statement	50
	Balance Sheet as at April 30	51
	Notes to the Financial Statements	52
	Proposals of the Board of Directors	56
	Report of the Auditors	57
<hr/>		
	Addresses of EMS Companies, Switzerland	58
	Addresses of EMS Companies, Worldwide	59
<hr/>		

CEO's Statement



The 2003 financial year was characterized by difficult market conditions. In addition to a sluggish economy and the weakness of some key currencies (notably the US dollar and the dollar-pegged Asian currencies), the low level of investment activity was painfully evident, especially in the automotive sector.

By exercising rigorous cost management in its various business areas and seizing opportunities that arose both at customers and on raw material markets, EMS met – and even slightly exceeded – the targets it had set itself at the beginning of the year.

Sales were at the same level as the previous year, while EBIT slightly exceeded the year-back figure. EBIT margins, which were raised further in 2003, are among the highest in the international peer group.

Following the sale of the POWER STATIONS Business Unit at the end of 2002, the scope of consolidation was smaller in the year under review. Even so, sales at EMS rose by 1.7% in local currencies. Based on an unchanged scope of consolidation, the rise would have been 3.2% in local currencies and 1.5% in Swiss francs.

Securities holdings, especially those in Lonza, were written down in the 2003 financial statements to the daily price as at December 31, 2003. Owing to this impairment, the otherwise very high ordinary financial result was reduced from the previous year. EMS has decided to retain this stake in Lonza as a purely financial, non-strategic holding.

More than three quarters of sales and 75% of EMS groups EBIT were generated by the Performance Polymers business. In the future, EMS's efforts in this area will focus primarily on promoting sales of specialty products. Offering unique products with niche applications helps us to maintain high returns. That is why EMS is redoubling its efforts to be innovative.

As at December 30, 2003, significant changes in the shareholder structure took effect at EMS-CHEMIE HOLDING AG. The approximately 70% of capital which until now was held by the same shareholder has been divided among four parties. EMS has thus moved a step closer to a free float situation. The fact that the posts of Chairman of the Board of Directors and CEO are now held by two separate persons, and the division of responsibilities between the Board of Directors and the Senior Management are reflected in the new Corporate Governance principles.

For 2004, EMS is expecting a general improvement in the economic situation. EMS is well equipped for this upswing. By increasing its capacity to manufacture high-margin products and by improving its cost base, the Group has laid the foundations for future success.

A handwritten signature in black ink that reads "M. Martullo". The signature is written in a cursive, flowing style.

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

Spotlight on Share Performance

	Share capital on December 31				
	2003	2002	2001	2000	1999
Number of shares as per articles of incorporation					
Bearer shares (par value CHF 50)	-	376 000	376 000	376 000	376 000
Registered shares (par value CHF 10)	-	729 300	729 300	729 300	729 300
Registered shares (from November 3, 2003) (par value CHF 0.01)	26 093 000 ¹⁾	-	-	-	-
Conditional capital	-	-	-	-	-
Authorized capital	-	-	-	-	-
Number of shares entitled to dividend					
Bearer shares	-	376 000	376 000	376 000	376 000
Registered shares	-	729 300	729 300	729 300	729 300
Registered shares (from November 3, 2003)	26 093 000	-	-	-	-
Treasury shares	-	-	-	-	-
Information per share: ²⁾					
Dividend proposal per share in CHF	8.00	7.60 ³⁾	-	-	-
Equity per share entitled to dividend in CHF	55.23	49.40	55.08	44.84	35.29
Cash flow per share entitled to dividend in CHF	15.52	8.72	10.52	12.13	10.45
Earnings per share entitled to dividend in CHF					
Weighted average of shares, undiluted*	4.10	6.17	6.76	9.71	8.03
Weighted average of shares, diluted*	4.10	6.17	6.76	9.71	8.03
Number of shares on December 31	4.10	6.17	6.76	9.69	8.03
Stock prices in CHF					
High	108	130	158	156	170
Low	90	98	118	141	138
Market capitalization on December 31 (CHF millions)	2 531.0	2 651.0	3 353.0	3 914.0	3 833.1

Registered shares are quoted on the SWX Swiss Exchange and are traded on virt-x, an electronic trading system in London.

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

* calculated according to IAS 33

¹⁾ On November 3, 2003 the existing bearer shares were split at a ratio of 1:50 and the existing registered shares at a ratio of 1:10.

²⁾ All figures per share have been restated for the share split which took place on November 3, 2003.

³⁾ Dividend payment (KCHF 198 307) and reduction of par value of CHF 49.50 per existing bearer share and CHF 9.90 per existing registered share (nominal KCHF 25 832).



Christoph Blocher: A Vote of Thanks

Christoph Blocher was born in Schaffhausen on 11 October 1940 and grew up at Laufen by the Rhine Falls. After doing a farming apprenticeship and various related courses, he decided – as he did not have a farm of his own – to go back to school and take the university entrance examination. During these studies he got to know the son of Dr. Werner Oswald, the founder and owner of the then Emser Werke AG. After Christoph Blocher had graduated, Dr. Oswald offered him a part-time job in the legal department of his firm. Blocher willingly accepted this opportunity to earn his living while continuing to study for his doctorate. In fact, he merely wanted to “gain an impression of what goes on in business”.

Tackling an adverse situation ...

Later he would frequently stress just how much he learned while working as the secretary general of EMS and how good an overview it gave him of corporate

activities. He always took the view that “Information is one of the most important things about a company. People have to know what it’s all about.” After just three years, he had risen to the top: he was appointed managing director and Delegate of the Board of Directors of Emser Werke AG.

They were not easy years. EMS did not remain unscathed by the crisis of the 1970s. The company was in jeopardy. In 1983, Christoph Blocher decided to take over the majority of voting shares in EMS-CHEMIE himself. To do so, he had to plunge himself into debt. Although question marks hung over the company’s future, Christoph Blocher concluded that the opportunities outweighed the risks. Moreover, his sense of responsibility drove him to secure a future for the company and hence also for its Graubünden workforce. At the time, EMS employed some 1800 people and had an annual net sales of about CHF 240 million.

... and turning it into a success

Christoph Blocher restructured the company and turned it around. With wisdom and far-sightedness, he decided to pull out of fibers manufacture and focus EMS on the production of the more profitable performance polymers. This proved to be a resounding success. As Blocher himself once put it: “I don’t actually see success in the beginning. I only see the things I consider to be right, and all the things EMS still has to do.” Within the next ten years, net sales rose to CHF 470 million. And despite the discontinuation of fiber production, the number of employees remained

virtually stable over the years. The systematic development and launch of highly profitable products, along with the acquisition of other companies, reshaped the EMS Group and helped to strengthen its strategic thrust. A major milestone in this period was the construction and commissioning of the Lactam 12 production plant in Japan as a joint venture with Ube Industries. In his speech in 1992, marking the company’s 50th anniversary, Christoph Blocher highlighted EMS’s strong points: “The strength of our company lies in its compact size and flexibility: we offer top quality even at the detailed level. We take action rather than getting bogged down in strategies – which is something that tends to happen to the big names.” Today the EMS Group has net sales of CHF 1.2 billion and is a leading supplier of performance polymers. It supplies the automotive industry with airbag ignition devices and the pharmaceutical industry with high-quality intermediates.

Setting an example

Christoph Blocher always focused on his mission. He identified challenges and problems, and set out to overcome them. Having made the necessary decisions, he focused all his energy on his chosen objective. This trait also helps to explain Blocher’s success. By addressing problems with such single-mindedness, he was seen as a shining example within the company. In times of crisis he showed his true mettle and did not shy away from entrepreneurial risks. And all through the years, he demonstrated great mental agility and was always open to new ideas. The problems of the past and the successful

restructuring of the company forged a very special relationship of trust and respect between Christoph Blocher and the EMS workforce, the likes of which are seldom seen. Blocher expected his employees to show great commitment and to think and act entrepreneurially. But he himself set the example.

A boss who cares

“Having social responsibility means being as profitable as possible and thereby creating jobs.” Today, EMS-CHEMIE HOLDING AG employs about 2700 people, almost half of them in Domat/Ems. Christoph Blocher was very committed to training for young people, and created

over 150 apprentice positions in ten different vocational fields.

In addition to initiating or sponsoring cultural events – especially in the canton of Graubünden, where EMS is the largest employer – Blocher has shown consistent commitment to the local population. For example, he provided the key financial support for the Graubünden Foundation for Mountain Farmers.

The new challenge

When someone is so devoted to a company as Christoph Blocher was, leaving that company is very hard. In the space of a few weeks, he stepped down from all his positions at EMS. So at the

end of 2003, after working for EMS for more than thirty years, Christoph Blocher handed over the reins to his daughter, Magdalena Martullo, as CEO, and to Dieter Klug, as Chairman of the Board of Directors. At the end of the year, he transferred his majority share in the company to his son and his three daughters so that he could devote himself wholeheartedly to his new job in the Federal government.

In the name of all employees, we would like to offer Christoph Blocher our heartfelt thanks for all he has done. And we wish him every success with his new mission as Federal Councillor.

The Board of Directors

Chairman's Letter

Following his election to the Federal Council on December 10, 2003, Christoph Blocher stepped down from his dual position as Chairman and Chief Executive Officer of EMS-CHEMIE HOLDING AG in order to devote all his energies to his new role as Federal Councillor.

At the Extraordinary General Meeting held December 31, 2003, I was elected to our Board of Directors. As Chairman of the Board of Directors of EMS-CHEMIE HOLDING AG, I stepped into the shoes of an outstanding entrepreneur and re-

markable personality. Christoph Blocher – a man who firmly believes in the importance of our mission, responsibility and duty, rather than in putting the individual first – made the EMS Group one of Switzerland's most successful businesses.

Preserving the value of the EMS Group and achieving a sustained increase in our enterprise value to the benefit of shareholders, customers and employees alike will remain our prime objectives for the future. I am in no doubt that with our experienced staff – and, above all, our highly talented



managers – we will be successful in tackling the huge challenges presented by global competition.

A handwritten signature in dark ink, reading "D. Klug". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Dieter Klug
Chairman of the Board
of Directors

Key Figures 1999 – 2003

	Calendar years, CHF millions				
	2003	2002	2001	2000	1999
Net sales revenue	1 220.7	1 220.9	1 252.0	1 160.3	1 086.7
Change in % against previous year	-0.0%	-2.5%	+7.9%	+6.8%	+2.2%
Change in local currencies	+1.7%	+2.8%	+12.5%	+2.5%	+1.1%
Change with identical scope of consolidation	+1.5%	-2.5%	+0.0%	+6.8%	-0.9%
Change in local currencies and with identical scope of consolidation	+3.2%	+0.3%	+12.5%	+9.3%	+0.2%
of which in Switzerland	5.5%	8.0%	8.5%	8.8%	7.0%
Operating income	1 323.1	1 337.5	1 265.6	1 218.1	1 117.0
Change in % against previous year	-1.1%	+5.7%	+3.9%	+9.0%	+1.5%
Net operating income (EBIT)	197.3	194.9	163.4	212.9	198.8
Change in % against previous year	+1.3%	+19.3%	-23.3%	+7.1%	+5.1%
in % of net sales revenue	16.2%	16.0%	13.0%	18.4%	18.3%
Net financial income	-58.2	19.0	65.7	102.2	59.2
Change in % against previous year	-406.0%	-71.0%	-35.8%	+72.6%	+1182.0%
Net income before taxes and minority interest	139.1	213.9	229.0	315.2	258.0
Change in % against previous year	-35.0%	-6.6%	-27.3%	+22.2%	+33.1%
Income taxes	25.7	49.0	51.2	56.7	43.2
Change in % against previous year	-47.5%	-4.4%	-9.7%	+31.1%	+46.5%
Net income	106.9	160.9	176.3	252.7	209.5
Change in % against previous year	-33.6%	-8.7%	-30.2%	+20.6%	+30.5%
in % of operating income	8.1%	12.0%	13.9%	20.7%	18.8%
Investments	70.6	71.5	81.9	98.8	100.1
in % of cash flow	17.4%	31.4%	29.9%	31.2%	36.7%
Cash flow	404.9	227.5	274.4	316.4	272.7
Change in % against previous year	+78.0%	-17.1%	-13.3%	+16.0%	+27.2%
in % of operating income	30.6%	17.0%	21.7%	26.0%	24.4%
Depreciation of fixed assets	68.4	66.5	95.0	63.6	63.2

	Calendar years, CHF millions				
	2003	2002	2001	2000	1999
Balance sheet total	3117.6	3166.9	2698.8	2617.5	2163.6
Assets					
Current assets	2297.4	1835.5	1023.3	1022.4	818.7
Fixed assets	820.2	1331.4	1675.5	1595.1	1344.9
Liabilities					
Short-term liabilities	360.8	440.0	268.9	488.7	461.7
Long-term liabilities	1280.7	1407.1	960.0	931.3	758.6
Minority interests	35.0	30.8	32.6	27.5	22.5
Shareholders' equity	1441.1	1289.0	1437.3	1170.0	920.8
Balance sheet equity ratio	46.2%	40.7%	53.3%	44.7%	42.6%
Return on equity	7.4%	12.5%	12.3%	21.6%	22.8%
Number of employees on December 31*	2637	2702	2731	2751	2713
Fire insurance value of fixed assets	1855.5	1933.9	2003.7	1839.2	1892.5

* Excluding apprentices (2003: 154; 2002: 153; 2001: 148; 2000: 144; 1999: 140)

General Information on the 2003 Fiscal Year at the EMS Group

Business performance

Despite the difficult market environment, a high level of profitability was maintained in fiscal year 2003.

Compared to the previous year, net sales revenue matched last year's performance while operating profit showed a small increase, thus enabling EMS to slightly exceed forecasted figures. In local currency, net sales revenue grew 1.7% in relation to the previous year. In Swiss francs it totaled CHF 1 221 million – on a par with the previous year. This was primarily due to the weakness of key foreign currencies against the Swiss franc. On an unchanged scope of consolidation, the increase in net sales revenue in Swiss francs would have been 1.5% (3.2% in local currencies).

Compared with the previous year, operating profit (EBIT) rose 1.3% to reach CHF 197 million. With an EBIT margin of 16.2%, the EMS Group outperformed its international rivals.

The ordinary financial income was a high CHF 171 million. EMS decided to write off all of its securities (especially its financial investment in Lonza) to their market value as reported on December 31, 2003 directly via income statement. This is reflected in a negative adjustment of CHF 230 million on securities and hence in an adjusted financial result of minus CHF 58 million. The net income of the EMS Group after tax, minority interests and value adjustments thus amounted to CHF 107 million. Although EMS retains an extremely solid capital base, financial income will be accorded less importance in future years. The shareholding in Lonza will continue to be managed as a

non-strategic financial investment. For 2004, EMS is expecting a more buoyant level of economic activity, spurred by the USA and Asia. In our key market, Europe, EMS anticipates that market conditions will remain subdued, especially in the automotive sector. As a company highly dependent on exports, we were impacted early in 2004 by the unfavorable development of the currency situation of the USA and Asia.

This situation prevented us from translating the higher volumes into increased earnings. EMS is determined to take advantage of the expected economic upturn. The cost-cutting programs, which were initiated last year and have now been implemented throughout the group further improved EMS' competitiveness. In addition, capacity expansion in specialty, higher-margin products have been implemented. For 2004, EMS expects net sales revenue and operating profit (EBIT) to be slightly ahead of the previous year.

Our strategy for the future is to focus on the growth in specialty products, particularly in the performance polymers sector. EMS will be taking special measures to systematically implement this strategy in 2004.

Investment

Capital expenditure amounted to CHF 71 million. The extraordinarily high cash flow of CHF 405 million achieved in 2003 shows that EMS was once again able to fund investment from internal resources. An attractive feature of EMS is that it always generates a high level of free cash flow, both in economically prosperous and in critical years.

Investments by type:

Capacity expansion	52.8%
Quality and technology improvements	30.9%
Replacement and efficiency improvements	10.3%
Environmental protection/safety	6.0%

Investments by region:

Switzerland	75.2%
Rest of Europe	10.5%
Asia	11.7%
USA	2.6%

Management structure

At the 2003 Annual General Meeting, Christoph Blocher, Magdalena Martullo, Hansjörg Frei, Peter Matter and Albert Sommerauer were elected to the Board of Directors for a further one-year term.

Following the election of the Chairman and CEO, Christoph Blocher, to the Federal Council he stepped down from all directorships within the EMS Group upon assuming his new role as at January 1, 2004.

At the Extraordinary General Meeting held December 31, 2003, Dieter Klug and Albert Reich were elected to the Board of Directors for the first time for a term lasting from January 1, 2004 until the Annual General Meeting on August 14, 2004. Effective January 1, 2004, the roles of Chairman and CEO were assigned to separate individuals. Dieter Klug is Chairman of the Board of Directors, while Magdalena Martullo is

CEO as well as Vice-Chairman of the Board of Directors. To develop our focus on Performance Polymers, the former EMS-GRIVORY business was split into four independent Business Units effective January 1, 2004.

Personnel

At the end of the year under review, the Business Units forming the EMS Group employed a total of 2 637 (2 702) people, excluding apprentices. Of the total workforce 1 746 (1 843) were employed in Switzerland, 553 (584) elsewhere in Europe, 107 (106) in the USA and 231 (169) in Asia. At the end of the year, the EMS Group employed 154 (153) apprentices in Switzerland covering 10 (11) different vocational fields. A total of 43 (41) successfully completed their apprenticeship during the year under review.

Research and development

Expenses for research and development amounted to 3.4% (3.8%) of net sales revenues. Details can be found in note 6 in the Financial Section.

Breakdown of EMS Group sales by region

Germany	29.3%
USA	9.1%
Japan	8.7%
France	7.9%
Switzerland	5.5%
Italy	5.5%

UK	5.4%
China	4.5%
Spain	3.1%
Sweden	2.5%
Austria	2.3%
Netherlands	2.0%
Belgium	1.9%
Taiwan	1.5%
Finland	1.2%
Rest of Europe	4.4%
Other	5.2%

Breakdown of production by region

Switzerland	64.4%
Germany	10.2%
Japan	5.7%
Belgium	4.6%
Sweden	4.6%
USA	4.4%
Taiwan	1.6%
Spain	1.4%
UK	1.3%
China	1.2%
Other	0.6%

Business areas

The EMS Group operates in three business areas: Performance Polymers, Fine Chemicals and Engineering. These areas are further broken down into Business Units.

Performance Polymers

EMS-GRIVORY, the Group's largest Business Unit, produces top-quality, custom-made high-performance polymer materials, i.e. materials which – thanks to their optimum price/performance ratio and economical processing properties – replace metal in automotive components and in the electronics industry. In order to focus more closely on performance polymers, EMS-GRIVORY was split into four independent Business Units effective January 1, 2004. EMS-GRIVORY Performance Polymers specializes in innovative solutions for injection molding customers in Europe. EMS-GRIVORY Extrusion Polymers concentrates on extrusion, extrusion blow molding and packaging applications in Europe. EMS-GRIVORY America is responsible for business in North America, while EMS-GRIVORY Asia is responsible for the growing market in Asia. The EMS-GRILTECH Business Unit concentrates worldwide on hot-melt adhesives and specialty fibers. Its product line-up extends from fusible mono-component fiber and bi-component fibers, abrasion-resistant fibers for the paper up to thermoplastic hot-melt adhesives for technical and textile applications. The EMS-TOGO Business Unit specializes in materials used for bonding, sealing and corrosion protection in the automotive industry. It manufactures plastisols, polyurethane adhesives and anti-corrosion waxes. The EMS-SERVICES Business Unit provides services for the Business Units located at the Domat/Ems site.

In the Performance Polymers business area, all Business Units met their growth targets. This was achieved despite worldwide caution on the part of client industries, particularly the automotive sector. Particularly positive developments were reported for the new polymers offered by EMS-GRIVORY, which replace metal and are resistant to high temperatures, and for EMS-GRILTECH's specialty adhesive products designed for technical applications. EMS-TOGO benefited from the strong expansion in China's automotive sector.

In 2003, the Performance Polymers business area generated net sales revenue of CHF 929 million and an operating result of CHF 148 million.

Fine Chemicals

The Fine Chemicals business area comprises the EMS-PRIMID and EMS-DOTTIKON Business Units. EMS-PRIMID focuses on additives for surface treatment and produces cross-linking agents for environment-friendly powder coating, adhesion promoters for the

tire industry and epoxy compounds for building protection products. This Business Unit developed encouragingly and in line with EMS Group's expectations. EMS-DOTTIKON, which specializes in exclusive chemical synthesis, produces fine chemical intermediates and active substances for pharmaceuticals and chemicals companies throughout the world. This Business Unit felt the impact of global overcapacity, which has beset this market for several years. The corrective measures that had been initiated began to impact positively for the first time in the second half of the year. This business area generated net sales revenue of CHF 192 million and an operating result of CHF 34 million.

Engineering

The EMS-PATVAG Business Unit develops and manufactures high-performance ignition devices for automotive airbag applications. EMS-PATVAG performed in line with projections, despite facing less dynamic market conditions than in prior years.

Plant engineering specialist INVENTA-FISCHER is active in

the field of textile and technical filaments and fibers made from polyester and polyamide as well as organic chemicals.

INVENTA-FISCHER designs and builds production plants based on its own processes and in line with specific customer requirements. The Business Unit enjoyed an improved order intake situation, though it was repeatedly impacted by customer deferrals of investment projects. The Engineering business area generated net sales revenues of CHF 100 million and an operating result of CHF 15 million. The decline in net sales revenue and profit in this business area was mainly due to the fact that the POWER STATIONS Business Unit was sold at the end of 2002 and thus no longer features in fiscal 2003.

Corporate Governance in the EMS Group

EMS CHEMIE HOLDING AG is committed to responsible corporate governance and monitoring. The SWX Swiss Exchange directive on the disclosure of corporate governance data which came into effect on July 1, 2002 has been implemented and complied with. The principles and rules are laid down in the company's Articles of Incorporation and Organizational Regulations.

The Articles of Incorporation can be downloaded from the Internet:
<http://www.ems-group.com>
(German version)
<http://www.ems-group.com>
(English version)

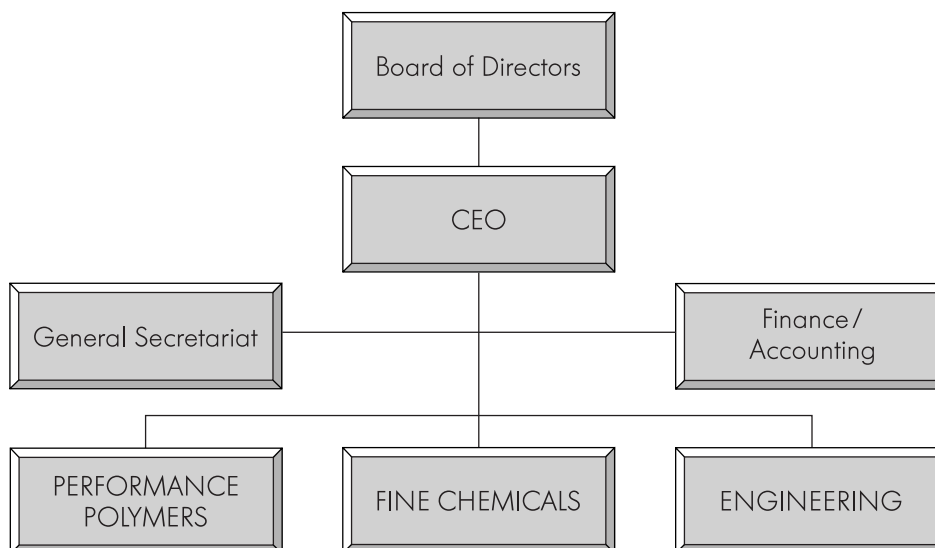
1. Group structure and shareholders

1.1 Group structure

The EMS Group runs global operations in the business areas of Performance Polymers, Fine Chemicals and Engineering. Its companies are grouped together in the holding company EMS-CHEMIE HOLDING AG, which has its registered office in Domat/Ems, Switzerland. EMS-CHEMIE HOLDING AG is the only listed company within the

scope of consolidation. EMS registered shares (EMSN, security number 1.644.035) are listed on the SWX Swiss Exchange and are traded on virt-x, an electronic trading system in London. As of December 31, 2003, EMS had a market capitalization of CHF 2 531.0 million. No subsidiary holds EMS registered shares. An overview of all EMS Group subsidiaries can be found in Note 34 in the Financial Section.

The organizational breakdown in terms of the three business areas is based on product types and is as follows:



1.2 Significant shareholders

The following shareholder owns more than 5% of the total share capital of EMS-CHEMIE HOLDING AG:

As of April 30, 2004, Emesta Holding AG, Zug, holds a 59.62% stake in EMS-CHEMIE HOLDING AG. Emesta Holding AG is controlled by Magdalena Martullo (Vice-Chairman and Delegate of the Board of Directors of EMS-CHEMIE HOLDING AG), Markus Blocher (Head of the EMS-DOTTIKON Business Unit), Miriam Blocher and Rahel Blocher. There are no shareholders' pooling agreements between these four persons.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2. Capital structure

2.1/2.2 Capital/ authorized and conditional capital in particular

The fully paid-up share capital amounts to CHF 260 930. As of December 31, 2003, the EMS Group had neither authorized nor conditional capital.

2.3 Changes in capital

A description of the changes in capital is given on page 3. For additional information, readers are referred to the statement of consolidated shareholders' equity on page 20.

2.4/2.5 Shares and participation certificates/ profit sharing certificates

The share capital is divided into 26 093 000 registered shares with a par value of CHF 0.01 each. All registered shares are fully paid up and entitled to dividends. On the question of voting rights, readers are referred to the particulars set out under item 6.1 of this "Corporate Governance" section. EMS-CHEMIE HOLDING AG has not issued any participation certificates or profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

On request, purchasers of registered shares are entered in the share ledger as voting shareholders without restrictions, provided they expressly declare that the registered shares were acquired in their own name and for their own account. Persons whose requests for registration do not include an express declaration that they hold the shares for their own account will be regarded as nominees and will automatically be entered in the share ledger as shareholders with voting rights up to a maximum of 2% of the share capital entered in the commercial register, unless they disclose the names of the persons for whose account they hold the shares. The Articles of Incorporation do not provide for any privileges or restrictions on transferability.

2.7 Convertible bonds and warrants/options

The terms of the two outstanding convertible bonds are set out in Note 20 in the Financial Section. No warrants or similar financial instruments have been issued by EMS-CHEMIE HOLDING AG or its subsidiaries.

3. Board of Directors

3.1 Members of the Board of Directors

Christoph Blocher, Chairman and CEO (Board member until December 31, 2003)

Dieter Klug, Chairman (Board member since January 1, 2004)**

Magdalena Martullo, Vice-Chairman and CEO (Board member since August 18, 2001 and CEO since January 1, 2004)*

Hansjörg Frei (Board member since January 1, 2003)**

Peter Matter (Board member since August 19, 2000)**

Albert Reich (Board member since January 1, 2004)*

Albert Sommerauer (Board member since August 19, 2000)*

* Executive directors

** Non-executive directors

With the exception of Dieter Klug (German citizen), all members of the Board of Directors hold Swiss citizenship. Dieter Klug, Hansjörg Frei and Peter Matter perform their duties on a part-time basis. The other members act in a full-time capacity. The non-executive directors have not performed any operational duties for the EMS Group during the three financial years preceding the period under review.

3.2 Other activities and vested interests

Detailed information on the biographies of the Board members and their other activities and vested interests can be found on the Internet at <http://www.ems-group.com>.

3.3 Cross-involvement

During the period under review, the members of the Board of Directors of EMS-CHEMIE HOLDING AG had no cross-involvement or significant business relations with EMS.

3.4 Elections and terms of office

Members of the Board of Directors are elected by the General Meeting of Shareholders for a one-year term of office. There is no limit on the term of office and members may be re-elected. The Board of Directors is self-convening and elects the Chairman and Vice-Chairman from its own ranks. It may elect a Delegate.

3.5 Internal organizational structure

According to the law and the Articles of Incorporation, the Board of Directors is the highest management body of the EMS Group. It is authorized to take decisions on all matters unless the law, the Articles of Incorporation or Organizational Regulations specify that the matters in question come within the area of responsibility of the General Meeting of Shareholders or some other body.

The Board of Directors consists of the Chairman, the Vice-Chairman and the other members.

The Board of Directors has the following main tasks:

- Ultimate supervision of the business operations and of the persons in charge of management
- Defining the mission statement
- Defining the strategy of the EMS Group
- Approving organizational changes at management level
- Presenting proposals to the General Meeting of Shareholders including the Consolidated Financial Statements of EMS-CHEMIE HOLDING AG, and implementing its decisions.

The Board of Directors has formed two committees to assist it: the Compensation Committee and the Audit Committee.

As of January 1, 2004 the Board of Directors has also delegated operational management to the Senior Management chaired by the Chief Executive Officer (Delegate of the Board of Directors). Until December 31, 2003, the Senior Management comprised the whole of the Board of Directors.

The Board of Directors convenes meetings at the invitation of the Chairman or at the request of a member as frequently as business demands, but at least six times per year. The Chairman presides over meetings of the Board of Directors. If the Chairman is unable to attend, the Vice-Chairman presides in his place. Meetings are convened in writing by the Chairman of the Board of Directors. All participants will normally be sent invitations, with a detailed list of agenda items and background documents, one week before the date of the meeting. Provided that no Member objects, the body may also deal with urgent business not listed on the agenda.

The Board of Directors adopts resolutions and conducts its elections by a majority of the members present at the meeting. To constitute a quorum, a majority of the members of the Board of Directors must be present. In the event of a tie, the Chairman has the casting vote. Resolutions may also be passed by way of telephone conferences or by circulating the necessary papers if no member requests oral deliberations. Resolutions passed in this way must be unanimous to be valid.

The individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely related.

The functions of both committees of the Board of Directors are primarily to assess, advise and monitor. The committees meet periodically and as and when necessary. The rules governing meetings, the passing of resolutions and abstentions are similar to those set out above for the Board of Directors. The Chairmen of these two Committees present verbal reports on the business transacted to the next meeting of the Board of Directors and, where necessary, submit relevant proposals to the Board as a whole.

The following specific additional information is provided on the individual committees:

The Compensation Committee consists of three members of the Board of Directors (Peter Matter, Chair, Hansjörg Frei, Albert Sommerauer). It determines the compensation for the Board of Directors / Senior Management and submits corresponding recommendations to the Board as a whole.

The Audit Committee consists of three non-executive directors (Hansjörg Frei, Chair, Dieter Klug, Peter Matter). It reviews the internal control systems and the principles of accounting and reporting (auditors, consolidated audits), and submits recommendations to the Board of Directors as a whole.

3.6 Definition of areas of responsibility

The division of responsibilities between the Board of Directors and the Senior Management is set out in the Organizational Regulations. On the one hand, these describe the general tasks of the individual bodies and, on the other hand, specify in detail the types of business each body has powers to take decisions upon. The Organizational Regulations are periodically reviewed by the Board of Directors and adjusted to new requirements.

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

The Board of Directors is regularly informed of the course of business. In particular, it has access to the monthly reports from the business areas, to the monthly income statement and to the principal key figures. Current figures are compared to the previous year and the budget. It is also sent a forecast of accounts to the end of the year containing the same level of detail for the purpose of verifying whether the budget can be adhered to. At quarterly intervals, it is sent the consolidated statements prepared according to IFRS standards.

At meetings of the Board of Directors, the written reports are supplemented by verbal briefings from the CEO concerning the course of business and important business events. The CEO informs members of the Board of Directors of any extraordinary events without delay by circular letter or by some other appropriate means.

At meetings of the Board of Directors, any member of the Board of Directors may request information from the other members or from the Senior Management on any of the company's affairs. In between Board meetings, any Board member may request information from the CEO on the course of business and – after approval by the Chairman – on specific business events, and/or may inspect the business documents.

4. Senior Management

4.1 Members of the Senior Management

The Senior Management is appointed on a proposal from the CEO and is charged with conducting the day-to-day business of the EMS Group and of managing and directing the business areas directly subordinate to it and the subsidiaries. Up until the end of 2003, the Senior Management was synonymous with the Board of Directors. Since January 1, 2004, the members of the Senior Management have been as follows: Magdalena Martullo (Vice-Chairman and CEO), Albert Reich, Albert Sommerauer (both members of the Board of Directors), Peter Germann (Head of the Finance /Accounting Business Unit) and Béatrice Hutter (General Secretary from May 1, 2004).

The Senior Management has the following main tasks:

- To prepare and implement the overall strategy and the overall budget
- To prepare and implement the structures and systems necessary for the management of the EMS Group
- To prepare and implement budgets
- To prepare and conduct preliminary deliberations on business which falls within the area of responsibility of the higher-ranking bodies.

4.2 Other activities and vested interests

Detailed information on the biographies of the members of the Senior Management and their other activities and vested interests can be found on the Internet at <http://www.ems-group.com>.

4.3 Management contracts

The Board of Directors of EMS-CHEMIE HOLDING AG has not concluded any management contracts with third parties.

5. Compensation, shareholdings and loans

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

The Compensation Committee is responsible for compensation policy at the highest level of the EMS Group (Board of Directors, Senior Management and direct subordinates of the CEO). EMS's system of remuneration is based on a basic salary and a bonus paid according to planned attainment of targets. The priority objective of EMS's

compensation policy is to pay market and performance-based remuneration with a view to recruiting and retaining persons with the necessary skills and qualities.

5.2 Compensation for acting members of governing bodies

In 2003, salaries and bonuses were paid to the members of the Board of Directors, who up until December 31, 2003 also formed the Senior Management. The details of the compensation were as follows:

For 2003, the Board Chairman and CEO received an annual salary of CHF 370 000, while the other members of the Board received annual salaries ranging from CHF 200 000 to CHF 250 000.

The Board Chairman and CEO was paid a bonus of CHF 622 000 for 2003. The other members of the Board of Directors were paid bonuses totaling CHF 670 000.

In 2003, each member of the Board of Directors received a flat-rate expense allowance of CHF 12 000.

There are no contractual severance payments. This applies to the whole of the EMS Group and also covers employees who do not form part of the Senior Management.

5.3 Compensation for former members of governing bodies

No compensation was paid to former members of governing bodies.

5.4 Share allotment in the year under review

During the year under review, members of the Board of Directors did not receive any compensation in the form of shares.

5.5 Share ownership

Together, the members of the Board of Directors held 856 875 registered shares (reference date: December 31, 2003), corresponding to 3.28% of voting rights.

5.6 Options

During the year under review, members of the Board of Directors did not receive any compensation in the form of options.

5.7 Additional fees and remunerations

During the year under review, no invoices were received from any member of the Board of Directors or any person closely related with a Board member for honoraria or additional services provided to EMS-CHEMIE HOLDING AG or its subsidiaries.

5.8 Loans granted by governing bodies

No loans were received by any members of governing bodies. No loans to members of governing bodies are outstanding from previous years.

5.9 Highest total compensation

The highest total compensation for the Chairman and CEO amounted to CHF 992 000 and was entirely paid in cash.

6. Shareholders' participation

6.1 Voting rights and representation restrictions

The participation rights of shareholders are laid down in the Articles of Incorporation of EMS-CHEMIE HOLDING AG. A registered shareholder may only be represented at the General Meeting of Shareholders by his legal representative, by another shareholder who has voting rights, by the representative of the executive bodies, by the independent proxy, or by a proxy holder of deposited shares. Any shares held by the company do not confer voting rights at the General Meeting of Shareholders and do not bear any dividend.

6.2 Statutory quorums

Except where the law provides otherwise, decisions taken by the General Meeting of Shareholders are passed by an absolute majority of the voting rights represented.

6.3 Convocation of the General Meeting of Shareholders

The Ordinary General Meeting of Shareholders is convened in accordance with legal requirements and the company's Articles of Incorporation.

It is convened by a single publication in the Swiss Commercial Gazette ("Schweizerisches Handelsamtsblatt") and by written invitations sent to the ad-

resses of the shareholders and beneficiaries entered in the share ledger. Extraordinary General Meetings of Shareholders are held in the cases prescribed by law and as required.

6.4 Agenda

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

6.5 Inscriptions into the share register

The company keeps a share register of registered shares, in which details of the owners, beneficiaries and any nominees are entered, including their surname, first name, address and nationality (or the location of their head office in the case of legal entities). The company stops entering additional registered shareholders at least 20 days before the General Meeting of Shareholders. Registered shares sold between the reference date and the General Meeting of Shareholders do not carry voting rights.

7. Changes of control and defense measures

7.1 Duty to make an offer

Under Article 3 (3) of the Articles of Incorporation, a party acquiring shares in the company is not obliged to submit a public purchase offer under Articles 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading.

7.2 Clauses on changes of control

There are no clauses on changes of control.

8. Auditors

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

PricewaterhouseCoopers AG, Stampfenbachstrasse 109, 8035 Zurich have acted as the statutory auditors of EMS-CHEMIE HOLDING AG and as Group auditors since 1996. The statutory and Group auditors are appointed by the General Meeting of Shareholders for a one-year term of office. Matthias von Moos has been the lead auditor in charge since 1999.

8.2 Auditing fees

The EMS Group paid PricewaterhouseCoopers approximately CHF 660 000 for services relating to the audit of the Group's annual financial statements. The net sales revenue audited by PricewaterhouseCoopers accounts for roughly 60% of the EMS Group's total net sales revenue.

8.3 Additional fees

PricewaterhouseCoopers charged approximately CHF 260 000 for additional services in the fields of management and tax consultancy and due diligence audits.

8.4 Supervisory and control instruments pertaining to the audit

The Audit Committee monitors the independence and performance of the independent statutory auditors on behalf of the Board of Directors and verifies the financial reporting of EMS. The Senior Management bears responsibility for the financial accounts and for related ongoing reporting activities, including

the internal audit system.

The independent statutory auditors, PricewaterhouseCoopers, are responsible for assessing whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Incorporation. The independent Group auditors, PricewaterhouseCoopers, are responsible for providing an assessment of the consolidated financial statements (balance sheet, income statement, cash flow statement, change in shareholders' equity and notes) in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and Swiss law. The Audit Committee is also responsible for monitoring the relevant activities of the Senior Management and the independent auditors.

9. Information policy

EMS publishes quarterly net sales revenue figures. The semi-annual and annual financial statements are based on IFRS accounting standards. These statements are transmitted to interested parties by electronic means or can be downloaded from the company's website at <http://www.ems-group.com>.

Any other questions may be addressed to EMS-CHEMIE HOLDING AG, Fuederholzstrasse 34, CH-8704 Herrliberg (telephone: + 41 1 915 70 00; fax: + 41 1 915 70 02; info@ems-group.com).

Consolidated Income Statement of the EMS Group

	Notes	2003 (CHF '000)	2002 (CHF '000)
Net sales revenue from goods and services	1	1 220 707	1 220 906
Inventory changes, semi-finished and finished goods		8 208	7 136
Capitalized costs and other operating income	2	94 233	109 466
Operating income		1 323 148	1 337 508
Material expenses	3	646 695	629 458
Personnel expenses	4	266 171	263 446
Depreciation and amortization	10, 26	68 365	66 504
Other operating expenses	5	144 613	183 237
Operating expenses		1 125 844	1 142 645
NET OPERATING INCOME (EBIT)		197 304	194 863
Income from equity-valuation of associated companies		(704)	(7 499)
Financial income	7	283 570	100 782
Financial expenses	8	341 082	74 258
NET FINANCIAL INCOME		(58 216)	19 025
NET INCOME BEFORE TAXES AND MINORITY INTERESTS		139 088	213 888
Income taxes	9	25 736	48 986
NET INCOME BEFORE MINORITY INTERESTS		113 352	164 902
Minority interests	19	6 475	3 954
NET INCOME		106 877	160 948
Earnings per registered share entitled to dividend (CHF) ¹⁾	30	4.10	6.17
Earnings per registered share (fully diluted) (CHF) ¹⁾	30	4.10	6.17
Earnings per registered share as per 31.12. (CHF) ¹⁾	30	4.10	6.17

¹⁾ All figures per share have been restated for the share split which took place on November 3, 2003.

Notes to the Consolidated Financial Statements: see pages 28 – 46.

Consolidated Balance Sheet of the EMS Group

	Notes	31.12.03 (CHF '000)	31.12.02 (CHF '000)
FIXED ASSETS		820 155	1 331 354
Intangible assets	10	11 278	37 313
Tangible assets	10	731 618	760 734
Financial assets	10	77 259	533 307
Investments in associated companies	10	21 153	23 926
Other investments	10	1 106	482 177
Other long-term financial assets	10	55 000	27 204
CURRENT ASSETS		2 297 416	1 835 581
Inventories	11	224 943	220 799
Accounts receivable			
Trade accounts receivable	12	198 703	192 639
Other receivables	13	129 717	245 237
Securities	14	382 726	380 763
Financial investments	15	807 628	0
Cash and cash equivalents	16	553 699	796 143
TOTAL ASSETS		3 117 571	3 166 935
SHAREHOLDERS' EQUITY	18	1 441 118	1 289 028
Share capital	17	261	26 093
Retained earnings and reserves		1 333 980	1 101 987
Net income		106 877	160 948
MINORITY INTERESTS	19	34 960	30 824
LIABILITIES		1 641 493	1 847 083
Long-term liabilities		1 280 708	1 407 115
Bonds	20	894 824	935 635
Bank loans	21	98 063	101 036
Other long-term liabilities	22	34 555	73 419
Deferred income taxes	23	188 533	193 607
Provisions	23	64 733	103 418
Short-term liabilities		360 785	439 968
Bank loans		58 990	127 870
Trade accounts payable		86 588	86 130
Income tax liabilities		12 597	25 844
Other short-term liabilities	24	202 610	200 124
TOTAL LIABILITIES		3 117 571	3 166 935

Notes to the Consolidated Financial Statements: see pages 28–46.

The Consolidated Financial Statements were approved by the Board of Directors on February 12, 2004.

Consolidated Changes in Shareholders' Equity of the EMS Group

(CHF '000)	Share capital	Legal reserves	Free reserves	Gains / (losses) out of IAS 39	Foreign exchange differences	Retained earnings	Net income	Shareholders' equity
At 31.12.2000	26 093	70 000	10 000	0	10 141	801 068	252 738	1 170 040
Impact of first-time application of IAS 39				86 771				86 771
Revised at 1.1.2001	26 093	70 000	10 000	86 771	10 141	801 068	252 738	1 256 811
Distribution of net income						252 738	(252 738)	0
Net income							176 288	176 288
Impact of application of IAS 39				8 403				8 403
Currency translation differences					(4 221)			(4 221)
At 31.12.2001	26 093	70 000	10 000	95 174	5 920	1 053 806	176 288	1 437 281
Distribution of net income						176 288	(176 288)	0
Net income							160 948	160 948
Impact of application of IAS 39				(296 041)				(296 041)
Currency translation differences					(13 160)			(13 160)
At 31.12.2002	26 093	70 000	10 000	(200 867)	(7 240)	1 230 094	160 948	1 289 028
Distribution of net income						160 948	(160 948)	0
Dividends paid						(198 307)		(198 307)
Capital repayment by par value reduction (25 832)								(25 832)
Net income							106 877	106 877
Impact of application of IAS 39				274 503				274 503
Currency translation differences					(5 151)			(5 151)
At 31.12.2003	261	70 000	10 000	73 636	(12 391)	1 192 735	106 877	1 441 118

	2003	2002
Balance sheet equity ratio	46.2%	40.7%

Legal reserves include KCHF 52 (2002: KCHF 5219) not eligible for distribution.

The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year will be closed on April 30, 2004, was communicated on December 31, 2003.

For further information and data refer to page 3, "Spotlight on share performance".

Consolidated Cash Flow Statement of the EMS Group

	Notes	2003 (CHF '000)	2002 (CHF '000)
Net income		106 877	160 948
Minority interests	19	6 475	3 954
Depreciation and amortization of intangible and tangible fixed assets	10, 26	68 365	66 504
Capitalized costs	2	(19 617)	(12 258)
(Profit)/loss from disposal of tangible fixed assets	2, 5	(1 473)	2 007
Increase/(decrease) of other long-term provisions	23	(927)	46 915
Increase/(decrease) of other long-term liabilities		69	1 185
(Gain)/loss from sale of group companies	2	(48 902)	(82 103)
(Income)/expenses from the equity-valuation of associated companies, net after dividends	10	704	7 499
Impairment securities	8	115 569	0
Impairment financial investments	8, 26	114 071	0
Value adjustments financial assets	10, 26	1 364	27 388
Unrealized currency translation differences		1 556	(13 440)
Net interest	7, 8	36 296	52 283
Dividends from securities in current assets	7	(3 338)	(6 349)
Dividends from associated companies and other companies	7	(12 775)	(21 819)
Income from sale of securities	7, 8	(163 018)	(31 640)
Expenses for income taxes	9	25 736	48 986
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		227 032	250 060
Cash flow from changes in working capital excluding cash and cash equivalents		(5 986)	71 916
Taxes paid		(44 177)	(59 821)
Interests received		16 875	18 451
Interests paid		(55 597)	(51 801)
Dividends received	7	16 113	28 168
Provisions used	23	(38 407)	(1 162)
CASH FLOW FROM OPERATING ACTIVITIES A		115 853	255 811
(Purchase) of intangible and tangible fixed assets	2, 10	(50 952)	(59 221)
Disposal of intangible and tangible fixed assets	2, 5, 10	35 391	1 331
(Purchase)/disposal of financial assets	10	(508 108)	118 336
(Purchase)/disposal of marketable securities		324 717	(139 322)
(Purchase)/sale of fully consolidated companies	27	17 100	97 279
CASH FLOW FROM INVESTING ACTIVITIES B		(181 852)	18 403
Dividends paid		(198 307)	0
Capital repayment by par value reduction		(25 832)	0
Dividends paid to minorities	19	(2 199)	(2 627)
(Increase)/decrease of interest-bearing assets		152 529	(152 724)
Increase/(decrease) of interest-bearing liabilities	25	(101 866)	536 509
CASH FLOW FROM FINANCING ACTIVITIES C		(175 675)	381 158
CHANGE IN CURRENCY TRANSLATION D		(1 237)	9 704
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		(242 911)	665 076
Cash and cash equivalents at beginning of the year		796 135	131 059
(Decrease)/increase of cash and cash equivalents		(242 911)	665 076
Cash and cash equivalents at year-end	16	553 224	796 135

Notes to the Consolidated Financial Statements: see pages 28 – 46.

Notes to the Consolidated Financial Statements of the EMS Group

Consolidated accounting principles

General

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 in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They also comply with the 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 are used in accounting for allowances for uncollectible receivables, inventory obsolescence, depreciation, taxes, provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, holding more than 50% of the voting rights, or by contracts or other agreements (see list of subsidiaries and minority interests, pages 42 to 45). Not included

are companies with a charitable character (such as housing co-operatives).

Joint ventures where the parties have joint control are included by the equity method of accounting. This method is also applied for the associated companies, which 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 market value (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 and the minority interests in shareholders' equity and net income are separately disclosed in the consolidated balance sheet and consolidated income statement. Capital consolidation is effected using the Anglo-Saxon purchase method, under which all assets and liabilities of the acquired company are valued according to the accounting principles of the EMS Group at the time of acquisition. Any positive difference between the resulting shareholders' equity and the cost of acquisition is capitalized as goodwill and amortized over its expected useful life using the straight-line method. Results for acquired companies are included in consolidation as from the date of acquisition.

In case of disposal of companies, the deconsolidation is effected through the income statement at the date of the disposal, whereas the companies' results are included in the consolidation up to this date.

Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealized profits from intra-group deliveries are eliminated in the income statement.

Balance sheet date

The balance sheet date is December 31. Subsidiaries with a different year-end closing not exceeding three months are included in the consolidation based on this closing. If the year-end differs more than three months, an interim closing is prepared as of December 31.

Valuation principles

Consolidated financial statements are based on historical costs except for securities and other investments as well as derivative financial instruments, which are valued at fair value. Valuation principles remained unchanged from previous year.

Intangible fixed assets

This item mainly consists of capitalized project costs and of goodwill acquired in acquisitions since January 1, 1995. Amortization periods of goodwill have been determined individually, with due regard for the benefit. The maximum useful life applied is 20 years. An impairment test is performed each year. Organi-

zation and foundation costs are not capitalized. Amortization of other intangible fixed assets (mainly capitalized project costs, patents and software) is calculated on a straight-line method based on their useful lives.

Tangible fixed assets

Tangible fixed assets are shown at purchase price or manufacturing cost less economically required depreciation. 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 fixed assets is periodically reviewed and a provision is set up for permanent impairment, if considered necessary.

Repairs and maintenance are expensed as incurred. Investments in improvements or renewals of assets are capitalized if they significantly extend service life, increase capacity or provide a substantial improvement of the quality of production performance.

Assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance leases) are capitalized as tangible fixed assets at their estimated present value of the underlying lease payments and depreciated over their useful lives or the shorter leasing period. Leasing commitments are shown under financial liabilities. Financing costs are charged to the income statement

over the leasing period in such a manner that the periodic costs are correct.

Payments on leased assets defined as "operating leases" and having a rental character are expensed over the lease period.

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 tangible fixed assets 5 – 15 years

Financial assets within fixed assets

Shares in associated companies are included using the equity method.

The valuation of the other investments – which mainly contained up to 2002 the shareholding in Lonza Group AG – is the same as described at "securities". Since 2003 shareholding in Lonza Group AG has been shown as a financial asset within current assets (see additional comments at "financial assets within current assets").

Inventories

Inventories used for production are valued at their historical purchase or production cost (including attributable manufacturing overheads) or at their realizable market value, whichever is lower. Inventories are valued using the "fifo"-method (first-in, first-out). Long-term contract work-in-progress is valued using the "Percentage-of-Completion method" (PoC).

Accounts receivable and accrued income

This item is valued at its nominal value less provisions for bad debts. Provisions are either based on specifically known risks or on historical default rates.

Securities

Securities include marketable securities traded on stock exchanges. Initial measurement of all security transactions is done at the date of fulfillment of the contract (Settlement date accounting) at cost value. Subsequent measurement is done at market value (fair value). Subsequent changes in the market value (fair value) are included within equity and are only shown in the income statement at the moment of the sale (classification as "available for sale"). In case of a significant impairment on the market value, the net loss on a security is recognized in income statement. According to the guidelines of the EMS Group a significant impairment exists if the market value (fair value) of securities is 30% under the cost value for a period of twelve months. Management decides if the loss has to be considered as being permanent if the loss in market value (fair value) is less than 30% or has been lasting for less than twelve months.

Financial assets within current assets

Since 2003 shareholding in Lonza Group AG has been shown as a financial asset within current assets. The valuation is the same as described at "securities".

Cash and cash equivalents

Liquid assets include cash on hand, bank account balances and short or medium-term deposits maturing within twelve months.

Liquid assets are valued at their nominal value.

Cash and cash equivalents disclosed in the cash flow statement include liquid assets with a maturity of less than three months.

Bonds and long-term bank loans

Debenture bonds and long-term bank loans are recognized initially at the proceeds received, net of transaction cost incurred. In subsequent periods, debenture bonds and long-term bank loans are stated at amortized cost using the effective yield method. Convertible bonds are split into a liability component and an option component at date of issue and are separately shown in the balance sheet. The fair value of the liability component is determined on the basis of the present value of the principal plus the present value of the interests payable over the contractual period using a rate of interest applied by the market at that time. At date of issue the value of the option component results by deduction of the liability component from the proceeds of the bond issue. The option component is valued at fair value in the following years and is booked into the income statement.

Liabilities and deferred income

This item includes short and long-term debts, valued at the amount of repayment, and deferred income.

Provisions

Provisions are set up for legal or other liabilities if these liabilities will most probably bring about a cash outflow and if the amounts can be reliably estimated.

Pension funds

All subsidiaries in Switzerland have their own, legally independent pension plans that are independently managed. They are financed through contributions from employers and employees. Present and former employees (or their surviving dependants) will receive benefits upon reaching the age limit and/or in the event of invalidity or death. For the purposes of the consolidated financial statements, future pension obligations are calculated on the basis of actuarial methods complying with IFRS. In the case of defined benefit obligations, the present value of the projected benefit obligation is assessed using the projected unit credit method on the basis of completed and expected years of service, the expected pay trend and the adjustment of pensions. Costs for this provision ("expense recognized in the income statement") are calculated annually and carried to the income statement. In case of changes in pension plans or corrections due to new actuarial assumptions, the changes are spread forward over the remaining service life of employees. Employees of subsidiaries abroad are insured by governmental institutions or independent defined contribution pension plans.

Derivative financial transactions

Initial measurement of all derivative financial transactions is done at the date of transaction (trade

date accounting) at cost value. Subsequent measurement is done at market value (fair value) within accrued income and deferred income respectively. Realized foreign exchange gains and losses are shown within the operating income.

Net sales revenue

Net sales revenue includes the invoiced amounts for supplied goods and services less diminished proceeds and the amount of profits as defined by the progress accomplished on long-term construction contracts. The amount of profit is determined on a pro rata basis of overall engineering estimates according to the "percentage-of-completion" method (PoC), on which the profit realized is calculated with regard to the progress achieved. Such costs cover all direct and indirect costs incurred for the projects. Only the Group's own added value is taken into account. Income is defined as being realized on delivery and services rendered respectively.

Research and development costs

With the exception of those development projects capitalized in accordance with IAS 38, research and development costs are charged to the income statement for the year in which they originate under the following headings: wages and salaries, material expenses, amortization on research and development assets and research and development overheads. Research and development assets used over a long period of time are classified under "plant and machinery" and are amortized over the estimated period of economic use.

Foreign currency translation

Financial statements in foreign currencies are translated into Group currency as follows: current assets, fixed assets and liabilities at year-end exchange rates, equity at historical exchange rates. All items in the income statement and the net income are translated using the average exchange rate for the year. These 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 the subsidiary was a consolidated company, is added to the profit (or loss) from the 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 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:

		Average exchange rates		Year-end exchange rates		
		Unit	2003	2002	2003	2002
US dollar	USD	1	1.345	1.556	1.240	1.387
Euro	EUR	1	1.520	1.469	1.560	1.454
Pound sterling	GBP	1	2.197	2.333	2.205	2.223
Japanese yen	JPY	100	1.156	1.242	1.160	1.170
Swedish krona	SEK	100	16.67	16.01	17.15	15.87
Taiwan dollar	TWD	100	3.899	4.516	3.650	3.988

Income taxes

Provisions for deferred income taxes pay due regard to the impact in income tax terms of the differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes. These provisions are continuously adjusted to take account of any changes to local fiscal law. Provisions for deferred taxation are set up using the comprehensive liability method, under which provisions are set up for all temporary differences. Tax losses carried forward are not deducted from deferred income taxes unless it can be shown with sufficient certainty that the future taxable profit is adequate to offset such a loss.

Taxes on income from foreign Group companies which is expected to be distributed to the parent company have been pro-

vided for. Provisions have not been set up for non-repatriated income invested for an unlimited period of time, or for income that can largely be transferred tax-free to the parent company. Tax expenses include income taxes on the profits of companies consolidated using the equity method.

Earnings per share

The "earnings per share" figure is based on the consolidated net income divided by the weighted average number of shares.

Consistency

The principles of valuation, consolidation and classification remained unchanged from previous year.

Segment reporting

Segment reports are presented primarily by business area and secondarily by geographical region. For the business area assignment of Group companies, please refer to the "List of subsidiaries and minority holdings" on pages 42 to 45.

Financial risk management

Foreign currency risks

The EMS Group uses derivative financial instruments in the usual course of business to cover the risks. Different risk positions, composed of assets and liabilities and future commitments, are judged and managed by the treasury for the whole Group. Additionally, the liquidity required for the day-to-day operations has to be available at all times. Fixed-term deposits and derivative financial instruments are only entered into with counterparties that have a high credit standing. The hedging policy of the EMS Group is set out in writing and supervised. The results of the hedge program are continuously reported to management. The treasury management is authorized to entirely or partially hedge exposures within the

framework of the defined currency policy. The EMS Group hedges positions if the costs in relation to the risks are justified. The EMS Group mostly uses forward currency and option contracts to hedge the risk of value losses in cash flow terms resulting from balance sheet and income statement items held in foreign currencies.

Credit risks

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations, causing a financial loss to the EMS Group. Trade receivables are subject to a policy of active risk management focussing on the assessment of country risk, credit availability, ongoing evaluation of credit standing and account monitoring procedures. There are no significant concentrations of counterparty credit risks. This is due within trade receivables 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, on-going reviews of credit ratings, and limiting individual aggregate credit exposure accordingly.

Risks of changes interest rate

The EMS Group uses various instruments to secure financial costs and to hedge changes in interest rates.

Market risk of financial assets

Changes in the market value of certain financial assets and derivative instruments can affect the net income of financial position of the EMS Group. Financial long-term assets are held for strategic purposes and marketable securities are held for fund management purposes. The risk of loss in value is reduced by reviews prior to investing and continuous monitoring of the future performance of investments and changes in their risk profile. Investments in equities, bonds, debentures and other fixed income instruments are entered into on the basis of approved guidelines with regard to liquidity and credit rating.

Breakdown by business area

(CHF '000)

Primary segment	Net sales with other segments		Net sales revenue Net sales with third parties		Total net sales		Net operating income (EBIT)		Segment assets ¹⁾	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
PERFORMANCE POLYMERS	196	329	929 380	879 765	929 576	880 094	148 360	138 962	821 125	771 210
FINE CHEMICALS	221	234	191 826	205 366	192 047	205 600	33 843	30 263	364 726	369 733
ENGINEERING	0	8 106	99 501	135 775	99 501	143 881	15 101	25 638	1 356 868	1 205 923
Subtotal segments	417	8 669	1 220 707	1 220 906	1 221 124	1 229 575	197 304	194 863	2 542 719	2 346 866
- Internal net sales	(417)	(8 669)			(417)	(8 669)				
Total EMS Group	0	0	1 220 707	1 220 906	1 220 707	1 220 906	197 304	194 863	2 542 719	2 346 866

For a description of the business areas see pages 8–10 (“General Information on the Fiscal Year”).

From the sale of PATVAG KRAFTWERKE AG and KRAFTWERKE FRISAL AG in 2002, KCHF 20 000 of the profit was reclassified from business area “Engineering” to business area “Performance Polymers”. The same procedure was chosen in 2003, where KCHF 12 000 of the profit from the sale of KRAFTWERKE REICHENAU AG reclassified. Instead of an acceptance for future delivery of electricity which was linked to the sales price, EMS Group could have received a sales price of KCHF 20 000 (KCHF 12 000 less) with a lower acceptance for future delivery of electricity. The difference of KCHF 20 000 or KCHF 12 000 is credited to the major user EMS-CHEMIE AG (business area “Performance Polymers”).

Primary segment	Segment liabilities ²⁾		Share of net profit/loss on equity-valued companies		Book value of equity-valued companies		Investments in intangible and tangible fixed assets		Depreciation intangible and tangible fixed assets	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
PERFORMANCE POLYMERS	145 150	125 928	(704)	(7 499)	21 153	23 926	53 888	36 668	38 695	37 793
FINE CHEMICALS	17 459	19 977	0	0	0	0	12 903	18 750	20 251	15 532
ENGINEERING	126 589	140 349	0	0	0	0	3 778	16 061	9 419	13 179
Total EMS Group	289 198	286 254	(704)	(7 499)	21 153	23 926	70 569	71 479	68 365	66 504

The allocation of the impairment on the individual segments is as follows:

Year 2003: KCHF 2 000	Technical plant, machinery	Performance Polymers
KCHF 4 500	Technical plant, machinery	Fine Chemicals
Year 2002: KCHF 0		

Breakdown by geographical region

(CHF '000)

Secondary segment	Total net sales revenue (customers)		Total net sales revenue (production)		Net operating income (EBIT)		Segment assets ¹⁾		Investments in intangible and tangible fixed assets	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Switzerland	67 057	98 209	785 845	806 954	154 820	157 985	2 187 322	1 993 723	53 091	62 486
European Union (EU)	766 142	710 863	269 192	242 757	19 945	13 737	198 967	202 133	7 431	5 630
North America	114 532	124 350	54 144	58 299	4 036	4 956	65 609	73 379	1 805	1 466
Far East ³⁾	209 257	227 541	111 526	112 896	18 503	18 185	90 821	77 631	8 242	1 897
Others	63 719	59 943	0	0	0	0	0	0	0	0
Total EMS Group	1 220 707	1 220 906	1 220 707	1 220 906	197 304	194 863	2 542 719	2 346 866	70 569	71 479

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

¹⁾ Excluding cash and cash equivalents and investments in associated companies.

²⁾ Trade accounts payable, advances from customers, liabilities to related parties and associated companies, liabilities to social benefit institutions, other short-term liabilities, prepaid expenses and deferred income.

³⁾ Mainly China, Japan and Taiwan.

Consolidated Income Statement

Notes	2003 (CHF '000)	2002 (CHF '000)
1		
Net sales revenue from goods and services		
Within plant construction, only the Group's own added value is taken into account. Revenue and cost of sales would be higher by if the entire value of third party purchases were to be included.	53 231	30 790
2		
Capitalized costs and other operating income		
Capitalized costs	19 617	12 258
Other operating income	11 045	11 350
Real estate income	3 166	2 516
Operating interest	1 445	1 155
Income from disposal of Group companies	48 902	82 103
Income from disposal of fixed assets	10 058	84
Total capitalized costs and other operating income	94 233	109 466
3		
Material expenses		
Material and warehouse expenses	608 572	605 960
Subcontractor salaries	11 929	4 634
Energy expenses	26 194	18 864
Total material expenses	646 695	629 458
4		
Personnel expenses		
Wages and salaries	216 703	219 411
Legal/contractual social insurance	49 468	44 035
Total personnel expenses	266 171	263 446

Notes	2003 (CHF '000)	2002 (CHF '000)
Pensions schemes:		
<p>Some Group companies have their own personnel pension plans, which all comply with national regulations and requirements. Normally, the assets are held in independent trusts. In cases in which a Group company does not have its own personnel pension plans, long-term provisions have been set up in the consolidated balance sheet. The trusts are normally financed through contributions from employers and employees. The future obligations and the corresponding plan assets which are qualified as defined-benefit plans under IFRS are periodically verified by qualified actuaries, most recently as at December 31, 2003. The following figures give an overview over the pension plans:</p>		
	31.12. 2003	31.12. 2002
Individual defined-benefit plans		
– Actuarial value of all benefit entitlements of former and current employees	(537 004)	(518 730)
– Market value of plan assets	492 200	423 000
– Unrecognizable amount	(26 300)	(23 340)
– Actuarial losses, not accounted for	99 526	118 613
– Net recognized assets/(liabilities) for individual defined-benefit plans due to former and current employees	28 422	(457)
The balance sheet shows the following:		
Surplus recognized as part of other long-term financial assets (see note 10)	51 032	21 892
Deficit recognized as part of other long-term liabilities (see note 22)	(22 610)	(22 349)
Total recognized net assets/(liabilities) in the Group balance sheet	28 422	(457)

Notes	2003 (CHF '000)	2002 (CHF '000)
The income statement shows the following:		
Current service cost	22 722	20 793
Interest cost	20 315	19 106
Expected return on plan assets	(25 649)	(26 808)
Curtailement gain	(872)	0
Past service cost	2 294	0
Actuarial gains/losses and adjustment for Art. 58 A	3 803	7 420
Adjustments for Art. 58	2 452	(4 457)
Employees' contribution	(9 313)	(7 128)
ERIS (Expense Recognized in the Income Statement)	15 752	8 926
The change in the balance sheet is as follows:		
ERIS (Expense Recognized in the Income Statement)	15 752	8 926
Employer's contribution	(44 631)	(8 897)
(Excess)/deficit of effective employer's contribution, net	(28 879)	29
Benefits for pension plan members covered by defined-benefit plans are calculated using the following average actuarial assumptions:		
Expected future service life of the employees	12 years	12 years
Discount rate	3.75%	3.75%
Expected long-term return on capital	6.00%	6.00%
Annual salary development	2.75%	2.75%
Adaptation of pension benefits	1.50%	1.50%
5 Other operating expenses		
Rents	6 669	6 922
Repairs and maintenance	26 768	29 104
Insurances, duties, fees	9 957	10 677
Administration, promotion	37 811	52 500
Losses on disposal of fixed assets	8 585	2 091
Other operating expenses	54 823	81 943
Total other operating expenses	144 613	183 237
6 Research and development		
Expenditures for research and development amount to	41 470	45 790
7 Financial income		
Interest from related parties and associated companies	4 860	3 209
Other interest income	11 617	12 051
Foreign exchange gains, net	0	19 046
Dividends on securities in working capital	3 338	6 349
Dividends on investments in associated and other companies	12 775	21 819
Income from sale of securities	213 024	34 047
Result from valuation of securities, net	37 956	4 261
Total financial income	283 570	100 782
Year 2002: Foreign exchange gains (KCHF 19 046) consist of the writeback of the unrealized gain of KCHF 21 293 which was booked within shareholders' equity according to hedge accounting in 2001.		

Notes	2003 (CHF '000)	2002 (CHF '000)	
8	Financial expenses		
	Interest to related parties and associated companies	70	94
	Other interest	52 703	67 449
	Expenses from sale of securities	50 006	2 407
	Impairment securities	115 569	0
	Impairment financial investments	114 071	0
	Foreign exchange losses, net	6 506	0
	Costs of transactions	2 157	4 308
	Total financial expenses	341 082	74 258
	An impairment loss has been recognized in the income statement on securities and financial investments as the decline in fair values is classified as permanent according to the impairment policy of the EMS Group.		
9	Income taxes		
	Current income taxes	30 898	50 882
	Deferred income taxes (see note 23)	(5 162)	(1 896)
	Total income taxes	25 736	48 986
	The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. 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	139 088	213 888
	Expected income tax rate	26.5%	26.5%
	Expected income taxes	36 858	56 680
	Effect of different income tax rates	6 635	(3 713)
	Use of losses carried forward	(205)	0
	Income with special income tax rates	(13 038)	(820)
	Tax holidays and corrections from previous years	(1 862)	1 687
	Other	(2 652)	(4 848)
	Effective income taxes	25 736	48 986
	Effective income tax rate	18.5%	22.9%
	Deferred income taxes are calculated using the "Comprehensive Liability Method", under which provisions are set up for all temporary differences. Tax losses carried forward are only capitalized if it is certain that the future taxable profit is sufficient to offset such a loss. The expected income tax rate is 26.5%.		

Consolidated Balance Sheet as at December 31

Notes

10 Intangible fixed assets, tangible fixed assets, financial assets

I. Intangible fixed assets

(CHF '000)	Goodwill	Patents, trade marks	Others, incl. advances	2003 Total	2002 Total
Cost					
At 1. 1.	50 001	9 712	45 195	104 908	81 863
Change in scope of cons.	0	0	8	8	(3 294)
Additions	0	28	203	231	836
Disposals	0	1 213	28 831	30 044	1 611
Reclassifications and value adjustments	0	1 213	2 214	3 427	27 251
Translation differences	0	0	251	251	(137)
At 31.12.	50 001	9 740	19 040	78 781	104 908
Amortization					
At 1. 1.	50 001	4 149	13 445	67 595	65 686
Change in scope of cons.	0	0	0	0	(2 986)
Additions	0	1 163	5 294	6 457	6 461
Disposals	0	209	6 743	6 952	1 582
Reclassifications and value adjustments	0	0	223	223	112
Translation differences	0	0	180	180	(96)
At 31.12.	50 001	5 103	12 399	67 503	67 595
Book value					
At 1. 1.	0	5 563	31 750	37 313	16 177
At 31.12.	0	4 637	6 641	11 278	37 313

Ila. Operating fixed assets

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction and payments in advance	2003 Total	2002 Total
Cost							
At 1. 1.	22 537	310 903	1 046 166	72 787	43 132	1 495 525	1 585 789
Change in scope of cons.	(321)	(83)	(45 934)	(15)	0	(46 353)	(75 916)
Additions	3	2 614	5 420	3 261	59 040	70 338	70 638
Disposals	72	2 322	49 154	10 073	68	61 689	28 476
Reclassifications and value adjustments	0	11 133	21 248	3 184	(39 294)	(3 729)	(26 979)
Translation differences	(2)	(461)	(3 300)	508	(218)	(3 473)	(29 531)
At 31.12.	22 145	321 784	974 446	69 652	62 592	1 450 619	1 495 525
Depreciation							
At 1. 1.	892	144 382	551 889	49 417	0	746 580	776 095
Change in scope of cons.	(162)	(7)	(25 925)	(227)	0	(26 321)	(43 880)
Additions	27	7 133	48 497	6 009	156	61 822	59 943
Disposals	0	1 915	39 920	9 266	0	51 101	26 248
Reclassifications and value adjustments	0	440	534	(101)	0	873	(112)
Translation differences	(32)	93	(2 238)	386	5	(1 786)	(19 218)
At 31.12.	725	150 126	532 837	46 218	161	730 067	746 580
Book value							
At 1. 1.	21 645	166 521	494 277	23 370	43 132	748 945	809 694
At 31.12.	21 420	171 658	441 609	23 434	62 431	720 552	748 945

Depreciation arising from impairment tests amounts to KCHF 6 500 (2002: KCHF 0).

Notes

IIb. Non-operating fixed assets

(CHF '000)	Land incl. development cost	Buildings	Furniture	2003 Total	2002 Total	2003 Total tangible fixed assets	2002 Total tangible fixed assets
Cost							
At 1. 1.	8 832	4 572	804	14 208	16 445	1 509 733	1 602 234
Change in scope of cons.	0	(584)	0	(584)	(671)	(46 937)	(76 587)
Additions	0	0	0	0	5	70 338	70 643
Disposals	236	0	6	242	1 270	61 931	29 746
Reclassifications and value adjustments	0	0	0	0	(272)	(3 729)	(27 251)
Translation differences	4	112	31	147	(29)	(3 326)	(29 560)
At 31. 12.	8 600	4 100	829	13 529	14 208	1 464 148	1 509 733
Depreciation							
At 1. 1.	0	1 680	739	2 419	2 625	748 999	778 720
Change in scope of cons.	0	(118)	0	(118)	(105)	(26 439)	(43 985)
Additions	0	74	12	86	100	61 908	60 043
Disposals	0	0	4	4	189	51 105	26 437
Reclassifications and value adjustments	0	0	0	0	0	873	(112)
Translation differences	0	52	28	80	(12)	(1 706)	(19 230)
At 31. 12.	0	1 688	775	2 463	2 419	732 530	748 999
Book value							
At 1. 1.	8 832	2 892	65	11 789	13 820	760 734	823 514
At 31. 12.	8 600	2 412	54	11 066	11 789	731 618	760 734

III. Financial assets

(CHF '000)	Participations	Associated companies Goodwill	Total	Other partici- pations	Other long-term financial assets	2003 Total	2002 Total
Cost / Fair Value							
At 1. 1.	23 926	3 430	27 356	482 217	54 759	564 332	839 367
Change in scope of cons.	0	0	0	0	(375)	(375)	(780)
Additions	85	0	85	478 840	34 957	513 882	38 955
Disposals	789	0	789	0	5 694	6 483	164 794
Reclassifications and value adjustments	0	0	0	(959 911)	1 167	(958 744)	(143 637)
Translation differences	(2 069)	0	(2 069)	0	147	(1 922)	(4 779)
At 31. 12.	21 153	3 430	24 583	1 146	84 961	110 690	564 332
Depreciation / Amortization / Amortized cost							
At 1. 1.	0	3 430	3 430	40	27 555	31 025	3 572
Change in scope of cons.	0	0	0	0	(158)	(158)	0
Additions	0	0	0	197 329	1 364	198 693	27 388
Disposals	0	0	0	0	5	5	4
Reclassifications and value adjustments	0	0	0	(197 329)	1 167	(196 162)	0
Translation differences	0	0	0	0	38	38	69
At 31. 12.	0	3 430	3 430	40	29 961	33 431	31 025
Book value							
At 1. 1.	23 926	0	23 926	482 177	27 204	533 307	835 795
At 31. 12.	21 153	0	21 153	1 106	55 000	77 259	533 307

According to the Board's resolution the shareholding in Lonza Group AG is regarded as a financial investment with no strategic interest and is stated under current assets from 2003. It is the intention of the EMS Group to significantly reduce this shareholding (see also note 33).

In addition, EMS Group's representative on Lonza's Board will not stand for re-election at Lonza's Annual General Meeting of the Shareholders on March 31, 2004.

In the previous year the shareholding in Lonza Group AG was stated in "Other participations" at KCHF 481 072. The other long-term financial assets contain receivables arising from the application of IAS 19 (rev.) of KCHF 51 032 (2002: KCHF 21 892) as well as loans to third parties.

Notes	2003 (CHF '000)	2002 (CHF '000)
Fire insurance value		
Property, plant and equipment The insurance of fixed assets is at replacement values.	1 855 476	1 933 898
11 Inventories		
Raw materials and supplies	59 579	56 477
Semi-finished goods, work in progress	28 673	22 037
Finished products	134 493	138 519
Advance payments on goods	2 198	3 766
Total inventories	224 943	220 799
12 Trade accounts receivable		
Accounts receivable from long-term construction contracts	1 541	5 077
Trade accounts receivable from associated companies	418	1 525
Trade accounts receivable	203 943	192 858
Provision for bad debts	(7 199)	(6 821)
Total trade accounts receivable	198 703	192 639
13 Other receivables		
Receivables from related parties	0	152 985
Receivables from associated companies	1 545	710
Other receivables	41 090	30 577
Prepayments and accrued income	87 082	60 965
Total other receivables	129 717	245 237
Receivables from related parties bear interest at commercial rates (2003: 2.25%, 2002: 3.5%; see note 32).		
14 Securities		
Marketable securities are valued at fair value (according to IAS 39 "Financial Instruments").		
15 Financial investments		
Financial investments are valued at fair value (according to IAS 39 "Financial Instruments"). In the reporting year they consist exclusively of the shareholding in Lonza Group AG.		
16 Cash and cash equivalents		
Deposits	535 165	779 428
Cash and cash equivalents	18 534	16 715
Total cash and cash equivalents	553 699	796 143
Maturity < 3 months	553 224	796 135
Maturity > 3 months	475	8

Notes					2003 (CHF '000)	2002 (CHF '000)
17	Share capital					
	Composition	2002				
		Par value	Number	Percentage of voting rights	Percentage of capital	
	Registered shares (until 31.10.03)	CHF 10	729 300	65.98 %	27.95 %	– 7 293
	Bearer shares (until 31.10.03)	CHF 50	376 000	34.02 %	72.05 %	– 18 800
	Share capital					– 26 093
		2003				
		Par value	Number			
	Registered shares (from 3.11.03)	CHF 0.01	26 093 000		261	–
	Share capital				261	–
18	Changes in fair value of securities and other investments					
	Balance as at January 1				(200 867)	95 174
	Transfer into consolidated income statement				165 824	(14 170)
	Fair value changes according to IAS 39				108 679	(281 871)
	Balance as at December 31				73 636	(200 867)
19	Minority interests					
	This item reflects the minority interests in capital and profit and loss for the year respectively. Minorities own significant shares in EMS-UBE Ltd., EC-SHOWA-DENKO K.K., EFTEC Asia Pte. Ltd., Shanghai EFTEC Chemical Products Ltd., Changchun EFTEC Chemical Products Ltd. and EFTEC Europe Holding AG. The change in minority interests is as follows:					
	Balance as at January 1				30 824	32 614
	Change in scope of consolidation				1 130	(673)
	Dividends paid				(2 199)	(2 627)
	Net income				6 475	3 954
	Currency translation differences				(1 270)	(2 444)
	Balance as at December 31				34 960	30 824
20	Bonds					
	KRAFTWERKE REICHENAU AG: 4 ³ / ₈ % debenture bond 1995 – 1.12.2005				0	50 000
	EMS-CHEMIE HOLDING AG: 2% convertible bond 2002 – 25.7.2008				275 467	270 589
	EMS-CHEMIE HOLDING AG: 4% debenture bond 2002 – 29.7.2008				298 130	297 761
	EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.: 2.5% convertible bond 2002 – 23.4.2010				321 227	317 285
	Total bonds				894 824	935 635

The option component of the convertible bonds is stated under "Other long-term liabilities" (see note 22).

Due to the sale of KRAFTWERKE REICHENAU AG the 4³/₈% debenture bond of KRAFTWERKE REICHENAU AG is omitted as of 2003.

Notes	2003 (CHF '000)	2002 (CHF '000)
Details to the bonds issued:		
2% convertible bond 2002 – 25.7.2008 (nominal CHF 300 Mio.)		
Each bond of CHF 5 000 can be converted at any time during the conversion period (25.7.2002 – 15.7.2008) either into 39,52569 registered shares of Lonza Group AG or into 35,72050 registered shares of EMS-CHEMIE HOLDING AG (choice by the bond holder) [Conversion price per Lonza share: CHF 126.50; conversion price per EMS share: CHF 139.97; in case of a delisting of EMS registered shares the conversion right is lost for those shares, and the conversion price for Lonza is reduced from CHF 126.50 to CHF 121].		
The issuer has the right to settle the obligation in cash instead of delivering registered shares of Lonza Group AG or registered shares of EMS-CHEMIE HOLDING AG.		
In spite of the possibility of conversion into EMS shares the total option component is regarded as a liability.		
4% debenture bond 2002 – 29.7.2008 (nominal CHF 300 m.)		
2.5% convertible bond 2002 – 23.4.2010 (nominal CHF 350 m.)		
Each bond of CHF 5 000 can be converted at any time during the conversion period (23.4.2002 – 13.4.2010) into 40 registered shares of Lonza Group AG (Conversion price per Lonza share: CHF 125).		
21	Bank loans	
The long-term bank loans are composed as follows:		
CHF: Average interest rate in 2003: 2.85% (2002: –)		
	50 000	0
JPY: Average interest rate in 2003: 1.90% (2002: 1.68%)		
	43 103	95 490
USD: Average interest rate in 2003: 1.82% (2002: 2.72%)		
	4 960	5 546
	98 063	101 036
	Total bank loans	
	93 103	95 490
	4 960	5 546
	Maturity 1 – 5 years	
	Maturity > 5 years	
The carrying amounts of the bank loans approximate to their fair value.		
22	Other long-term liabilities	
	998	3 114
	Other long-term liabilities	
	10 908	47 823
	Option component of convertible bond	
	39	133
	Leasing liabilities	
	22 610	22 349
	Liabilities out of application of IAS 19 (rev.)	
	34 555	73 419
	Total other long-term liabilities	

Notes

23 Provisions

(CHF '000)	Pension liabilities	Provisions for restructuring	Provisions for litigation costs	Other provisions risks	Provisions for deferred	Total provisions income taxes
At 1.1.2002	2251	157	5590	51 068	199 720	258 786
Change in scope of cons.	(996)	0	0	0	(4 017)	(5 013)
Increase via Income Statement	74	15 491	31 268	3 043	4 656	54 532
Decrease via Income Statement	(285)	0	(450)	(2 226)	(6 552)	(9 513)
Amounts used	0	(146)	(30)	(986)	0	(1 162)
Translation differences	(47)	(119)	(5)	(234)	(200)	(605)
At 31.12.2002	997	15 383	36 373	50 665	193 607	297 025
Change in scope of cons.	0	0	0	0	(115)	(115)
Increase via Income Statement	165	0	20 085	2 678	916	23 844
Decrease via Income Statement	(6)	(3 229)	(20 103)	(517)	(6 078)	(29 933)
Amounts used	0	(4 127)	0	(34 280)	0	(38 407)
Reclassifications	328	0	38	(450)	0	(84)
Translation differences	59	212	9	453	203	936
At 31.12.2003	1 543	8 239	36 402	18 549	188 533	253 266
Of which:						
Current portion of provisions	0	8 239	0	0	0	8 239
Non-current portion of provisions	1 543	0	36 402	18 549	188 533	245 027

Pension liabilities mainly contain provisions for payments to governmental institutions or independent defined contribution pension plans of subsidiaries abroad.

The restructuring in the business areas "Performance Polymers" and "Engineering" has been initiated in the current year and will be completed next year. Within the provisions for litigation risks, the risk arising from current and potential litigation processes is adequately covered as at the time of preparation of the financial statements.

Warranty provisions and provisions for other business risks are included within other provisions.

In the current year, an adjustment payment of KCHF 31 000 was made to Emesta Holding AG out of the other provisions. This amount was set up on a no-profit no-loss basis in year 2001 during the sale of Atisholz from EMS-CHEMIE HOLDING AG to Emesta Holding AG and therefore never influenced the income statement of the EMS Group (see note 32).

Note to the provisions for deferred income taxes	2003 (CHF '000)	2002 (CHF '000)
Calculation according to the "Comprehensive Liability Method":		
Temporary differences on fixed assets	592 750	609 758
Temporary differences on current assets	125 302	114 881
Temporary differences on liabilities	1 488	11 773
Total temporary differences in the balance sheet		
between tax balance sheet and IFRS balance sheet	719 540	736 412
Weighted tax rate for deferred income taxes	26.2%	26.3%
Provisions for deferred income taxes	188 533	193 607

Notes	2003 (CHF '000)	2002 (CHF '000)
Tax loss carryforwards accepted by fiscal authorities		
Total tax loss carryforwards not considered	15 049	12 000
Deferred income tax assets based on tax loss carryforwards not considered in the balance sheet	5 767	4 235
Of which to be carried forward for up to:		
1 year	0	0
2 years	0	0
3 years	0	0
4 years	0	0
5 years	0	0
More than 5 years	5 767	4 235
24 Other short-term liabilities		
Advances from customers for long-term construction contracts	33 710	12 828
Other advances	7 920	6 320
Prepaid expenses and deferred income	124 130	115 966
Liabilities to social security institutions	13 244	10 198
Other short-term liabilities	23 606	54 812
Total other short-term liabilities	202 610	200 124
25 Liabilities, net/(net cash position)		
Bonds (see note 20)	894 824	935 635
Option component of convertible bonds (see note 22)	10 908	47 823
Long-term bank loans (see note 21)	98 063	101 036
Pension liabilities (see note 23)	1 543	997
Long-term liabilities to retirement plans	0	1 844
Short-term bank loans (average interest rate 2003: 1.41%; 2002: 4.62%)	58 990	127 870
Leasing obligations (see note 22)	39	133
Interest-bearing liabilities	1 064 367	1 215 338
less		
Receivables from related parties (see note 13)	0	152 985
Receivables from associated companies (see note 13)	1 545	710
Securities (see note 14)	382 726	380 763
Deposits (see note 16)	535 165	779 428
Financial investments (see notes 10, 15)	807 628	481 072
Interest-bearing liabilities, net/(cash, net)	(662 697)	(579 620)
less		
Cash and cash equivalents (see note 16)	18 534	16 715
Liabilities, net/(net cash position)	(681 231)	(596 335)

Notes			2003 (CHF '000)	2002 (CHF '000)
29	Open derivative financial transactions			
	The following summary shows the most important open derivative financial transactions:			
	Swaps and forward rate agreements	JPY/CHF	Notional amount CHF	365 658
			Positive replacement value CHF	26 419
			Negative replacement value CHF	826
		USD/CHF	Notional amount CHF	81 545
			Positive replacement value CHF	3 663
			Negative replacement value CHF	20
		EUR/CHF	Notional amount CHF	684 731
			Positive replacement value CHF	2 740
			Negative replacement value CHF	9 495
	Currency options	JPY/CHF	Notional amount CHF	24 200
			Positive replacement value CHF	10
			Negative replacement value CHF	220
		USD/CHF	Notional amount CHF	13 362
			Positive replacement value CHF	355
			Negative replacement value CHF	5
	Interest swaption	CHF	Notional amount CHF	325 000
			Positive replacement value CHF	280
			Negative replacement value CHF	16 012
	Equity options	CHF	Notional amount CHF	300 000
			Positive replacement value CHF	8 400
			Negative replacement value CHF	0
	Total		Notional amount CHF	1 794 496
			Positive replacement value CHF	41 867
			Negative replacement value CHF	26 578
				387 381
				27 846
				3 590
				53 933
				2 385
				824
				5 444
				8
				0
				0
				0
				0
				425 000
				1 025
				25 475
				389 500
				5 923
				5 270

Maximum risk equals the sum of the positive replacement values. This risk is considered to be minimal, as the counterparties are first-rate financial institutions.

For the interest rates on bonds, short and medium-term bank liabilities, please see notes 20, 21 and 25.

30 Earnings per share – EPS

Earnings per share are calculated by dividing the Group's net income (net of minority interests) by the weighted average number of shares entitled to dividend (excluding treasury shares). "Fully-diluted earnings per share" pays due regard to any dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.

Notes	2003 (CHF '000)	2002 (CHF '000)
Earnings per share details are as follows:		
Net income (CHF '000)	106 877	160 948
Weighted average of registered shares entitled to dividend	26 093 000	26 093 000
Weighted average of registered shares (fully diluted)	26 093 000	26 093 000
Earnings per registered share entitled to dividend (CHF)	4.10	6.17
Earnings per registered share (fully diluted) (CHF)	4.10	6.17
Earnings per registered share as per 31.12. (CHF)	4.10	6.17
There are no factors with a dilutive effect on earnings per share. All figures per share are restated for the share split which took place on November 3, 2003.		
<hr/>		
31	Significant shareholders	
<hr/>		
Emesta Holding AG, Zug / Christoph Blocher, 18 699 240 registered shares		
Percentage of capital held	–	71.66%
Percentage of voting rights held	–	86.59%
All information is restated for the share split which took place on November 3, 2003.		
Emesta Holding AG, Zug, 15 555 963 registered shares		
Percentage of capital and voting rights held	59.62%	–
As at December 30, 2003 Christoph Blocher transferred his total investment in EMS-CHEMIE HOLDING AG to his son and his three daughters in equal shares.		
No shareholders' pooling agreement exists between the four brothers and sisters.		
No other representation of significant shareholders is known to the Board of Directors.		
Emesta Holding AG is controlled by Magdalena Martullo-Blocher, Markus Blocher, Miriam Blocher and Rahel Blocher (see note 32).		
<hr/>		
32	Transactions with related parties	
<hr/>		
Emesta Holding AG, Zug (majority shareholder), members of the board, business managers and associated companies are regarded as related parties. For financial key figures of the significant associated companies, see note 36.		
The members of the board or business managers did not receive any credits, advances or other types of loans. For their remuneration, please refer to the chapter "Corporate Governance".		
In the current year, Emesta Holding AG repaid its short-term loan of KCHF 152 985 (see note 13).		
By the definitive fixing of the sales price of Atisholz, which was sold by EMS-CHEMIE HOLDING AG to Emesta Holding AG in fiscal 2001, an adjustment payment of KCHF 31 000 was made to Emesta Holding AG in 2003 (see note 23). In connection with the sale of Atisholz EMS-CHEMIE HOLDING AG issued a guarantee for warranties in favor of Emesta Holding AG in the maximum amount of KCHF 20 000.		
<hr/>		
33	Subsequent events	
<hr/>		
On February 13, 2004 a notification was sent to the disclosure office of SWX Swiss Exchange and to Lonza Group AG that EMS was reducing its stake in Lonza Group AG from 22.52% as at December 31, 2003, to 19.54% as at February 13, 2004 (corresponding to 9 859 047 shares).		

Notes

34 List of subsidiaries and minority holdings (at 31. 12. 2003)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
<u>BUSINESS AREA PERFORMANCE POLYMERS</u>		
EMS-CHEMIE AG	Domat/Ems	Switzerland
EMS-CHEMIE (France) S.A.	Boulogne	France
EMS-CHEMIE (UK) Ltd.	Stafford	Great Britain
EC-SHOWA DENKO K.K.	Tokyo	Japan
EMS-UBE Ltd.	Ube	Japan
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Asia) Ltd.	Hsin Chu Hsien	Taiwan
EMS-GRILON HOLDING INC.	Wilmington	USA
EMS-CHEMIE (North America) Inc.	Sumter	USA
EFTEC Europe Holding AG	Zug	Switzerland
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Montataire Cedex	France
EFTEC AB	Hässleholm	Sweden
EFTEC Engineering AB	Hässleholm	Sweden
EFTEC Engineering GmbH	Markdorf	Germany
EFTEC Ltd.	Rhigos	Great Britain
EFTEC NV	Genk	Belgium
EFTEC S.A.	Zaragoza	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
Shanghai EFTEC Chemical Products Ltd.	Shanghai	China (People Rep.)
Changchun EFTEC Chemical Products Ltd.	Changchun	China (People Rep.)
EFTEC Shroff India Ltd.	Mumbai	India
EFTEC GmbH	Lügde	Germany
D PLAST-EFTEC a.s.	Zlín	Czech Republic
EMS-TOGO Corp.	Taylor	USA
EFTEC North America, L.L.C.	Madison Heights	USA
DINOL Holding AB	Hässleholm	Sweden
DINOL AB	Hässleholm	Sweden
SEGURO Corp.	Detroit	USA

Currency	Share capital (in '000)	Holding		Category	Consolidation
		Group	direct		
CHF	261			D	K
CHF	50	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	100	100.00%	100.00%	P,V	K
EUR	1 951	100.00%	100.00%	V	K
GBP	1 530	100.00%	100.00%	V	K
JPY	300 000	70.00%	70.00%	V	K
JPY	1 500 000	66.67%	66.67%	P	K
EUR	2 556	100.00%	100.00%	P,V	K
TWD	281 000	100.00%	100.00%	P,V	K
USD	2 420	100.00%	95.87%	D	K
USD	11 285	100.00%	100.00%	P,V	K
CHF	8 000	70.00%	70.00%	D	K
CHF	2 500	70.00%	100.00%	P,V	K
EUR	8	70.00%	100.00%	V	K
SEK	5 000	70.00%	100.00%	P,V	K
SEK	5 000	70.00%	100.00%	P,V	K
EUR	25	70.00%	100.00%	P,V	K
GBP	352	70.00%	100.00%	P,V	K
EUR	1 240	70.00%	100.00%	P,V	K
EUR	944	70.00%	100.00%	P,V	K
SGD	5 800	42.00%	60.00%	D,V	K
THB	30 000	42.00%	100.00%	P,V	K
CNY	20 750	25.20%	60.00%	P,V	K
CNY	27 500	25.20%	60.00%	P,V	K
INR	15 000	20.58%	49.00%	P,V	E
EUR	1 023	70.00%	100.00%	P,V	K
CZK	47 569	35.00%	50.00%	P,V	E
USD	750	100.00%	100.00%	D	K
USD	44 139	30.00%	30.00%	P,V	E
SEK	100	100.00%	100.00%	D	K
SEK	1 000	100.00%	100.00%	P,V	K
USD	10	100.00%	100.00%	D	K

Notes

Name	Domicile	Country
<u>BUSINESS AREA FINE CHEMICALS</u>		
EMS-DOTTIKON AG	Dottikon	Switzerland
EMS-PRIMID *)		
<u>BUSINESS AREA ENGINEERING</u>		
EMS-PATVAG AG	Domat/ Ems	Switzerland
INVENTA-FISCHER AG	Männedorf	Switzerland
GRIVELA AG	Männedorf	Switzerland
EMS-INVENTA ANLAGENBAU (Holding) GmbH	Berlin	Germany
EMS-INVENTA ANLAGENBAU (Berlin) GmbH	Berlin	Germany
INVENTA-FISCHER GmbH & Co. KG	Berlin	Germany

Category:
P = Production
V = Trade, sales
D = Financing, various

Consolidation:
K = Fully consolidated
E = Equity valuation

*) EMS-PRIMID is a reporting unit
within EMS-CHEMIE AG

Currency	Share capital (in '000)	Group	Holding direct	Category	Consolidation
CHF	102	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	D	K
EUR	3 205	100.00%	79.77%	D	K
EUR	26	100.00%	100.00%	D	K
EUR	1 023	100.00%	100.00%	P,V	K

Notes

35 Change in scope of consolidation

Fully-consolidated:

Addition:

Changchun EFTEC Chemical Products Ltd.

As at January 1, 2003, the existing minority interest was increased to 60%.

Disposal:

KRAFTWERKE REICHENAU AG

On February 12, 2003, this company was sold retroactively as at January 1, 2003 to Nordostschweizerische Kraftwerke (INOK).

36 Significant associated companies

EFTEC North America, L.L.C.

Domicile	Madison Heights, USA
Percentage held	30.00%
Financial year	December 1, 2002 – November 30, 2003
Category	Production, sales
Currency	USD
Revenue	KCHF 123 512
Fixed assets	KCHF 38 385
Current assets	KCHF 38 029
Shareholders' equity	KCHF 55 324
Liabilities	KCHF 21 090
Net income / (net loss)	KCHF (154)

Between December 1, 2003 and December 31, 2003 no events occurred that materially influenced shareholders' equity.

D PLAST-EFTEC a.s.

Domicile	Zlín, Czech Republic
Percentage held	35.00%
Financial year	January 1, 2003 – December 31, 2003
Category	Production, sales
Currency	CZK
Revenue	KCHF 17 464
Fixed assets	KCHF 5 944
Current assets	KCHF 4 476
Shareholders' equity	KCHF 6 455
Liabilities	KCHF 3 965
Net income	KCHF 2 023

Report of the Group Auditors

Report of the Group Auditors
to the General Meeting of
EMS-CHEMIE HOLDING AG
Domat/Ems

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, changes in consolidated shareholders' equity, cash flow statement and notes to the consolidated financial statements / pages 18 to 46) of EMS-CHEMIE HOLDING AG for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet

the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our

audit provides a reasonable basis for our opinion.

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

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

Zurich, April 29, 2004

PricewaterhouseCoopers AG

Urs Honegger Matthias von Moos

Annual Accounts
EMS-CHEMIE HOLDING AG

(for Fiscal Year May 1, 2003 – April 30, 2004)



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2003 to April 30, 2004

	Notes	2003/2004 (CHF '000)	2002/2003 (CHF '000)
INCOME			
Financial income			
Interest income from third parties		6 979	4 921
Interest income from group companies and related parties	1	15 016	17 066
Foreign exchange differences, net	3	1 861	3 781
Income from securities		40 704	7 754
Income from sale of participations		2 033	145 805
Income from participations		172 676	38 659
Other operating income		0	65
Extraordinary income		1	84
Total income		239 270	218 135
EXPENSES			
Financial expenses			
Expenses from securities		115	149 447
Expenses from participations		164 928	62 351
Interest expenses to third parties		32 347	60 143
Interest expenses to group companies and related parties	2	3	1 682
Bank charges, duties, fees		806	1 320
Administration expenses		358	354
Total expenses		198 557	275 297
Net income before taxes		40 713	(57 162)
Taxes		1 030	0
Net income		39 683	(57 162)

Balance Sheet as at April 30, 2004

	Notes	30. 4. 04 (CHF '000)	30. 4. 03 (CHF '000)
Fixed assets		494 231	1 103 081
Investments	4	183 288	727 795
Loans to group companies		310 943	375 286
Current assets		925 203	629 925
Prepayments and accrued income		8 364	10 433
Securities		48 231	222 951
Treasury shares	5	180	0
Financial investments	6	460 238	0
Accounts receivable from third parties, group companies and related parties	7	109 916	192 024
Cash and cash equivalents		298 274	204 517
TOTAL ASSETS		1 419 434	1 733 006
Shareholders' equity	8	634 917	819 373
Share capital	9/10	261	26 093
Legal reserves		69 820	70 000
Reserves for treasury shares		180	0
Other reserves		10 000	10 000
Retained earnings	11		
Balance brought forward		514 973	770 442
Net income		39 683	(57 162)
Liabilities		784 517	913 633
Long-term liabilities		701 870	853 937
Loans from group companies		50	50
Bank loans		87 651	207 651
Bonds	12	600 000	600 000
Provisions	13	14 169	46 236
Short-term liabilities		82 647	59 696
Bank loans		50 000	0
Accruals and deferred income		31 719	43 184
Accounts payable to third parties and group companies	14	928	16 512
TOTAL LIABILITIES		1 419 434	1 733 006
Balance sheet equity ratio		44,7%	47,3%

Notes to the Financial Statements 2003/2004

Accounting principles

1. General

The financial statements of EMS-CHEMIE HOLDING AG have been prepared under the historical cost convention, and are in accordance with the provisions of Swiss law. Assets, liabilities and shareholders' equity continue to be valued using conservative accounting principles.

The financial year differs from the calendar year (closing date: April 30, 2004).

Companies in which EMS-CHEMIE HOLDING AG's shareholding is in excess of 50% (voting rights) are designated as group companies.

2. Foreign currency translation

Revenue and expenditure in foreign currencies are translated into Swiss francs for the profit and loss account at the average rates for the month in which they arose.

Financial assets and current assets are translated at the year-end rate, as are current liabilities.

3. Current assets

Appropriate value adjustments have been effected for balances subject to risk.

Securities, treasury shares and financial investments are shown at the lower of cost or market value.

4. Fixed assets

Investments in group companies and other companies are shown at purchase value less any value adjustments required.

5. Liabilities

Non-current liabilities are shown at their redemption value.

Income Statement 2003/2004

Notes	2003/2004 (CHF '000)	2002/2003 (CHF '000)
1 Interest income from group companies and related parties		
Interest income from group companies	11 320	14 530
Interest income from related parties	3 696	2 536
Interest income from group companies and related parties	15 016	17 066
2 Interest expenses to group companies and related parties		
Interest expenses to group companies	3	1 610
Interest expenses to related parties	0	72
Interest expenses to group companies and related parties	3	1 682
3 Foreign exchange differences, net		
Foreign exchange gains	6 130	6 482
Foreign exchange losses	4 269	2 701
Foreign exchange differences, net	1 861	3 781

Balance Sheet as at April 30, 2004

- 4 Investments
On April 30, 2004, the direct participations
of EMS-CHEMIE HOLDING AG were as follows:

Name		Share capital in thousands	Interest in capital held	Purpose
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	CHF	50	100.00	Financing
EMS-CHEMIE AG, Domat/Ems	CHF	100	100.00	Production
EMS-CHEMIE (Deutschland) GmbH, Gross-Umstadt	EUR	2 556	100.00	Production
EMS-CHEMIE (Asia) Ltd., Hsin Chu Hsien	TWD	281 000	100.00	Production
EMS-GRILON HOLDING INC., Wilmington	USD	2 420	95.87	Financing
EFTEC Europe Holding AG, Zug	CHF	8 000	70.00	Financing
EMS-TOGO Corp., Taylor	USD	750	100.00	Financing
DINOL Holding AB, Hässleholm	SEK	100	100.00	Financing
EMS-DOTTIKON AG, Dottikon	CHF	102	100.00	Production
EMS-PATVAG AG, Domat/Ems	CHF	100	100.00	Production
INVENTA-FISCHER AG, Männedorf	CHF	100	100.00	Production
EMS-INVENTA ANLAGENBAU (Holding) GmbH, Berlin	EUR	3 205	79.77	Financing
Book value			183 288	727 795
The voting rights held correspond to the interest in capital held.				

Compared to last year, investments changed as follows:
There was an increase in capital at EMS-CHEMIE (Asia) Ltd.
The shareholding in Lonza Group AG is regarded as a financial investment with
no strategic interest and has been stated under current assets as from 2003.

Notes			2003/2004 (CHF '000)	2002/2003 (CHF '000)
5	Treasury shares	Number of registered shares		
		2003/2004	2002/2003	
	Balance at May 1	0	0	
	Purchases	1 802	0	
	Disposals	0	0	
	Balance at April 30	1 802	0	180
	Details of purchases:			
	Month	Number of registered shares	Share price (CHF) Average	
	April	1 802	99.63	
	Shares were bought at the stock exchange.			
6	Financial investments	In the reporting year, the financial investments consist exclusively of the shareholding in Lonza Group AG (interest in capital held: 19.54%; April 30, 2003: 13.19%).		
7	Accounts receivable from third parties, group companies and related parties			
	Accounts receivable from third parties		109 689	19 351
	Accounts receivable from group companies		227	645
	Accounts receivable from related parties		0	172 028
	Accounts receivable from third parties, group companies and related parties		109 916	192 024
8	Shareholders' equity			
	Balance at May 1		819 373	876 535
	Dividends paid		(198 307)	0
	Capital repayment by par value reduction		(25 832)	0
	Net income (see note 11)		39 683	(57 162)
	Balance at April 30		634 917	819 373
9	Share capital			
	Composition		2002/2003	
		Par value	Number	Percentage of voting rights
				capital
	Registered shares (until Oct. 31, 2003)	CHF 10	729 300	65.98%
	Bearer shares (until Oct. 31, 2003)	CHF 50	376 000	34.02%
	Share capital			27.95%
				72.05%
				–
				7 293
				–
				18 800
				–
				26 093
	As at April 30, 2004		2003/2004	
		Par value	Number	Entitled to dividend
	Registered shares (from Nov. 3, 2003)	CHF 0.01	26 093 000	26 091 198
	Share capital			261
				–
				261
				–

Notes	2003/2004 (CHF '000)	2002/2003 (CHF '000)
10 Significant shareholders		
2002/2003:		
Emesta Holding AG, Zug / Christoph Blocher, 18 768 640 registered shares		
Percentage of capital held	–	71.93%
Percentage of voting rights held	–	86.72%
All information is restated for the share split which took place on November 3, 2003.		
2003/2004:		
Emesta Holding AG, Zug, 15 555 963 registered shares		
Percentage of capital and voting rights held	59.62%	–
As at December 30, 2003 Christoph Blocher transferred his total investment in EMS-CHEMIE HOLDING AG to his son and his three daughters in equal shares.		
No shareholders' pooling agreement exists between the four brothers and sisters.		
No other representation of significant shareholders is known to the Board of Directors.		
Emesta Holding AG is controlled by Magdalena Martullo-Blocher, Markus Blocher, Miriam Blocher and Rahel Blocher.		
11 Retained earnings		
Balance brought forward	713 280	770 442
Dividends paid	(198 307)	0
Net income	39 683	(57 162)
Retained earnings	554 656	713 280
12 Bonds		
2% Convertible bond 2002 – 25.7.2008	300 000	300 000
4% Debenture bond 2002 – 29.7.2008	300 000	300 000
Bonds	600 000	600 000
Details on the bonds can be seen in note 20 "Bonds" of the consolidated financial statements of the EMS Group.		
13 Provisions		
Provisions for general risks	14 169	46 236
In the current year, an adjustment payment of KCHF 31 000 was made to Emesta Holding AG out of the provisions. This amount was set up on a no-profit no-loss basis in year 2001 during the sale of Atisholz by EMS-CHEMIE HOLDING AG to Emesta Holding AG and therefore never influenced the income statement of EMS-CHEMIE HOLDING AG.		
14 Accounts payable to third parties and group companies		
Accounts payable to third parties	395	16 512
Accounts payable to group companies	533	0
Accounts payable to third parties and group companies	928	16 512
15 Contingent liabilities		
Guarantees (maximum liability)	413 888	403 776
To secure the convertible bond in the amount of CHF 350 m issued by EMS-INTERNATIONAL FINANCE (Guernsey) Ltd. in April 2002, EMS-CHEMIE HOLDING AG granted a guarantee in the amount of CHF 367.5 m.		

Proposals of the Board of Directors

The Board of Directors will present to the Ordinary Shareholders' Meeting of August 14, 2004, the following proposals regarding the 2003/2004 financial year:

1. approval of the Annual Report and the consolidated financial statements
as at December 31, 2003 and the financial statements for the year ended April 30, 2004;

2. discharge of the Board of Directors from its responsibilities for the conduct of the business;

3. distribution of available retained earnings consisting of:

	2003/2004	2002/2003
Net income	39 682 889.90	(57 161 923.59)
Balance brought forward	514 972 650.53	770 441 374.12
Retained earnings	554 655 540.43	713 279 450.53
to be appropriated as follows:		
Payment of an ordinary dividend of CHF 8.- (previous year CHF 7.60) gross per registered share entitled to dividend	(208 729 584.00)	(198 306 800.00)
Balance to be carried forward	345 925 956.43	514 972 650.53

4. Schedule

The dividend is payable as of August 18, 2004.

Domat/Ems, May 26, 2004

EMS-CHEMIE HOLDING AG
The Chairman of the Board of Directors
Dieter Klug

Report of the Auditors

Report of the statutory auditors to the General Meeting of EMS-CHEMIE HOLDING AG 7013 Domat/Ems

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 50 – 56) of EMS-CHEMIE HOLDING AG for the year ended April 30, 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements

and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Zurich, May 26, 2004

PricewaterhouseCoopers AG
Urs Honegger Matthias von Moos

Addresses of EMS Companies, Switzerland

EMS-CHEMIE HOLDING AG

Fuederholzstrasse 34
CH-8704 Herrliberg
phone +41 1 915 70 00
fax +41 1 915 70 02
<http://www.ems-group.com>
e-mail: info@ems-group.com

EMS-GRILTECH

Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 72 02
fax +41 81 632 74 02
<http://www.emsgriltech.com>
e-mail: info@emsgriltech.com

INVENTA-FISCHER AG

Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 63 11
fax +41 81 632 74 03
<http://www.inventa-fischer.com>
e-mail: info@inventa-fischer.com

EMS-CHEMIE AG

Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 61 11
fax +41 81 632 74 01
<http://www.emschem.com>
e-mail: welcome@emschem.com

EMS-SERVICES

Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 77 66
fax +41 81 632 76 76
<http://www.emsservices.ch>
e-mail: welcome@emsservices.ch

INVENTA-FISCHER AG

Kugelgasse 22
CH-8708 Männedorf
phone +41 1 921 01 40
fax +41 1 921 01 49
<http://www.inventa-fischer.com>
e-mail: info@inventa-fischer.com

EMS-CHEMIE AG

Fuederholzstrasse 34
CH-8704 Herrliberg
phone +41 1 915 70 00
fax +41 1 915 70 02
<http://www.emschem.com>
e-mail: welcome@emschem.com

EMS-PRIMID

Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 70 11
fax +41 81 632 74 64
<http://www.ems-primid.com>
e-mail: infoline@ems-primid.com

EMS-PATVAG AG

Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 75 45
fax +41 81 632 74 36
e-mail: welcome@emspatvag.com

EMS-CHEMIE AG

Business Unit EMS-GRIVORY
Extrusion Polymers
Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 79 80
fax +41 81 632 74 08
<http://www.emsgrivory.com>
e-mail: welcome@emsgrivory.com

EMS-DOTTIKON AG

Hembrunnstrasse 17
Postfach
CH-5605 Dottikon
phone +41 56 616 81 11
fax +41 56 616 81 20
<http://www.ems-dottikon.ch>
e-mail: info@ems-dottikon.ch

EFTEC AG

Hofstrasse 31
CH-8590 Romanshorn
phone +41 71 466 43 00
fax +41 71 466 43 01
<http://www.eftec.ch>

EMS-CHEMIE AG

Business Unit EMS-GRIVORY
Performance Polymers
Via Innovativa 1
CH-7013 Domat/Ems
phone +41 81 632 78 88
fax +41 81 632 76 65
<http://www.emsgrivory.com>
e-mail: welcome@emsgrivory.com

Addresses of EMS Companies, Worldwide

Belgium

EFTEC NV
Henry Fordlaan 1
B-3600 Genk
phone + 32 89 61 27 86
fax + 32 89 61 27 93

China

Shanghai EFTEC
Chemical Products Ltd.
3G07, Shanghai Mart
2299 Yanan Road (West)
Shanghai 200336
P. R. China
phone + 86 21 6236 11 16
fax + 86 21 6236 31 66

Changchun EFTEC
Chemical Products Ltd.
No. 808 Chuangxin Road
New & High Tech. Ind.
Development Zone
Changchun 130012
P. R. China
phone + 86 431 553 7800
fax + 86 431 553 7808

Czech Republic

D PLAST-EFTEC a.s.
Lužkovice 206
CZ-763 11 Zlín
Czech Republic
phone + 420 577 004 411
fax + 420 577 004 444

France

EMS-CHEMIE (France) SA
73-77, rue de Sèvres
Boîte postale 52
F-92105 Boulogne-Billancourt
Cedex
phone + 33 1 41 10 06 10
fax + 33 1 48 25 56 07
e-mail: welcome@fr.emsgrivory.com

EFTEC Sàrl
Les Marches de l'Oise
Bâtiment Copenhague
100, rue Louis Blanc
F-60765 Montataire Cedex
phone + 33 3 44 24 19 18
fax + 33 3 44 24 97 10

Germany

EMS-CHEMIE
(Deutschland) GmbH
Warthweg 14
D-64823 Gross-Umstadt
phone + 49 6078 783 0
fax + 49 6078 783 416
e-mail: welcome@de.emsgrivory.com

EFTEC GmbH
Pyrmonter Strasse 76
D-32676 Lügde
phone + 49 5281 98 2980
fax + 49 5281 98 29860

EFTEC Engineering GmbH
Dornierstrasse 7
D-88677 Markdorf
phone + 49 7544 920-0
fax + 49 7544 920-200

INVENTA-FISCHER GmbH
+ Co. KG
Holzhauser Strasse 157-159
D-13509 Berlin
phone + 49 30 43 567 5
fax + 49 30 43 567 699
<http://www.inventa-fischer.de>
e-mail: manager@inventa-fischer.de

Great Britain

EMS-CHEMIE (UK) Ltd.
Drummond Road
Astonfields Industrial Estate
GB-Stafford ST16 3HJ
phone + 44 1785 60 75 80
fax + 44 1785 60 75 70
e-mail: welcome@uk.emsgrivory.com

EFTEC Ltd.
Rhigos/Aberdare
GB-Mid Glamorgan CF 44 9 UE
phone + 44 1685 81 54 00
fax + 44 1685 81 39 97

Guernsey

EMS-INTERNATIONAL
FINANCE (Guernsey) Ltd.
Sunnycroft, The Grange
St. Peter Port
Guernsey
Channel Islands GY1 2QG
phone + 44 1481 71 27 04
fax + 44 1481 71 27 05

EMS-FINANCE (Guernsey) Ltd.
Sunnycroft, The Grange
St. Peter Port
Guernsey
Channel Islands GY1 2QG
phone + 44 1481 71 27 04
fax + 44 1481 71 27 05

India

EFTEC Shroff (India) Ltd.
Excel Estate
S.V. Road, Goregaon (West)
Mumbai 400 062
India
phone + 91 22 2875 5611
fax + 91 22 2872 5119

Japan

EC-SHOWA DENKO K.K.
Yutaka Bldg.
4-9-3, Taito
Taito-ku
Tokyo 110-0016, Japan
phone + 81 3 3832 1501
fax + 81 3 3832 1503
e-mail: welcome@jp.emsgrivory.com

Japan

EMS-UBE Ltd.
Kemikaru Seisan Tokatsu-bu
Ube-kosan
1978-10 Kogushi, Ube-shi
Yamaguchi-ken 755-8633, Japan
phone + 81 8 3631 0213
fax + 81 8 3631 0214
e-mail: uems2k3@ube-ind.co.jp

EMS-DOTTIKON AG

Asia-Pacific Office
9th Fl. Yutaka Bldg.
4-9-3, Taito
Taito-ku
Tokyo 110-0016, Japan
phone + 81 3 3832 1517
fax + 81 3 3832 1503
<http://www.ems-dottikon.ch>
e-mail: asia@ems-dottikon.ch

Russia

D PLAST-EFTEC NN
Ul. Iljicha 39-77
603 101 Nizhnij Novgorod – Russia
phone + 7 8312 968 245
fax + 7 8312 969 889
e-mail: defnn@mts-nn.ru

D PLAST-EFTEC RT

Ullca 20.1, Korpus 1/1
Polscadka 33
Elabuzhsky rayon
423 630 Elabuga
Republic Tatarstan – Russia
phone + 7 85 557 519 40
fax + 7 85 557 519 41
e-mail: cbs@alabuga.ru

Singapore

EFTEC Asia Pte. Ltd.
No. 8 Changi North St. 1
#04-01 Sumico Building
Singapore 498829
phone + 65 6545 82 01
fax + 65 6545 92 06

Spain

EFTEC S. A.
Carretera Logroño km 29,2
E-50639 Figueruelas (Zaragoza)
phone + 34 976 65 62 69
fax + 34 976 65 62 70

Sweden

EFTEC Engineering AB
Garnisonsvägen 40
Box 60
S-28121 Hässleholm
phone + 46 451 881 00
fax + 46 451 881 22

DINOL AB

Spångatan 3
S-28122 Hässleholm
phone + 46 451 880 00
fax + 46 451 880 88

Taiwan

EMS-CHEMIE (Asia) Ltd.
36, Kwang Fu South Road
Hsin Chu Industrial Park
Fu Kou Hsiang, Hsin Chu Hsien
Taiwan, R.O.C.
phone + 886 35 985 335
fax + 886 35 985 345
e-mail: welcome@tw.emsgrivory.com

Thailand

EFTEC (Thailand) Co. Ltd.
Eastern Seaboard Industrial Estate
(Rayong)
109/10 Moo 4, Pluakdaeng
Rayong 21140 – Thailand
phone + 66 38 954 271
fax + 66 38 954 270

Ukraine

ZAO Plastol
Ul. Chubanova 5
330 118 Zaporozhye
Ukraine
phone + 380 612 138 568
fax + 380 612 138 568
e-mail: plastol@comint.net

United States

EMS-CHEMIE
(North America) Inc.
2060 Corporate Way
P.O. Box 1717
Sumter, SC 29151, USA
phone + 1 803 481 61 71
fax + 1 803 481 61 21
e-mail: welcome@us.emsgrivory.com

EMS-DOTTIKON AG

US-Office
773 Bloomfield Avenue
Suite One
Verona, NJ 07044, USA
phone + 1 973 857 38 70
fax + 1 973 857 38 74
<http://www.ems-dottikon.ch>
e-mail: ems-dottikon.us@ems-dottikon.ch

The original version of the Annual Report is in German.

Front page ©: The Partner of Thought by Hans-Jörg Limbach †



PERFORMANCE POLYMERS FINE CHEMICALS ENGINEERING