

42nd ANNUAL REPORT 2004/2005

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

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Chairman's Letter

Dear Shareholders

Despite the difficult global economic backdrop, the financial results of EMS for 2004 were decidedly positive. On a healthy balance sheet, the growth in our sales and profit surpassed the industry average.

EMS has demonstrated over the past financial year that the strategic decisions and internal restructuring moves agreed at the time of the leadership handover in 2004 were right, and that they are being implemented by Senior Management on a consistent basis.

The targeted measures and projects designed to achieve our objectives for growth and profitability, allied with a strengthening of our competitiveness through innovation and concentrating on specialty products, have proved themselves. This is especially true with regard to the development of processes and products, but also distribution, marketing and services.

Our focus has been sharpened by selective acquisitions and disposals. Our customers lie at the heart of everything we do. That is why we continue to support them by providing unique solutions, and aim to help them along the road to success.

Restructuring, our innovative strengths, together with a clear focus, will continue to provide us with solid growth and above-average financial ratios by industry standards over the years ahead.

Our financial strategy is geared to supporting these objectives. Financial resources that we do not require for the expansion of our core activities will be returned to shareholders in an appropriate manner. A reduction in volatile financial transactions forms part of our financial strategy, and is reducing the business risks we face.

I am fully aware that our ambitious objectives of building sustainable value and growth will require a tremendous performance and input from our management team and all our employees – in particular against the backdrop of ever-increasing global competition and an unstable macroeconomic and political environment. Going forward, I am convinced that the EMS workforce will continue to score successes in all its markets. On a significantly improved comparative basis for 2004, I expect a slight increase in net sales and EBIT for the current financial year (based on the same scope of consolidation).



On behalf of the Board of Directors, I would like to express my gratitude to all the customers who have chosen EMS as their supplier and development partner, as well as all our business partners, for their constructive cooperation. Our employees are deserving of special recognition for their achievement in advancing our business for the benefit of customers and shareholders alike. I would also like to thank you – the shareholder – for your financial commitment and for your continuing confidence in a shared future.

A handwritten signature in black ink, which appears to read "D. Klug". The signature is written in a cursive, flowing style.

Dieter Klug
Chairman of the Board
of Directors

Spotlight on Share Performance

	Share capital on December 31				
	2004	2003	2002	2001	2000
Number of shares as per articles of incorporation					
Bearer shares (par value CHF 50)	-	-	376 000	376 000	376 000
Registered shares (par value CHF 10)	-	-	729 300	729 300	729 300
Registered shares (par value CHF 0.01)	25 052 870 ¹⁾	26 093 000 ²⁾	-	-	-
Conditional capital	-	-	-	-	-
Authorized capital	-	-	-	-	-
Number of shares entitled to dividend on December 31					
Bearer shares	-	-	376 000	376 000	376 000
Registered shares	-	-	729 300	729 300	729 300
Registered shares	24 255 600	26 093 000	-	-	-
Treasury shares	797 270	-	-	-	-
Information per share: ³⁾					
Dividend proposal per share in CHF	4.00	8.00	7.60 ⁴⁾	-	-
Equity per share entitled to dividend in CHF	43.22	55.23	49.40	55.08	44.84
Cash flow per share entitled to dividend in CHF	10.51	15.52	8.72	10.52	12.13
Earnings per share entitled to dividend in CHF					
undiluted*	7.33	4.10	6.17	6.76	9.71
diluted*	7.33	4.10	6.17	6.76	9.71
Stock prices in CHF					
High	107.25	108.00	130.00	158.00	156.30
Low	97.50	90.00	97.60	118.00	141.00
Market capitalization on December 31 (CHF millions)	2 555.4	2 531.0	2 651.0	3 353.0	3 914.0

Registered shares are listed 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
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* calculated according to IAS 33

¹⁾ 1040130 registered shares were canceled as part of a share buyback on November 9, 2004.

²⁾ 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.

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

⁴⁾ Dividend payment (KCHF 198307) and reduction of par value of CHF 49.50 per existing bearer share and CHF 9.90 per existing registered share (nominal KCHF 25832).

CEO's Statement



After several years of recession, signs of an improvement in the economic climate at last began to emerge in 2004. Asia and the US enjoyed strong growth, and this had positive ramifications for Europe too. However, an unfavorable exchange rate situation and soaring raw material prices led to widespread uncertainty, particularly in Europe. This was reflected in a persistent reluctance to invest, especially on the part of the automotive industry.

A higher sales volume – especially in performance polymers – and a successfully implemented cost-cutting program nonetheless enabled EMS to meet – and indeed exceed – the targets it had set itself at the beginning of 2004.

We recorded a significant increase in both net sales and EBIT. There was a further improvement in our EBIT margins, which were already very high by industry standards.

In line with its strategy of focusing on performance polymers, EMS took some specific steps in 2004. For instance, the former Business Unit EMS-GRIVORY was split into four autonomous Business Units. The move evidences the consistent focus of EMS on organic growth. This will enable us to better exploit the differing needs and opportunities available in each individual market. The initial successes of this organizational measure were already apparent in 2004.

Plant engineering specialist INVENTA-FISCHER was sold to the German plant engineering company UHDE in July 2004.

At the time of presenting its results for fiscal 2004, EMS announced a spin-off of its EMS-DOTTIKON Business Unit, which specializes in exclusive chemical synthesis.

EMS is continuing to devote its efforts to specialty products and the realization of further profitable growth. On that basis, last year saw the launch of a Group-wide program to promote specialty products.

The achievement of specific development programs required the creation of 52 additional posts in research and development, sales and marketing, as well as application technology. In early 2004, EMS announced its firm intention to return the cash that it does not require for its business operations to its shareholders. We fulfilled this objective in 2004 by way of a stock buy-back amounting to 4% of the share capital, together with a substantial dividend of CHF 8 per share. We stated our clear intention of treating the involvement in LONZA as a financial investment; accordingly, we reduced our interest in the company to under 20%.

EMS expects the buoyant overall level of economic activity to continue through 2005, driven primarily by Asia and the US. The exchange-rate situation is likely to remain unfavorable, while the surge in prices of raw materials will continue to have an impact on our results. EMS is nevertheless optimistic, and expects another positive business result for 2005.

A handwritten signature in black ink that reads "M. Martullo".

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

Key Figures 2000 – 2004

	Calendar years, CHF millions				
	2004	2003	2002	2001	2000
Net sales revenue	1 267.0	1 220.7	1 220.9	1 252.0	1 160.3
Change in % against previous year	+ 3.8%	- 0.0%	- 2.5%	+ 7.9%	+ 6.8%
Change in local currencies	+ 4.3%	+ 1.7%	+ 2.8%	+ 12.5%	+ 2.5%
Change with identical scope of consolidation	+ 6.7%	+ 1.5%	- 2.5%	+ 0.0%	+ 6.8%
Change in local currencies and with identical scope of consolidation	+ 7.3%	+ 3.2%	+ 0.3%	+ 12.5%	+ 9.3%
of which in Switzerland	6.1%	5.5%	8.0%	8.5%	8.8%
Operating income	1 357.7	1 323.1	1 337.5	1 265.6	1 218.1
Change in % against previous year	+ 2.6%	- 1.1%	+ 5.7%	+ 3.9%	+ 9.0%
Net operating income (EBIT)	217.8	197.3	194.9	163.4	212.9
Change in % against previous year	+ 10.4%	+ 1.3%	+ 19.3%	- 23.3%	+ 7.1%
in % of net sales revenue	17.2%	16.2%	16.0%	13.0%	18.4%
Net financial income	15.9	- 58.2	19.0	65.7	102.2
Change in % against previous year	+ 127.3%	- 406.0%	- 71.0%	- 35.8%	+ 72.6%
Net income before taxes and minority interest	233.7	139.1	213.9	229.0	315.2
Change in % against previous year	+ 68.0%	- 35.0%	- 6.6%	- 27.3%	+ 22.2%
Income taxes	43.9	25.7	49.0	51.2	56.7
Change in % against previous year	+ 70.6%	- 47.5%	- 4.4%	- 9.7%	+ 31.1%
Net income	183.4	106.9	160.9	176.3	252.7
Change in % against previous year	+ 71.6%	- 33.6%	- 8.7%	- 30.2%	+ 20.6%
in % of operating income	13.5%	8.1%	12.0%	13.9%	20.7%
Investments	52.9	70.6	71.5	81.9	98.8
in % of cash flow	20.1%	17.4%	31.4%	29.9%	31.2%
Cash flow	262.8	404.9	227.5	274.4	316.4
Change in % against previous year	- 35.1%	+ 78.0%	- 17.1%	- 13.3%	+ 16.0%
in % of operating income	19.4%	30.6%	17.0%	21.7%	26.0%
Depreciation and amortization of intangible assets and property, plant and equipment	69.8	68.4	66.5	95.0	63.6

	Calendar years, CHF millions				
	2004	2003	2002	2001	2000
Balance sheet total	2 592.5	3 117.6	3 166.9	2 698.8	2 617.5
Assets					
Current assets	1 819.5	2 297.4	1 835.5	1 023.3	1 022.4
Non-current assets	773.0	820.2	1 331.4	1 675.5	1 595.1
Equity and liabilities					
Current liabilities	313.0	360.8	440.0	268.9	488.7
Non-current liabilities	1 161.2	1 280.7	1 407.1	960.0	931.3
Minority interests	37.3	35.0	30.8	32.6	27.5
Shareholders' equity	1 080.9	1 441.1	1 289.0	1 437.3	1 170.0
Balance sheet equity ratio	41.7%	46.2%	40.7%	53.3%	44.7%
Return on equity	17.0%	7.4%	12.5%	12.3%	21.6%
Number of employees on December 31*	2 459	2 637	2 702	2 731	2 751
Fire insurance value of property, plant and equipment	1 808.5	1 855.5	1 933.9	2 003.7	1 839.2

* Excluding apprentices (2004: 158; 2003: 154; 2002: 153; 2001: 148; 2000: 144)

General Information on Fiscal Year 2004 at the EMS Group

Business performance

The EMS Group significantly increased its net sales and EBIT in fiscal year 2004, thereby exceeding expectations.

A higher volume of net sales and a successfully implemented cost-cutting program impacted positively.

Net sales revenue grew 3.8% compared with the previous year to CHF 1 267 million (CHF 1 221 million), while in local currencies the increase was 4.3%. On an unchanged scope of consolidation, the increase in net sales revenue would have been 6.7% in Swiss francs (7.3% in local currencies).

Operating profit (EBIT) rose to CHF 218 million (CHF 197 million), 10.4% higher than in the previous year. There was a further widening of EBIT margins to 17.2% (16.2%).

The financial result was CHF 16 million (minus CHF 58 million). Net income after tax and minority interests grew by 71.6% to CHF 183 million (CHF 107 million). EMS is continuing to pursue its existing strategy of systematically focusing on operating growth in specialty products, particularly at Performance Polymers. In line with this strategy, substantial resources have been earmarked for investment in the expansion of our worldwide sales and development capacity in 2005.

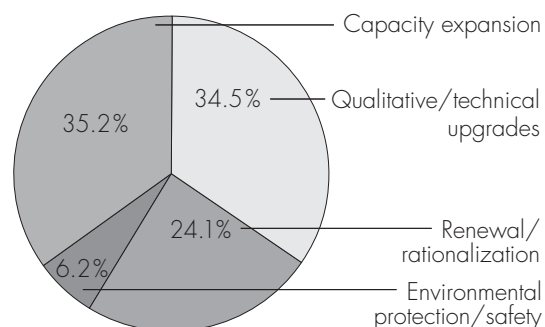
EMS expects the positive economic climate to continue in 2005, driven by Asia and the US. In our key market of Europe, the picture remains subdued – particularly in the automotive industry. EMS nevertheless forecasts a positive sales performance in overall terms. However, the cur-

rent unfavorable exchange-rate situation in Asia and the US, together with a surge in prices of raw materials, is preventing the planned volume increases from being translated into growth in net sales and earnings. For 2005, EMS expects net sales revenue and operating profit (EBIT) to be slightly ahead of the previous year based on the same scope of consolidation.

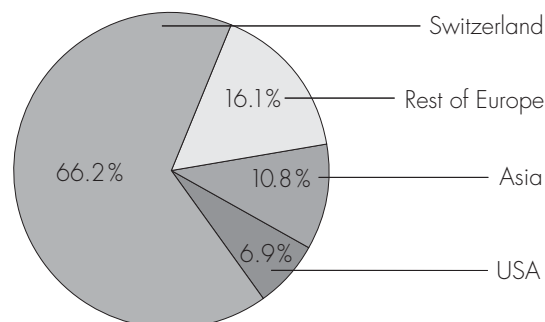
Investment

Capital expenditure amounted to CHF 53 million. As in previous years, a high cash flow of CHF 263 million enabled EMS once again to fund investment from internal resources. A key feature of EMS is the fact that it always generates a high level of free cash flow, both in economically prosperous and in critical years.

Investment by type of use



Investment by country and region



Management structure

At the 2004 General Meeting of Shareholders Dieter Klug, Magdalena Martullo, Dr. Hansjörg Frei, Albert Reich and Dr. Albert Sommerauer were elected to the Board of Directors for a further one-year term of office. Egbert Appel was elected to the Board for the same term.

As part of our drive to focus on performance polymers, the plant engineering Business Unit INVENTA-FISCHER was sold to the German company UHDE, while the EMS-DOTTIKON Business Unit (specializing in exclusive chemical synthesis) was spun off and floated on the stock market in 2005.

Personnel

At the end of the year under review, the business areas forming the EMS Group employed a total of 2 459 (2 637) people, excluding apprentices. Of the total workforce 1 632 (1 746) were employed in Switzerland, 488 (553) elsewhere in Europe, 101 (107) in the USA and 238 (231) in Asia. The decline in headcount is due primarily to the sale of the INVENTA-FISCHER Business Unit on July 14, 2004.

At the end of the year, the EMS Group employed 158 (154) apprentices in Switzerland covering 13 (10) different vocational fields. A total of 46 (43) successfully completed their apprenticeship during the year under review.

Research and development

In the year under review, expenditure on research and development amounted to 3.5% (3.9%) of sales (see Note 5 in the financial statements). Under a program initiated in early 2004, research and development activity was geared toward specialty products.

Breakdown of EMS Group net sales by region

Germany	29.0%
Japan	9.6%
USA	9.4%
France	7.7%
Switzerland	6.1%
Italy	5.7%
UK	5.1%
China	3.8%
Spain	3.6%
Sweden	2.3%
Austria	2.2%
Taiwan	1.6%
Netherlands	1.4%
Finland	1.2%
Belgium	1.2%
Rest of Europe	5.0%
Others	5.1%

Breakdown of EMS Group production by region

Switzerland	65.3%
Germany	9.4%
Japan	6.3%
Belgium	5.0%
USA	4.1%
UK	3.3%
Taiwan	1.8%
Spain	1.7%
Sweden	1.4%
China	1.3%
Others	0.4%

Business areas

The EMS Group operates in the business areas of Performance Polymers and Fine Chemicals / 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 granulates, i.e. materials which – thanks to their optimum price/performance ratio and economical processing properties – replace metal in automotive construction and in the electronics industry. In a further step to focusing on performance polymers, EMS-GRIVORY was split into four independent profit centers with effect from 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. EMS-GRIVORY Asia caters for the growing Asian market.

The EMS-GRILTECH Business Unit specializes in hotmelt adhesives for technical and textile applications, and in particular in special fibers for paper machines.

The EMS-TOGO Business Unit specializes in materials for bonding, sealing and corrosion protection, and caters directly to the automotive industry.

In 2004, the Performance Polymers business area generated net sales revenue of CHF 1 007 million (previous year CHF 929 million) and an operating result of CHF 162 million (previous year CHF 148 million). All Business Units achieved their projected growth rates. The volume trend was positive. The performance of high-temperature polymers for metal substitution was especially encouraging.

Fine Chemicals/ Engineering

Following the sale of the INVENTA-FISCHER Business Unit on July 14, 2004, the two former business areas Fine Chemicals and Engineering were merged to form one business area.

As at end-2004, the Fine Chemicals/Engineering business area comprises the EMS-PRIMID, EMS-PATVAG 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 the manufacture of building protection products.

The EMS-PATVAG Business Unit manufactures high-performance ignition devices for automotive airbag applications. It is increasingly having to contend with slower growth in the market, and the increasing pressure on prices.

EMS-DOTTIKON specializes in safety-critical chemical reactions and focuses on the exclusive synthesis of fine chemicals for the world's leading companies of the pharmaceutical and chemical industry.

The Fine Chemicals/Engineering business area generated net sales revenue of CHF 260 million (previous year CHF 292 million) and an operating profit of CHF 55 million (previous year CHF 49 million). The decline in net sales compared with the prior year is due mainly to the sale of the INVENTA-FISCHER (plant engineering) Business Unit on July 14, 2004.

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 force 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 viewed on the Internet at www.ems-group.com.

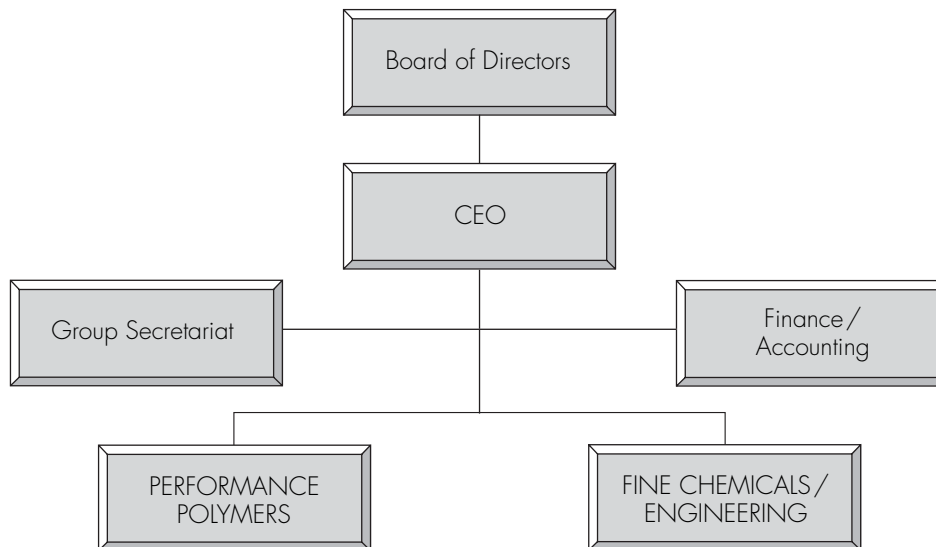
1. Group structure and shareholders

1.1 Group structure

The EMS Group runs global operations in the business areas of Performance Polymers and Fine Chemicals/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, 2004, EMS had a market capitalization of CHF 2.555.4 million. No subsidiary holds EMS registered shares. An overview of all EMS Group subsidiaries can be found in Note 32 in the Financial Section.

The organizational breakdown in terms of the two business areas is based on product types:



1.2 Major shareholders

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

As at April 30, 2005, Emesta Holding AG, Zug, holds a 56.96% stake in EMS-CHEMIE HOLDING AG.

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 250 528.70. As at December 31, 2004, the EMS Group had neither authorized nor conditional capital.

2.3 Capital changes

An account of the capital changes is given on page 4. 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 25 052 870 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 options

The terms of the two outstanding convertible bonds are set out in Note 18 in the Financial Section. No options 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

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

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

Egbert Appel (Board member since January 1, 2005)**

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

Peter Matter (Board member until August 14, 2004)**

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

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

* Executive members

** Non-executive members

Dieter Klug and Egbert Appel are German nationals whereas the other members of the Board of Directors are Swiss nationals. Dieter Klug, Egbert Appel, Hansjörg Frei and Peter Matter (until August 14, 2004) perform their duties on a part-time basis. The other members act in a full-time capacity. The non-executive members 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 obligations

Detailed information on the biographies of the Board members and their other activities and obligations can be found on the Internet at www.ems-group.com.

3.3 Cross-involvements

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

3.4 Election and term of office

Members of the Board of Directors are elected individually 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 Deputy Chairman from its own ranks. It may elect a CEO.

3.5 Internal organization

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 Deputy 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.

The Board of Directors has also delegated operational management to the Senior Management chaired by the Chief Executive Officer.

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/her 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 associated.

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 correspond 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 primarily non-executive members of the Board of Directors (Hansjörg Frei, Chair, Peter Matter [until August 14, 2004], Albert Sommerauer). It makes recommendations to the Board of Directors as a whole regarding the remuneration payable to the Board and the Senior Management.

The Audit Committee consists of three non-executive Board Members (Hansjörg Frei, Chair, Dieter Klug, Peter Matter [until August 14, 2004]). 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 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 delineate 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 reviews 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 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 by the Board of Directors 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. The members of Senior Management are as follows: Magdalena Martullo, Chair (Vice Chairman and CEO), Albert Reich, Albert Sommerauer (both members of the Board of Directors), Peter Germann (Head of the Finances/Accounting Business Unit) and Béatrice Hutter (Head of Group Secretariat).

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 fall within the area of responsibility of the higher-ranking bodies.

4.2 Other activities and obligations

Detailed information on the biographies of the members of the Senior Management and their other activities and obligations can be found on the Internet at www.ems-group.com.

4.3 Management contracts

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 serving members of executive bodies

A total of CHF 1 228 000 was paid in 2004, either directly or indirectly, to the non-executive members of the Board of Directors as compensation, in particular in the form of fees, salaries, credits, bonuses and payments in kind.

In 2004, a total of CHF 2 936 000 was paid as compensation to the executive members of the Board of Directors and the members of the Senior Management.

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

5.3 Compensation for former members of executive bodies

No compensation was paid to former members of executive bodies.

5.4 Share allotment in the year under review

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

5.5 Share ownership

The non-executive members of the Board of Directors together held 1 000 registered shares (reference date: December 31, 2004), corresponding to 0.004% of voting rights.

The executive directors and the members of the Senior Management together held 559 205 registered shares (reference date: December 31, 2004), corresponding to 2.23% of voting rights.

5.6 Options

During the year under review, no members of the Board of Directors or of the Senior Management received any compensation in the form of options.

5.7 Additional fees and remuneration

During the year under review, no invoices were received from any member of the Board of Directors or Senior Management or any person closely associated with such members for fees or additional services provided to EMS-CHEMIE HOLDING AG or its subsidiaries.

5.8 Loans to members of executive bodies

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

5.9 Highest total compensation

The highest total compensation amounted to CHF 890 000 and was paid wholly in cash.

6. Shareholders' participation rights

6.1 Restriction of voting rights and representation

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/her 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 quora

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 addresses 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 Entry in the share ledger

The company keeps a share ledger of registered shares, in which details of the owners, beneficiaries and any nominees are entered, including their last name, 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 in control and defense measures

7.1 Obligation to submit a purchase 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

KPMG Fides Peat, Badenerstrasse 172, 8026 Zurich, have acted as the statutory auditors of EMS-CHEMIE HOLDING AG and as Group auditors since 2004. The statutory and Group auditors are appointed by the General Meeting of Shareholders for a one-year term of office. Hanspeter Stocker has been the lead auditor in charge since 2004.

8.2 Auditors' fees

The EMS Group paid KPMG Fides Peat approximately CHF 608 000 for services relating to the audit of the Group's annual financial statements. The net sales revenue audited by KPMG Fides Peat account for roughly 64% of the EMS Group's total net sales.

8.3 Additional fees

KPMG Fides Peat charged approximately CHF 167 000 for additional services in the fields of management and tax consultancy and due diligence audits.

8.4 Supervisory and control instruments vis-à-vis the auditors

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, KPMG Fides Peat, are responsible for submitting an opinion on whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Incorporation. The independent Group auditors, KPMG Fides Peat, 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 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 www.ems-group.com under the heading "Annual Reports".

Any other questions may be addressed to
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8704 Herrliberg
(telephone +41 44 915 70 00;
fax +41 44 915 70 02;
info@ems-group.com).

Consolidated Income Statement of the EMS Group

	Notes	2004 (CHF '000)	2003 (CHF '000)
Net sales revenue from goods and services		1 267 022	1 220 707
Inventory changes, semi-finished and finished goods		27 969	8 208
Capitalized costs and other operating income	1	62 663	94 233
Operating income		1 357 654	1 323 148
Material expenses	2	713 026	646 695
Personnel expenses	3	242 190	266 171
Depreciation and amortization	9, 24	69 776	68 365
Other operating expenses	4	114 843	144 613
Operating expenses		1 139 835	1 125 844
NET OPERATING INCOME (EBIT)		217 819	197 304
Income from equity-valuation of associated companies		3 461	(704)
Financial income	6	118 990	283 570
Financial expenses	7	106 563	341 082
NET FINANCIAL INCOME		15 888	(58 216)
NET INCOME BEFORE TAXES AND MINORITY INTERESTS		233 707	139 088
Income taxes	8	43 897	25 736
NET INCOME BEFORE MINORITY INTERESTS		189 810	113 352
Minority interests	17	6 384	6 475
NET INCOME		183 426	106 877
Earnings per registered share entitled to dividend (CHF)	28	7.33	4.10
Earnings per registered share (fully diluted) (CHF)	28	7.33	4.10

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

Consolidated Balance Sheet of the EMS Group

	Notes	31.12.2004 (CHF '000)	31.12.2003 (CHF '000)
NON-CURRENT ASSETS		772 980	820 155
Intangible assets	9	10 542	11 278
Property, plant and equipment	9	696 665	731 618
Financial assets	9	65 773	77 259
Investments in associated companies	9	23 064	21 153
Other investments	9	1 103	1 106
Other non-current financial assets	9	41 606	55 000
CURRENT ASSETS		1 819 500	2 297 416
Inventories	10	262 971	224 943
Accounts receivable			
Trade accounts receivable	11	222 179	198 703
Income tax assets		569	1 111
Other receivables	12	62 690	129 081
Current financial assets	13	873 304	1 190 354
Cash and cash equivalents	14	397 787	553 224
TOTAL ASSETS		2 592 480	3 117 571
SHAREHOLDERS' EQUITY	16	1 080 898	1 441 118
Share capital	15	251	261
Retained earnings and reserves		897 221	1 333 980
Net income		183 426	106 877
MINORITY INTERESTS	17	37 300	34 960
LIABILITIES		1 474 282	1 641 493
Non-current liabilities		1 161 235	1 280 708
Bonds	18	868 615	894 824
Bank loans	19	6 250	98 063
Other non-current liabilities	20	17 736	34 555
Deferred income taxes	21	174 732	188 533
Provisions	21	93 902	64 733
Current liabilities		313 047	360 785
Bank loans		48 621	58 990
Trade accounts payable		110 348	86 588
Income tax liabilities		24 674	12 597
Other current liabilities	22	129 404	202 610
TOTAL EQUITY AND LIABILITIES		2 592 480	3 117 571

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

Consolidated Changes in Shareholders' Equity of the EMS Group

(CHF '000)	Share capital	Legal reserves	Free reserves	Gains/ (losses) arising from IAS 39	Foreign exchange differences	Treasury shares	Retained earnings	Net income	Shareholders' equity
At 31.12.2001	26 093	70 000	10 000	95 174	5 920	0	1 053 806	176 288	1 437 281
Distribution of net income							176 288	(176 288)	0
Net income								160 948	160 948
Changes in fair value of financial instruments				(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)	0	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
Changes in fair value of financial instruments				274 503					274 503
Currency translation differences					(5 151)				(5 151)
At 31.12.2003	261	70 000	10 000	73 636	(12 391)	0	1 192 735	106 877	1 441 118
Distribution of net income							106 877	(106 877)	0
Dividends paid							(193 943)		(193 943)
Transactions with treasury shares						(213 508)			(213 508)
Income from transactions with treasury shares							937		937
Redemption of share capital	(10)					135 217	(135 207)		0
Net income								183 426	183 426
Changes in fair value of financial instruments				(131 815)					(131 815)
Currency translation differences					(5 317)				(5 317)
At 31.12.2004	251	70 000	10 000	(58 179)	(17 708)	(78 291)	971 399	183 426	1 080 898
							2004		2003
Balance sheet equity ratio							41.7%		46.2%

Legal reserves include KCHF 50 (2003: KCHF 52) not eligible for distribution.

The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closed on April 30, 2005, was communicated on February 11, 2005.

For details on "Changes in fair value of financial instruments" in the current and prior-year periods, see note 16.

For further information and data refer to page 4, "Spotlight on share performance".

Consolidated Cash Flow Statement of the EMS Group

	Notes	2004 (CHF '000)	2003 (CHF '000)
Net income		183 426	106 877
Minority interests	17	6 384	6 475
Depreciation and amortization of intangible assets and property, plant and equipment	9, 24	69 776	68 365
(Profit)/loss from disposal of property, plant and equipment	1, 4	1 579	(1 473)
Increase/(decrease) of other non-current provisions	21	38 163	(927)
Increase/(decrease) of other non-current liabilities		(127)	(192)
(Gain)/loss from sale of group companies	1	(29 455)	(48 902)
(Income)/expenses from the equity-valuation of associated companies, net after dividends	9	(3 461)	704
Impairment securities	7	9 643	115 569
Impairment financial investments	7, 24	0	114 071
Value adjustments financial assets	9, 24	29	1 364
Unrealized currency translation differences		7 231	1 556
(Increase)/decrease in post-employment benefits	3, 9, 20	(2 509)	4 121
Net interest expense	6, 7	38 630	36 296
Dividends from securities in current assets	6	(16 675)	(3 338)
Dividends from other companies	6	(741)	(12 775)
Income from sale of securities	6, 7	(76 767)	(163 018)
Expenses for income taxes	8	43 897	25 736
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		269 023	250 509
Cash flow from changes in working capital excluding cash and cash equivalents		(57 736)	(5 986)
Taxes paid		(38 791)	(44 177)
Interests received		10 193	16 875
Interests paid		(40 976)	(46 408)
Dividends received	6	17 416	16 113
Provisions used	21	(1 756)	(38 407)
CASH FLOW FROM OPERATING ACTIVITIES A		157 373	148 519
(Purchase) of intangible assets and property, plant and equipment	1, 9	(52 866)	(70 569)
Disposal of intangible assets and property, plant and equipment	1, 4, 9	3 183	35 391
(Purchase) of financial assets	9	(1 387)	(513 416)
Disposal of financial assets	9	747	1 448
(Purchase)/disposal of marketable securities/financial investments in current assets		255 938	324 717
(Purchase)/sale of fully consolidated companies	25	13 693	17 100
(Increase)/decrease of interest-bearing assets		149	152 529
CASH FLOW FROM INVESTING ACTIVITIES B		219 457	(52 800)
Dividends paid		(193 943)	(198 307)
Capital repayment by par value reduction		0	(25 832)
Dividends paid to minorities	17	(2 658)	(2 199)
Repurchase of treasury shares for cancellation		(135 217)	0
(Purchase)/sale of treasury shares		(77 354)	0
Increase/(decrease) of interest-bearing liabilities		(128 032)	(111 055)
CASH FLOW FROM FINANCING ACTIVITIES C		(537 204)	(337 393)
CHANGE IN CURRENCY TRANSLATION D		4 937	(1 237)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		(155 437)	(242 911)
Cash and cash equivalents at beginning of the year		553 224	796 135
(Decrease)/increase of cash and cash equivalents		(155 437)	(242 911)
Cash and cash equivalents at year-end	14	397 787	553 224

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. The consolidation is based on individual financial statements of subsidiaries prepared according to uniform Group accounting principles and in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They also comply with Swiss law.

The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates 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 in which 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 holdings” on pages 44 and 45). 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. Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealized profits from intragroup deliveries are eliminated in the income statement. All assets and liabilities of acquired companies are valued according to the accounting principles of the EMS Group at the time of acquisition. Any positive difference between the resulting 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.

Balance sheet date

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

This item consists of goodwill acquired in acquisitions since January 1, 1995, patents, trade marks and software. 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. Amortization of patents, trade marks and software is calculated on a straight-line method based on their useful lives.

Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment is periodically reviewed and an impairment loss is booked for sustainable 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.

Depreciation periods are as follows:

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

Leases

Assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance leases) are capitalized as property, plant and equipment 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.

Financial assets within non-current assets

Shares in associated companies are included using the equity method.

The valuation of the other investments is the same as described at "securities".

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" (first-in, first-out) method. Long-term contract work-in-progress is valued using the "PoC" (percentage-of-completion) method.

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. If the loss in market value (fair value) is less than 30% or has lasted less than twelve months, management decides whether the loss has to be considered permanent.

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

Cash and cash equivalents include cash on hand, bank account balances and short or medium-term deposits maturing within three months. Cash and cash equivalents are valued at their nominal value.

This definition is also used for the cash flow statement.

Bonds and non-current bank loans

Debenture bonds and non-current bank loans are recognized initially at the proceeds received, net of transaction cost incurred. In subsequent periods, debenture bonds and non-current 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 shown separately 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 current and non-current debts, valued at the amount of repayment, and deferred income.

Provisions

Provisions are set up for legal or other liabilities if these liabilities resulting from a past event and existing at balance sheet date 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. Changes in fair value 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. Income is defined as being realized on delivery and services rendered respectively.

Research and development costs

Research and development costs are charged to the income statement for the year in which they incur under the following headings: wages and salaries, material expenses and amortization on research and development assets. 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.

Impairment

The carrying amounts of non-current assets not valued at fair value are reviewed at least once a year. If there are any indications of a sustainable impairment, the recoverable amount is determined. The recoverable amount corresponds to the higher amount of the net selling price or the value in use. In cases where the carrying amount is higher than the recoverable amount, the difference is booked in the income statement.

Foreign currency translation

Financial statements in foreign currencies are translated into Group currency (CHF) as follows: current assets, non-current 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 when the subsidiary was a consolidated company, is added to profit (or loss) from sale of this company.

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

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 balance sheet liability method, under which deferred tax assets or liabilities are set up for all temporary differences between the tax values and the values entered in the consolidated Group accounts. 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.

The most important exchange rates are:

		Average exchange rates			Year-end exchange rates	
		Unit	2004	2003	2004	2003
US dollar	USD	1	1.243	1.345	1.133	1.240
Euro	EUR	1	1.544	1.520	1.543	1.560
Pound sterling	GBP	1	2.278	2.197	2.180	2.205
Japanese yen	JPY	100	1.150	1.156	1.108	1.160
Swedish krona	SEK	100	16.92	16.67	17.05	17.15
Taiwan dollar	TWD	100	3.716	3.899	3.570	3.650

Taxes on income from foreign Group companies which is expected to be distributed to the parent company have been provided 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 issued.

Consistency

The principles of valuation and consolidation remained unchanged from the previous year. For comparative purposes, certain prior-year amounts have been reclassified and amended to conform with the current-year presentation.

Segment reporting

Segment reports are presented primarily by business area and secondarily by geographical region. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment. The positions not segmented are shown separately. For the business area assignment of Group companies, please refer to the "List of subsidiaries and minority holdings" on pages 44 and 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 day-to-day operations has to be available at all times.

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

Risks of interest rate changes

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 or the financial position of the EMS Group. Non-current financial 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.

Hedge accounting

For the hedging of foreign currency risks and risks of interest rate changes no hedge accounting is used.

Segment Information

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⁾	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
PERFORMANCE POLYMERS	281	196	1 006 577	929 380	1 006 858	929 576	162 432	148 360	840 420	821 600
FINE CHEMICALS/ENGINEERING	51	206	260 445	291 327	260 496	291 533	55 387	48 944	457 905	531 240
Subtotal segments	332	402	1 267 022	1 220 707	1 267 354	1 221 109	217 819	197 304	1 298 325	1 352 840
– Internal net sales	(332)	(402)			(332)	(402)				
– Non-segment assets									1 294 155	1 764 731
Total EMS Group	0	0	1 267 022	1 220 707	1 267 022	1 220 707	217 819	197 304	2 592 480	3 117 571

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

KCHF 12 000 of the profit from the sale of KRAFTWERKE REICHENAU AG in 2003 was reclassified from business area “Fine Chemicals/Engineering” to business area “Performance Polymers”. 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 12 000 less with a lower acceptance for future delivery of electricity. The difference of KCHF 12 000 was 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 assets and property, plant and equipment		Depreciation in intangible assets and property, plant and equipment	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
PERFORMANCE POLYMERS	166 748	145 150	3 461	(704)	23 064	21 153	39 464	53 888	41 145	38 695
FINE CHEMICALS/ENGINEERING	73 004	144 048	0	0	0	0	13 402	16 681	28 631	29 670
Subtotal segments	239 752	289 198	3 461	(704)	23 064	21 153	52 866	70 569	69 776	68 365
– Non-segment liabilities	1 234 530	1 352 295								
Total EMS Group	1 474 282	1 641 493	3 461	(704)	23 064	21 153	52 866	70 569	69 776	68 365

Due to a review of production strategy, the book values were impaired to the recoverable amount. The impairment of non-current assets is allocated to the individual segments as follows:

Year 2004: KCHF 4 000	Technical plant, machinery	Performance Polymers
KCHF 6 000	Buildings	Fine Chemicals/Engineering
Year 2003: KCHF 2 000	Technical plant, machinery	Performance Polymers
KCHF 4 500	Technical plant, machinery	Fine Chemicals/Engineering

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 assets and property, plant and equipment	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Switzerland	77 605	67 057	826 873	785 845	176 938	154 820	964 788	997 443	34 974	53 091
European Union (EU)	803 545	786 093	261 961	269 192	15 974	19 945	159 126	198 967	8 530	7 431
North America	122 385	114 532	52 307	54 144	5 936	4 036	72 952	65 609	3 642	1 805
Far East ³⁾	222 762	209 257	125 881	111 526	18 971	18 503	101 459	90 821	5 720	8 242
Others	40 725	43 768	0	0	0	0	0	0	0	0
Subtotal segments	1 267 022	1 220 707	1 267 022	1 220 707	217 819	197 304	1 298 325	1 352 840	52 866	70 569
– Non-segment assets							1 294 155	1 764 731		
Total EMS Group	1 267 022	1 220 707	1 267 022	1 220 707	217 819	197 304	2 592 480	3 117 571	52 866	70 569

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

¹⁾ Segmented assets: Assets without cash and cash equivalents, current financial assets and investments in associated companies.

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

³⁾ Mainly Japan, Taiwan and China.

Consolidated Income Statement

Notes	2004 (CHF '000)	2003 (CHF '000)
1	Capitalized costs and other operating income	
	Capitalized costs	12 691
	Other operating income	17 833
	Real estate income	1 624
	Income from disposal of Group companies	29 455
	Income from disposal of property, plant and equipment	1 060
	Total capitalized costs and other operating income	62 663
2	Material expenses	
	Material and warehouse expenses	682 225
	Subcontractor salaries	5 650
	Energy expenses	25 151
	Total material expenses	713 026
3	Personnel expenses	
	Wages and salaries	202 149
	Legal/contractual social insurance	40 041
	Total personnel expenses	242 190

Notes	2004 (CHF '000)	2003 (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, 2004. The following figures give an overview over the pension plans:</p>		
	31.12.2004	31.12.2003
Individual defined-benefit plans		
– Actuarial value of all benefit entitlements of former and current employees	(528 925)	(537 004)
– Market value of plan assets	483 322	492 200
– Unrecognizable amount	(26 556)	(26 300)
– Actuarial losses, not accounted for	103 090	99 526
– Net recognized assets/(liabilities) for individual defined-benefit plans due to former and current employees	30 931	28 422
The balance sheet shows the following:		
Surplus recognized as pension asset (see note 9)	37 045	51 032
Deficit recognized as part of other non-current liabilities (see note 20)	(6 114)	(22 610)
Total recognized net assets/(liabilities) in the Group balance sheet	30 931	28 422

Notes	2004 (CHF '000)	2003 (CHF '000)
The income statement shows the following:		
Current service cost	24 069	22 722
Interest cost	13 908	20 315
Expected return on plan assets	(24 610)	(25 649)
Curtailement gain	0	(872)
Actuarial gains/losses/past service cost	2 209	6 097
Adjustments for Art. 58	2 711	2 452
Employees' contribution	(8 837)	(9 313)
ERIS (Expense Recognized in the Income Statement)	9 450	15 752
The change of the balance sheet is as follows:		
ERIS (Expense Recognized in the Income Statement)	9 450	15 752
Employer's contribution	(11 959)	(44 631)
(Excess)/deficit of effective employer's contribution, net	(2 509)	(28 879)
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	13 years	13 years
Discount rate	3.75%	3.75%
Expected long-term return on capital	5.00%	6.00%
Annual salary development	2.75%	2.75%
Adaptation of pension benefits	1.50%	1.50%
4	Other operating expenses	
Rents	7 225	6 669
Repairs and maintenance	27 345	26 768
Insurances, duties, fees	9 110	9 957
Administration, promotion	32 683	37 811
Losses on disposal of property, plant and equipment	2 639	8 585
Other operating expenses	35 841	54 823
Total other operating expenses	114 843	144 613
5	Research and development	
Expenditures for research and development amount to	44 260	47 189
6	Financial income	
Interest from related parties and associated companies	179	4 860
Other interest income	10 426	11 617
Dividends on securities in working capital	16 675	3 338
Dividends on other companies	741	12 775
Income from sale of securities	90 969	213 024
Result from valuation of securities, net	0	37 956
Total financial income	118 990	283 570

Notes	2004 (CHF '000)	2003 (CHF '000)	
7	Financial expenses		
	Interest to related parties and associated companies	56	70
	Other interest	49 179	52 703
	Expenses from sale of securities	14 202	50 006
	Impairment securities	9 643	115 569
	Impairment financial investments	0	114 071
	Result from valuation of securities, net	18 282	0
	Foreign exchange losses, net	12 026	6 506
	Bank charges and commissions	3 175	2 157
	Total financial expenses	106 563	341 082
	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.		
8	Income taxes		
	Current income taxes	51 353	30 898
	Deferred income taxes (see note 21)	(7 456)	(5 162)
	Total income taxes	43 897	25 736
	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	233 707	139 088
	Expected income tax rate	23.9%	23.5%
	Expected income taxes	55 831	32 706
	Use of tax losses carried forward	(2 985)	(205)
	Income with special income tax rates	(7 436)	(2 251)
	Tax holidays and corrections from previous years	128	(1 862)
	Other	(1 641)	(2 652)
	Effective income taxes	43 897	25 736
	Effective income tax rate	18.8%	18.5%

Consolidated Balance Sheet as at December 31

Notes

9 Intangible assets, property, plant and equipment, financial assets

I. Intangible assets

(CHF '000)	Goodwill	Patents, trade marks	Others, incl. advances	2004 Total	2003 Total
Cost					
At 1.1.	50 001	9 740	19 040	78 781	104 908
Change in scope of cons.	(27 911)	0	(579)	(28 490)	8
Additions	0	36	621	657	231
Disposals	0	88	2 522	2 610	30 044
Reclassifications and value adjustments	0	35	2 241	2 276	3 427
Translation differences	0	0	(85)	(85)	251
At 31.12.	22 090	9 723	18 716	50 529	78 781
Amortization					
At 1.1.	50 001	5 103	12 399	67 503	67 595
Change in scope of cons.	(27 911)	0	(571)	(28 482)	0
Additions	0	952	2 629	3 581	6 457
Disposals	0	56	2 494	2 550	6 952
Reclassifications and value adjustments	0	0	0	0	223
Translation differences	0	0	(65)	(65)	180
At 31.12.	22 090	5 999	11 898	39 987	67 503
Book value					
At 1.1.	0	4 637	6 641	11 278	37 313
At 31.12.	0	3 724	6 818	10 542	11 278

The other intangible assets mainly contain capitalized software usage rights.

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction and payments in advance	2004 Total	2003 Total
Cost							
At 1.1.	30 745	325 884	974 446	70 481	62 592	1 464 148	1 509 733
Change in scope of cons.	(828)	(6 816)	(17 669)	(2 535)	(2 161)	(30 009)	(46 937)
Additions	366	393	6 349	4 205	40 896	52 209	70 338
Disposals	1 459	1 342	30 032	8 263	1 020	42 116	61 931
Reclassifications and value adjustments	0	6 106	52 400	2 728	(63 510)	(2 276)	(3 729)
Translation differences	(282)	(1 956)	(9 321)	(735)	(193)	(12 487)	(3 326)
At 31.12.	28 542	322 269	976 173	65 881	36 604	1 429 469	1 464 148
Depreciation							
At 1.1.	725	151 814	532 837	46 993	161	732 530	748 999
Change in scope of cons.	(279)	(3 259)	(14 468)	(2 274)	0	(20 280)	(26 439)
Additions	137	13 340	46 352	5 987	379	66 195	61 908
Disposals	0	1 181	28 262	7 874	97	37 414	51 105
Reclassifications and value adjustments	0	0	0	0	(22)	(22)	873
Translation differences	(55)	(691)	(6 964)	(494)	(1)	(8 205)	(1 706)
At 31.12.	528	160 023	529 495	42 338	420	732 804	732 530
Book value							
At 1.1.	30 020	174 070	441 609	23 488	62 431	731 618	760 734
At 31.12.	28 014	162 246	446 678	23 543	36 184	696 665	731 618

Depreciation arising from impairment tests amounts to KCHF 10 000 (2003: KCHF 6 500).

Notes

III. Financial assets

(CHF '000)	Participations	Associated companies Goodwill	Total	Other participations	Pension assets	Other non-current financial assets	2004 Total	2003 Total
Cost / Fair value								
At 1. 1.	21 153	3 430	24 583	1 146	51 032	33 929	110 690	564 332
Change in scope of cons.	0	0	0	(3)	0	0	(3)	(375)
Additions/Increase	3 461	0	3 461	0	4 816	1 387	9 664	513 882
Disposals/Decrease	0	0	0	0	1 061	750	1 811	6 483
Reclassifications and value adjustments	0	0	0	0	(17 742)	0	(17 742)	(958 744)
Translation differences	(1 550)	0	(1 550)	(3)	0	(37)	(1 590)	(1 922)
At 31. 12.	23 064	3 430	26 494	1 140	37 045	34 529	99 208	110 690
Depreciation / Amortization / Amortized cost								
At 1. 1.	0	3 430	3 430	40	0	29 961	33 431	31 025
Change in scope of cons.	0	0	0	0	0	0	0	(158)
Additions	0	0	0	0	0	29	29	198 693
Disposals	0	0	0	0	0	3	3	5
Reclassifications and value adjustments	0	0	0	0	0	0	0	(196 162)
Translation differences	0	0	0	(3)	0	(19)	(22)	38
At 31. 12.	0	3 430	3 430	37	0	29 968	33 435	33 431
Book value								
At 1. 1.	21 153	0	21 153	1 106	51 032	3 968	77 259	533 307
At 31. 12.	23 064	0	23 064	1 103	37 045	4 561	65 773	77 259

At pension assets as well as at liabilities due to application of IAS 19 (see note 20) a netting out was made to the calculation of the pension fund expert (2004: KCHF 17 742).

The other non-current financial assets mainly contain loans to third parties.

Notes	2004 (CHF '000)	2003 (CHF '000)
Fire insurance value		
Property, plant and equipment	1 808 491	1 855 476
Property, plant and equipment are insured at replacement values.		
10 Inventories		
Raw materials and supplies	75 871	59 579
Semi-finished goods, work in progress	29 792	28 673
Finished products	157 308	134 493
Advance payments on goods	0	2 198
Total inventories	262 971	224 943
The decline of advance payments on goods is attributed to the sale of INVENTA-FISCHER.		
11 Trade accounts receivable		
Accounts receivable from long-term construction contracts	0	1 541
Trade accounts receivable from associated companies	331	418
Trade accounts receivable	229 371	203 943
Provision for bad debts	(7 523)	(7 199)
Total trade accounts receivable	222 179	198 703
The decline of accounts receivable from long-term construction contracts is attributed to the sale of INVENTA-FISCHER.		
12 Other receivables		
Receivables from associated companies	469	1 545
Other receivables	36 068	40 454
Prepayments and accrued income	26 153	87 082
Total other receivables	62 690	129 081
13 Current financial assets		
Securities	146 325	382 726
Financial investments	630 979	807 628
Other current financial assets	96 000	0
Total current financial assets	873 304	1 190 354
Current financial assets are stated at fair value (according to IAS 39 "Financial Instruments"). In the reporting year financial investments consist exclusively of the shareholding in Lonza Group AG (2004: 9 859 047 shares à CHF 64; 2003: 11 359 047 shares à CHF 71.10).		
14 Cash and cash equivalents		
Deposits	377 064	534 690
Cash and cash equivalents	20 723	18 534
Total cash and cash equivalents	397 787	553 224

Notes

15 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12.2003	CHF 0.01	26 093 000	0	26 093 000	261
Purchase of treasury shares		–	1 837 400	(1 837 400)	–
Redemption of share capital		(1 040 130)	(1 040 130)	–	(110)
At 31.12.2004	CHF 0.01	25 052 870	797 270	24 255 600	251

Notes	2004 (CHF '000)	2003 (CHF '000)
16 Changes in fair value of securities and other investments		
Balance as at January 1	73 636	(200 867)
Transfer into consolidated income statement	(73 359)	165 824
Fair value changes according to IAS 39	(58 456)	108 679
Balance as at December 31	(58 179)	73 636
17 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	34 960	30 824
Change in scope of consolidation	0	1 130
Dividends paid	(2 658)	(2 199)
Net income	6 384	6 475
Currency translation differences	(1 386)	(1 270)
Balance as at December 31	37 300	34 960
18 Bonds		
EMS-CHEMIE HOLDING AG: 2% convertible bond 2002 – 25.7.2008	280 137	275 467
EMS-CHEMIE HOLDING AG: 4% debenture bond 2002 – 29.7.2008	298 510	298 130
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.: 2.5% convertible bond 2002 – 23.4.2010	289 968	321 227
Total bonds	868 615	894 824
The option component of the convertible bonds is stated under "Other non-current liabilities" (see note 20). 2% convertible bond and 2.5% convertible bond are stated less repurchases via stock exchange.		

Notes	2004 (CHF '000)	2003 (CHF '000)
Details to the bonds issued:		
2% convertible bond 2002 – 25. 7. 2008 (nominal CHF 300 million)		
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 37,29395 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 134.07; 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. Therefore the total option component is treated as a liability.		
4% debenture bond 2002 – 29. 7. 2008 (nominal CHF 300 million)		
2.5% convertible bond 2002 – 23. 4. 2010 (nominal CHF 350 million)		
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).		
19	Bank loans	
The long-term bank loans are composed as follows:		
USD: Average interest rate in 2004: 1.70% (2003: 1.82%)		
	3 262	4 960
JPY: Average interest rate in 2004: 1.10% (2003: 1.90%)		
	2 216	43 103
CNY: Average interest rate in 2004: 5.38% (2003: –)		
	772	0
CHF: Average interest rate in 2004: – (2003: 2.85%)		
	0	50 000
	6 250	98 063
	Total bank loans	
	6 250	93 103
	Maturity 1– 5 years	
	0	4 960
	Maturity > 5 years	
The carrying amounts of bank loans approximate to their fair value.		
20	Other non-current liabilities	
Other non-current liabilities		
	816	998
Option component of convertible bonds		
	10 791	10 908
Leasing liabilities		
	15	39
Liabilities from application of IAS 19 (rev.)		
	6 114	22 610
	17 736	34 555
Total other non-current liabilities		
For the change of liabilities from application of IAS 19 (rev.), see note 9 (2004: KCHF 17 742).		

Notes

21 Provisions

(CHF '000)	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Provisions for deferred income taxes	Total provisions
At 1.1.2003	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
Change in scope of cons.	0	(3 234)	0	(3 790)	(6 217)	(13 241)
Increase via Income Statement	263	0	43 550	1 843	3 072	48 728
Decrease via Income Statement	(14)	0	(6 705)	(774)	(10 528)	(18 021)
Amounts used	(499)	0	0	(1 257)	0	(1 756)
Reclassifications	0	0	0	(78)	0	(78)
Translation differences	(20)	(5)	(2)	(109)	(128)	(264)
At 31.12.2004	1 273	5 000	73 245	14 384	174 732	268 634

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

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

Warranty provisions are mainly included within other provisions.

	2004 (CHF '000)	2003 (CHF '000)
Note to the provisions for deferred income taxes		
Calculation according to the "Balance Sheet Liability Method":		
Deferred income taxes on non-current assets	146 546	155 312
Deferred income taxes on current assets	27 132	32 831
Deferred income taxes on liabilities	1 054	390
Total provisions for deferred income taxes	174 732	188 533

Notes	2004 (CHF '000)	2003 (CHF '000)
Tax loss carryforwards accepted by fiscal authorities		
Total tax loss carryforwards not considered	31 399	15 049
Deferred income tax assets based on tax loss carryforwards not considered in the balance sheet	11 546	5 767
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	11 546	5 767
22 Other current liabilities		
Advances from customers for long-term construction contracts	0	33 710
Other advances	683	7 920
Prepaid expenses and deferred income	101 150	124 130
Other current liabilities to associated companies	17	0
Liabilities to social security institutions	4 409	13 244
Other current liabilities	23 145	23 606
Total other current liabilities	129 404	202 610
The decline of advances from customers for long-term construction contracts is attributed to the sale of INVENTA-FISCHER.		
23 Liabilities, net / (net cash position)		
Bonds (see note 18)	868 615	894 824
Option component of convertible bonds (see note 20)	10 791	10 908
Non-current bank loans (see note 19)	6 250	98 063
Pension liabilities (see note 21)	1 273	1 543
Current bank loans (Average interest rate 2004: 1.75%; 2003: 1.41%)	48 621	58 990
Leasing obligations (see note 20)	15	39
Interest-bearing liabilities	935 565	1 064 367
less		
Receivables from associated companies (see note 12)	469	1 545
Other current financial assets	96 000	0
Securities (see note 13)	146 325	382 726
Financial investments (see note 13)	630 979	807 628
Deposits (see note 14)	377 064	534 690
Interest-bearing liabilities, net / (cash, net)	(315 272)	(662 222)
less		
Cash and cash equivalents (see note 14)	20 723	18 534
Liabilities, net / (net cash position)	(335 995)	(680 756)

Consolidated Cash Flow Statement

Notes			2004 (CHF '000)	2003 (CHF '000)
24	Depreciation of intangible assets, property, plant and equipment and financial assets			
	Amortization intangible assets		3 581	6 457
	Depreciation property, plant and equipment		66 195	61 908
	Subtotal amortization intangible assets/ depreciation property, plant and equipment		69 776	68 365
	Impairment financial investments		0	114 071
	Value adjustment to financial assets		29	1 364
	Total depreciation of intangible assets, property, plant and equipment and financial assets		69 805	183 800
	For the breakdown of the depreciation of property, plant and equipment please refer to note 9 and to the segment reporting.			
25	Purchase / disposal of consolidated companies			
		Additions	Disposals	
	Non-current assets	0	(9 740)	(9 740)
	Non-current liabilities	0	22 744	22 744
	Goodwill paid	0	-	0
	Working capital	0	(21 549)	(21 549)
	Minority interests	0	0	0
	Net assets acquired/divested	0	(8 545)	(8 545)
				465
	Purchase price (paid)/received	0	38 000	38 000
	Cash and cash equivalents	0	(24 307)	(24 307)
	Cash flow from (purchase)/disposal of participations	0	13 693	13 693
	On July 14, 2004, business unit INVENTA-FISCHER was sold.			17 100
Further Details				
26	Contingent liabilities			
	Commitments and contingent liabilities at the end of the year amount to This mainly relates to issued guarantees.		14 666	35 167
	No legal proceedings are known to be in progress within the Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet.			

Notes			2004 (CHF '000)	2003 (CHF '000)	
27	Open derivative financial transactions				
	The following summary shows the most important open derivative financial transactions:				
	SWAPS and forward rate agreements	EUR/CHF	Notional amount CHF	613 901	684 731
			Positive replacement value CHF	2 216	2 740
			Negative replacement value CHF	4 503	9 495
		JPY/CHF	Notional amount CHF	204 082	365 658
			Positive replacement value CHF	9 074	26 419
			Negative replacement value CHF	2 914	826
		USD/CHF	Notional amount CHF	22 587	81 545
			Positive replacement value CHF	186	3 663
			Negative replacement value CHF	53	20
	Currency options	USD/CHF	Notional amount CHF	5 900	13 362
			Positive replacement value CHF	1	355
			Negative replacement value CHF	0	5
		JPY/CHF	Notional amount CHF	0	24 200
			Positive replacement value CHF	0	10
			Negative replacement value CHF	0	220
	Interest swaption	CHF	Notional amount CHF	325 000	325 000
			Positive replacement value CHF	723	280
			Negative replacement value CHF	10 154	16 012
	Equity options	CHF	Notional amount CHF	300 000	300 000
			Positive replacement value CHF	3 360	8 400
			Negative replacement value CHF	0	0
	Total		Notional amount CHF	1 471 470	1 794 496
			Positive replacement value CHF	15 560	41 867
			Negative replacement value CHF	17 624	26 578

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. Any derivatives are reported at fair value, with changes in fair value included in financial income/expenses.

For the interest rates on bonds, current and non-current bank liabilities, please see notes 18, 19 and 23.

28 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	2004 (CHF '000)	2003 (CHF '000)
Earnings per share details are as follows:		
Net income (CHF '000)	183 426	106 877
Weighted average of registered shares entitled to dividend	25 008 089	26 093 000
Weighted average of registered shares (fully diluted)	25 008 089	26 093 000
Earnings per registered share entitled to dividend (CHF)	7.33	4.10
Earnings per registered share (fully diluted) (CHF)	7.33	4.10
There are no factors with a dilutive effect on earnings per share.		
<hr/>		
29 Significant shareholders		
Emesta Holding AG, Zug, 14 717 811 registered shares (2003: 15 555 963 registered shares)		
Percentage of capital and voting rights held	58.75%	59.62%
No other representation of significant shareholders is known to the Board of Directors.		
<hr/>		
30 Transactions with related parties		
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 34.		
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 connection with the sale of Atisholz to Emesta Holding AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties in the maximum amount of KCHF 30 000.		
<hr/>		
31 Subsequent events		
On February 11, 2005 it was announced that exclusive synthesis specialist EMS-DOTTIKON is to be spun off and listed on the stock exchange during 2005 within the process of concentration on Performance Polymers. The spin-off took place on March 31, 2005.		

Notes

EMS-DOTTIKON is included in the presented figures as follows:

Income Statement	Discontinuing operations (EMS-DOTTIKON)	Continuing operations	Elimination	2004 Total (CHF '000)
Net sales revenue from goods and services	118 052	1 149 035	(65)	1 267 022
Net operating income (EBIT)	14 447	203 372	0	217 819
Net income	9 427	173 999	0	183 426

Balance Sheet

Non-current assets	240 843	598 137	(66 000)	772 980
Current assets	95 044	1 724 460	(4)	1 819 500
Total assets	335 887	2 322 597	(66 004)	2 592 480
Shareholders' equity	211 852	875 046	(6 000)	1 080 898
Minority interests	0	37 300	0	37 300
Liabilities	124 035	1 410 251	(60 004)	1 474 282
Total equity and liabilities	335 887	2 322 597	(66 004)	2 592 480

Notes

Cash Flow Statement	Discontinuing operations (EMS-DOTTIKON)	Continuing operations	Elimination	2004 Total (CHF '000)
Cash flow from operating activities	11 308	146 065	0	157 373
Cash flow from investing activities	(5 349)	231 806	(7 000)	219 457
Cash flow from financing activities	(7 000)	(537 204)	7 000	(537 204)

The Consolidated Financial Statements were approved by the Board of Directors on April 27, 2005 and need to be approved by the General Meeting on August 13, 2005.

Between December 31, 2004 and April 27, 2005 there were no subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Notes

32 List of subsidiaries and minority holdings (at 31.12.2004)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
BUSINESS AREA PERFORMANCE POLYMERS		
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 (R. O. C.)
EMS-GRILON HOLDING INC.	Wilmington, DE	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC Europe Holding AG	Zug	Switzerland
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Montataire Cedex	France
EFTEC Engineering AB	Hässleholm	Sweden
EFTEC 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's Rep.)
Changchun EFTEC Chemical Products Ltd.	Changchun	China (People's Rep.)
EFTEC Shroff India Ltd.	Mumbai	India
D PLAST-EFTEC a.s.	Zlín	Czech Republic
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Madison Heights, MI	USA
DINOL Holding AB	Hässleholm	Sweden
DINOL AB	Hässleholm	Sweden
SEGURO Corp.	Redmond, MI	USA
EFTEC GmbH	Lügde	Germany
BUSINESS AREA FINE CHEMICALS/ENGINEERING		
EMS-PRIMID *)		
EMS-PATVAG AG	Domat/Ems	Switzerland
GRIVELA AG	Männedorf	Switzerland
EMS-DOTTIKON AG	Dottikon	Switzerland

Category:

P = Production

V = Trade, sale

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	251			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
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
EUR	1 023	100.00 %	100.00%	P,V	K
CHF	100	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	D	K
CHF	102	100.00%	100.00%	P,V	K

Notes

33 Change in scope of consolidation

Fully consolidated:

Disposal:

INVENTA-FISCHER AG, EMS-INVENTA ANLAGENBAU (Holding) GmbH, EMS-INVENTA ANLAGENBAU (Berlin) GmbH and INVENTA-FISCHER GmbH & Co. KG

On July 14, 2004, these companies were sold to the German plant construction company UHDE GmbH.

34 Significant associated companies

EFTEC North America, L.L.C.

Domicile	Madison Heights, MI, USA
Percentage held	30.00%
Financial year	December 1, 2003 – November 30, 2004
Category	Production, sale
Currency	USD
Net sales revenue	KCHF 125 254
Non-current assets	KCHF 42 999
Current assets	KCHF 30 079
Shareholders' equity	KCHF 52 342
Liabilities	KCHF 20 736
Net income	KCHF 339

Between December 1, 2004 and December 31, 2004 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, 2004 – December 31, 2004
Category	Production, sale
Currency	CZK
Net sales revenue	KCHF 22 724
Non-current assets	KCHF 6 070
Current assets	KCHF 11 901
Shareholders' equity	KCHF 11 568
Liabilities	KCHF 6 403
Net income	KCHF 5 470

Report of the Group Auditors

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

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, changes in shareholders' equity, cash flow statement and notes) of EMS-CHEMIE HOLDING AG, Domat/Ems, for the year ended December 31, 2004 as presented on pages 18 to 46. Certain financial statements of subsidiaries which form a material part of the consolidated financial statements have been audited by other auditors. The prior year corresponding figures were audited by other group auditors.

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 (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of 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 27, 2005

KPMG Fides Peat

Hanspeter Stocker	François Rouiller
Swiss Certified	Swiss Certified
Accountant	Accountant
Auditor in charge	

Annual Accounts
EMS-CHEMIE HOLDING AG

(for Fiscal Year May 1, 2004 – April 30, 2005)



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2004 to April 30, 2005

	Notes	2004 / 2005 (CHF '000)	2003 / 2004 (CHF '000)
INCOME			
Financial income			
Interest income from third parties		5 125	6 979
Interest income from group companies and related parties	1	8 806	15 016
Foreign exchange differences, net	2	18 302	1 861
Income from securities		4 082	40 704
Income from sale of participations		27 040	2 033
Income from participations		205 234	172 676
Other income		18	1
Total income		268 607	239 270
EXPENSES			
Financial expenses			
Expenses from securities		1 881	115
Expenses from participations		7 300	164 928
Interest expenses to third parties		30 804	32 347
Interest expenses to group companies		2 339	3
Bank charges, duties, fees		1 718	806
Administration expenses		405	358
Total expenses		44 447	198 557
Net income before taxes		224 160	40 713
Taxes		6 337	1 030
Net income		217 823	39 683

Balance Sheet as at April 30, 2005

	Notes	30. 4. 2005 (CHF '000)	30. 4. 2004 (CHF '000)
Non-current assets		364 877	494 231
Investments	3	170 087	183 288
Loans to group companies		194 790	310 943
Current assets		882 861	925 203
Prepayments and accrued income		6 386	8 364
Accounts receivable from third parties and group companies	4	23 225	16 016
Current financial assets	5	814 987	602 549
Cash and cash equivalents		38 263	298 274
TOTAL ASSETS		1 247 738	1 419 434
Shareholders' equity	6	463 585	634 917
Share capital	7/8	251	261
Legal reserves		50	69 820
Reserves for treasury shares		59 429	180
Other reserves		10 000	10 000
Retained earnings	9		
Balance brought forward		176 032	514 973
Net income		217 823	39 683
Liabilities		784 153	784 517
Non-current liabilities		756 870	701 870
Loans from group companies		105 050	50
Bank loans		37 651	87 651
Bonds	10	600 000	600 000
Provisions		14 169	14 169
Current liabilities		27 283	82 647
Bank loans		0	50 000
Accruals and deferred income		27 053	31 719
Accounts payable to third parties and group companies	11	230	928
TOTAL EQUITY AND LIABILITIES		1 247 738	1 419 434
Balance sheet equity ratio		37.2%	44.7%

Accounting principles

1. General

The financial statements of EMS-CHEMIE HOLDING AG have been prepared in accordance with the historical cost convention and with the provisions of Swiss law.

Assets, liabilities and shareholders' equity continue to be valued using conservative accounting principles.

The comparable figures from the previous year's financial statements have been adjusted to take account of changes in presentation.

The financial year differs from the calendar year (closing date: April 30, 2005).

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.

Current financial assets are shown at the lower of cost or market value.

4. Non-current assets

Investments and loans are shown at purchase value or at face value less any value adjustments required, as the case may be.

5. Liabilities

Non-current liabilities are shown at their redemption value.

Income Statement 2004/2005

Notes	2004/2005 (CHF '000)	2003/2004 (CHF '000)
1	Interest income from group companies and related parties	
	Interest income from group companies	8 741
	Interest income from related parties	65
	Interest income from group companies and related parties	8 806
2	Foreign exchange differences, net	
	Foreign exchange gains	31 252
	Foreign exchange losses	12 950
	Foreign exchange differences, net	18 302

Balance Sheet as at April 30, 2005

3	Investments		
	Investments as at December 31, 2004 are shown on pages 44 and 45.		
	In the period to April 30, 2005, investments changed as follows:		
	Additions:		
	EMS-PATENT AG, Domat/Ems, is in the course of incorporation (share capital: KCHF 100).		
	Disposals:		
	EMS-DOTTIKON AG, Dottikon, was spun off and listed on the stock exchange as at March 31, 2005.		
4	Accounts receivable from third parties and group companies		
	Accounts receivable from third parties	23 001	15 789
	Accounts receivable from group companies	224	227
	Accounts receivable from third parties and group companies	23 225	16 016

Notes		2004/2005 (CHF '000)	2003/2004 (CHF '000)			
5	Current financial assets					
	Securities	47 724	48 231			
	Treasury shares	59 429	180			
	Financial investments	600 359	460 238			
	Other current financial assets	107 475	93 900			
	Current financial assets	814 987	602 549			
	Details to treasury shares:	Number of registered shares				
		2004/2005	2003/2004			
	Balance at May 1	1 802	0			
	Purchases (excluding purchases for redemption of share capital)	857 686	1 802			
	Disposals	(196 969)	0			
	Balance at April 30	662 519	1 802			
	In the reporting year, 857 686 treasury shares were purchased at an average market price of CHF 98.39 and 196 969 treasury shares were sold at an average market price of CHF 104.90. Shares were traded at the stock exchange.					
6	Shareholders' equity					
	Balance at May 1	634 917	819 373			
	Dividends paid	(193 943)	(198 307)			
	Redemption of share capital	(135 217)	0			
	Capital repayment by par value reduction	0	(25 832)			
	Spin-off EMS-DOTTIKON AG	(60 000)	0			
	Miscellaneous	5	0			
	Net income (see note 9)	217 823	39 683			
	Balance at April 30	463 585	634 917			
7	Share capital					
		Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
	Balance at May 1, 2004	CHF 0.01	26 093 000	1 802	26 091 198	261
	Purchase of treasury shares		–	1 700 847	(1 700 847)	–
	Redemption of share capital		(1 040 130)	(1 040 130)	0	(10)
	Balance at April 30, 2005	CHF 0.01	25 052 870	662 519	24 390 351	251

Notes	2004/2005 (CHF '000)	2003/2004 (CHF '000)
8 Significant shareholders Emesta Holding AG, Zug, 14 269 303 registered shares (2003/2004: 15 555 963 registered shares) Percentage of capital and voting rights held No other representation of significant shareholders is known to the Board of Directors.	56.96%	59.62%
9 Retained earnings Balance brought forward Dividends paid Redemption of share capital Spin-off EMS-DOTTIKON AG Reclassification of legal reserves, miscellaneous Net income Retained earnings	554 656 (193 943) (135 207) (60 000) 10 526 217 823 393 855	713 280 (198 307) 0 0 0 39 683 554 656
10 Bonds 2% Convertible bond 2002 – 25.7.2008 4% Debenture bond 2002 – 29.7.2008 Bonds Details of the bonds can be seen in note 18, "Bonds", in the consolidated financial statements of the EMS Group.	300 000 300 000 600 000	300 000 300 000 600 000
11 Accounts payable to third parties and group companies Accounts payable to third parties Accounts payable to group companies Accounts payable to third parties and group companies	230 0 230	395 533 928
Further Details		
12 Dissolution of hidden reserves, net	26 400	0
13 Contingent liabilities Guarantees (maximum liability)	415 578	413 888
To secure the convertible bond in the amount of CHF 350 million issued by EMS-INTERNATIONAL FINANCE (Guernsey) Ltd. in April 2002, EMS-CHEMIE HOLDING AG granted a guarantee in the amount of CHF 367.5 million. In connection with the sale of Atisholz to Emesta Holding AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties in the maximum amount of KCHF 30 000.		

Proposals of the Board of Directors

At the Ordinary General Meeting of Shareholders held on August 13, 2005, the Board of Directors will present the following proposals regarding the 2004/2005 financial year:

1. approval of the Annual Report and the consolidated financial statements as at December 31, 2004 and the financial statements for the year ended April 30, 2005;

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

3. distribution of available retained earnings consisting of:

	2004/2005	2003/2004
Net income	217 823 002.41	39 682 889.90
Redemption of share capital	(135 206 498.70)	0.00
Spin-off EMS-DOTTIKON AG	(60 000 000.00)	0.00
Reclassification of reserves, miscellaneous	10 525 853.30	0.00
Balance brought forward	360 712 580.43	514 972 650.53
Retained earnings	393 854 937.44	554 655 540.43
to be appropriated as follows:		
Payment of an ordinary dividend of CHF 4.00 (previous year CHF 8.00) gross per registered share entitled to dividend	(97 561 404.00)	(193 942 960.00)
Balance to be carried forward	296 293 533.44	360 712 580.43

4. Schedule

The dividend is payable as of August 17, 2005.

Domat/Ems, May 11, 2005

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, Domat/Ems

As statutory auditors, we have audited the accounting records and the financial statements presented on pages 50 to 55 and consisting of balance sheet, income statement and notes of EMS-CHEMIE HOLDING AG for the year ended April 30, 2005. The prior year corresponding figures were audited by other auditors.

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 of 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 pro-

vides 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 11, 2005

KPMG Fides Peat

Hanspeter Stocker	François Rouiller
Swiss Certified	Swiss Certified
Accountant	Accountant
Auditor in Charge	

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