Finance Report 2008

Excerpt from the
46th Annual Report 2008/2009

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Contents

Spotlight on Share Performance

	2008	2007	2006	2005	2004
Number of registered shares	23 389 028 [1]	25 052 870	25 052 870	25 052 870	25 052 870
Number of					
Shares entitled to dividend	22 373 911	24 025 654	22 718 364	23 810 571	24 255 600
Treasury shares	1 015 117	1 027 216	2 334 506	1 242 299	797 270
Information per share (in CHF):					
Dividend per share	5.00 [2]	7.25	8.00	6.50	4.00
Of which ordinary dividend	5.00	6.00	5.50	5.00	4.00
Of which special dividend	–	1.25	2.50	1.50	–
Earnings per share	9.25	12.14	12.99	7.30	7.33
Operative cash flow per share [3]	12.02	7.74	8.33	9.48	7.22
Equity per share [4]	42.61	54.71	48.15	44.64	36.48
Stock prices [5]					
High	165.22	170.00	147.00	116.90	99.21
Low	82.25	144.06	117.00	93.43	90.19
At December 31	88.50	166.60	146.60	116.50	94.36
Market capitalization on December 31 (CHF millions)	2 069.9	4 173.8	3 672.8	2 918.7	2 364.0

Registered shares are listed on the SIX Swiss Exchange.

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

1) As part of a share repurchase, 1 663 842 registered shares were canceled on November 3, 2008.
2) Proposal of the Board of Directors.
3) Operative cash flow = net operating income (EBIT) plus write-downs on intangible assets, property, plant and equipment plus changes in net working capital less tax payments.
4) Inclusive minority interests.
5) Source: Bloomberg.

Key Figures 2004 – 2008

CHF millions	2008	2007	2006	2005	2004
Net sales revenue	1 503.9	1 552.4	1 395.9	1 253.3	1 149.0
Change in % against previous year	–3.1%	+11.2%	+11.4%	+9.1%	
Change in local currencies	+0.8%	+9.2%	+10.3%	+8.4%	
Of which in Switzerland	5.1%	5.0%	4.8%	4.4%	4.5%
Net operating income (EBIT)	219.6	270.2	246.8	216.4	203.4
Change in % against previous year	–18.7%	+9.5%	+14.1%	+6.4%	
In % of net sales revenue	14.6%	17.4%	17.7%	17.3%	17.7%
Net financial income	37.5	63.7	118.3	10.9	18.3
Change in % against previous year	–41.1%	–46.1%	+981.2%	–40.2%	
Income taxes	41.9	40.1	57.4	45.5	41.3
Net income	215.2	293.8	307.7	181.9	180.4
Change in % against previous year	–26.7%	–4.5%	+69.2%	+0.8%	
In % of net sales revenue	14.3%	18.9%	22.0%	14.5%	15.7%
Operative cash flow [1]	275.1	180.7	190.8	229.9	180.6
Change in % against previous year	+52.3%	–5.3%	–17.0%	+27.3%	
In % of net sales revenue	18.3%	11.6%	13.7%	18.3%	15.7%
Investments	63.7	71.9	64.3	48.8	45.5
In % of operative cash flow	23.2%	39.8%	33.7%	21.2%	25.2%
Net cash position	251.0	569.5	551.4	577.9	336.0
Balance sheet total	1 679.4	2 277.1	2 328.6	2 350.4	2 322.6
Assets					
Current assets	1 083.6	1 671.8	1 733.0	1 816.9	1 724.5
Non-current assets	595.9	605.3	595.6	533.5	598.1
Equity and liabilities					
Current liabilities	221.2	614.2	339.0	315.0	293.7
Non-current liabilities	482.9	386.2	886.8	952.6	1 116.5
Equity [2]	975.3	1 276.7	1 102.7	1 082.9	912.3
Balance sheet equity ratio	58.1%	56.1%	47.4%	46.1%	39.3%
Return on equity	22.1%	23.0%	27.9%	16.8%	19.8%
Number of employees on December 31 [3]	2 165	2 231	2 061	2 055	2 078

[1] Operative cash flow = net operating income (EBIT) plus write-downs on intangible assets, property, plant and equipment plus changes in net working capital less tax payments.
[2] Inclusive minority interests.
[3] Excluding apprentices (2008: 129; 2007: 109; 2006: 112; 2005: 119; 2004: 124).

Consolidated Income Statement

	Notes	2008 (CHF '000)	2007 (CHF '000)
Net sales revenue from goods and services		1 503 947	1 552 393
Inventory changes, semi-finished and finished goods		(31 057)	29 076
Capitalized costs and other operating income	1	56 021	52 286
Operating income		1 528 911	1 633 755
Material expenses		911 010	967 537
Personnel expenses	2	216 252	221 572
Depreciation and amortization	8, 23	58 198	53 351
Other operating expenses	3	123 894	121 133
Operating expenses		1 309 354	1 363 593
NET OPERATING INCOME (EBIT)		219 557	270 162
Income from equity-valuation of associated companies		427	4 548
Financial income	5	67 876	130 946
Financial expenses	6	30 792	71 798
NET FINANCIAL INCOME		37 511	63 696
NET INCOME BEFORE TAXES		257 068	333 858
Income taxes	7	41 858	40 104
NET INCOME		215 210	293 754
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		211 803	283 335
Minority interests	16	3 407	10 419
Earnings per share in CHF:			
Basic	26	9.25	12.14
Diluted	26	9.25	12.09

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	31.12.2008 (CHF '000)	31.12.2007 (CHF '000)
NON-CURRENT ASSETS		595 872	605 290
Intangible assets	8	30 292	33 039
Property, plant and equipment	8	515 628	521 400
Financial assets		33 775	38 076
Investments in associated companies	8	14 836	16 934
Other investments	8	183	182
Other non-current financial assets	8	18 756	20 960
Derivative financial instruments	12	7 783	372
Deferred income tax assets	7	8 394	12 403
CURRENT ASSETS		1 083 555	1 671 774
Inventories	9	242 726	276 370
Accounts receivable			
Trade accounts receivable	10	170 742	255 968
Income tax assets		3 382	1 369
Other receivables	11	49 518	94 210
Securities		136 098	321 118
Derivative financial instrumentse	12	33 189	9 000
Cash and cash equivalents	13	447 900	713 739
TOTAL ASSETS		1 679 427	2 277 064
EQUITY		975 302	1 276 652
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		960 094	1 259 588
Share capital	14	234	251
Retained earnings and reserves		748 057	976 002
Net income		211 803	283 335
Equity, attributable to minority interests	16	15 208	17 064
LIABILITIES		704 125	1 000 412
Non-current liabilities		482 929	386 232
Bonds	17	154 209	162 815
Option component of convertible bonds		10 933	39 952
Derivative financial instruments	12	0	502
Bank loans	18	150 000	0
Other non-current liabilities	19	12 352	10 442
Deferred income tax liabilities	7	99 666	105 029
Provisions	20	55 769	67 492
Current liabilities		221 196	614 180
Bonds	17	0	295 515
Option component of convertible bonds		0	12 532
Derivative financial instruments	12	3 059	5 578
Bank loans	18	16 507	3 102
Trade accounts payable		70 842	116 959
Income tax liabilities		34 036	51 530
Provisions	20	9 599	18 771
Other current liabilities	21	87 153	110 193
TOTAL EQUITY AND LIABILITIES		1 679 427	2 277 064

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Changes in Equity

(CHF '000) (Notes)	Share capital	Capital reserves (share premium)	Retained earnings	Treasury shares	Gains/ (losses) from securities arising from IAS 39	Hedging reserves from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to minority interests	Equity
At 31.12.2005	251	2 093	1 034 837	(125 814)	135 879	0	(5 967)	1 041 279	41 572	1 082 851
Changes in fair value: Available-for-sale securities					11 220			11 220		11 220
Currency translation differences							(5 405)	(5 405)	(859)	(6 264)
Net income / (expense) recognized directly in equity	0	0	0	0	11 220	0	(5 405)	5 815	(859)	4 956
Net income recognized in income statement			297 441					297 441	10 226	307 667
Total recognized income and expense	0	0	297 441	0	11 220	0	(5 405)	303 256	9 367	312 623
Transactions with treasury shares		83		(142 059)				(141 976)		(141 976)
Dividends paid			(147 674)					(147 674)	(3 111)	(150 785)
At 31.12.2006	251	2 176	1 184 604	(267 873)	147 099	0	(11 372)	1 054 885	47 828	1 102 713
Changes in fair value: Available-for-sale securities (15)					(32 442)			(32 442)		(32 442)
Currency translation differences							(6 945)	(6 945)	175	(6 770)
Net income / (expense) recognized directly in equity	0	0	0	0	(32 442)	0	(6 945)	(39 387)	175	(39 212)
Net income recognized in income statement			283 335					283 335	10 419	293 754
Total recognized income and expense	0	0	283 335	0	(32 442)	0	(6 945)	243 948	10 594	254 542
Buyout of minority interests (16)								0	(38 901)	(38 901)
Transactions with treasury shares (incl. converted treasury shares) (14)		21 881		133 354				155 235		155 235
Dividends paid			(194 480)					(194 480)	(2 457)	(196 937)
At 31.12.2007	251	24 057	1 273 459	(134 519)	114 657	0	(18 317)	1 259 588	17 064	1 276 652
Changes in fair value: Available-for-sale securities (15)					(76 671)			(76 671)		(76 671)
Net changes from cash flow hedges, after taxes (12)						35 539		35 539		35 539
Currency translation differences							(11 096)	(11 096)	726	(10 370)
Net income / (expense) recognized directly in equity	0	0	0	0	(76 671)	35 539	(11 096)	(52 228)	726	(51 502)
Net income recognized in income statement			211 803					211 803	3 407	215 210
Total recognized income and expense	0	0	211 803	0	(76 671)	35 539	(11 096)	159 575	4 133	163 708
Transactions with minority interests (16)								0	(2 424)	(2 424)
Transactions with treasury shares (incl. converted treasury shares) (14)		(1 462)		4 116				2 654		2 654
Redemption of share capital (14)	(17)		(299 475)					(299 492)		(299 492)
Dividends paid			(162 231)					(162 231)	(3 565)	(165 796)
At 31.12.2008	234	22 595	1 023 556	(130 403)	37 986	35 539	(29 413)	960 094	15 208	975 302

	2008	2007
Balance sheet equity ratio	58.1%	56.1%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2007: KCHF 50) not eligible for distribution. The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closes on April 30, 2009, was communicated on February 6, 2009. The change in income taxes recognized directly in equity amounts to KCHF –8 132 (2007: KCHF 1 836) on securities, KCHF –124 (2007: KCHF 1 859) on transactions with treasury shares and KCHF 3 019 (2007: KCHF 0) on hedge accounting according to IAS 39. The translation differences contain KCHF 1 998 (2007: KCHF 0) from IAS 21 "Net investment in a foreign operation".

For further information and data refer to page 2 "Spotlight on Share Performance".

Consolidated Cash Flow Statement

	Notes	2008 (CHF '000)	2007 (CHF '000)
Net income		215 210	293 754
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	8, 23	58 198	53 351
(Profit) / loss from disposal of property, plant and equipment	3	5 474	1 680
Increase / (decrease) of provisions	20	(18 233)	11 213
Increase / (decrease) of other non-current liabilities		(205)	372
(Income) / expenses from the equity-valuation of associated companies		(427)	(4 548)
Impairment on available-for-sale securities	6, 23	0	8 163
Unrealized currency translation differences on foreign exchange positions		11 423	785
Change assets and liabilities of post-employment benefits, net	8, 19	(1 210)	1 186
Net interest expense	5, 6	379	3 699
Dividends on available-for-sale securities	5	(2 868)	(5 848)
Income from sale of available-for-sale securities	5	(10 616)	(87 844)
Income from liquidation of other participations	5	0	(42)
Expenses for income taxes	7	41 858	40 104
OPERATING CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL		298 983	316 025
Changes in net working capital		(17 425)	(39 062)
Taxes paid		(56 706)	(86 568)
Interest paid		(13 641)	(17 870)
Provisions used	20	(2 269)	(4 338)
CASH FLOW FROM OPERATING ACTIVITIES A		208 942	168 187
(Purchase) of intangible assets and property, plant and equipment	8	(63 712)	(71 866)
Disposal of intangible assets and property, plant and equipment	3, 8	322	796
(Purchase) of financial assets	8	(31)	(2 206)
Disposal of financial assets	5, 8	3 252	193
(Purchase) / disposal of available-for-sale securities		42 505	160 828
Interest received		13 809	19 773
Dividends received		5 146	7 822
Cash outflow from purchase of fully consolidated companies and minority interests	24	(2 642)	(85 612)
Cash inflow from liquidation of fully consolidated companies	24	0	26
Cash inflow from minority interests due to founding of fully consolidated companies	16	423	0
(Increase) / decrease of interest-bearing assets		42 899	1 677
CASH FLOW FROM INVESTING ACTIVITIES B		41 971	31 431
Capital redemption (nominal value and premium)		(299 492)	0
Dividends paid		(162 231)	(194 480)
Dividends paid to minorities	16	(3 565)	(2 457)
(Purchase) of treasury shares		(17 505)	(65 102)
Sale of treasury shares		2 984	16 858
Increase in interest-bearing liabilities		161 852	0
(Decrease) in interest-bearing liabilities		(214 990)	(14 568)
CASH FLOW FROM FINANCING ACTIVITIES C		(532 947)	(259 749)
TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENTS D		16 195	1 356
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		(265 839)	(58 775)
Cash and cash equivalents at 1.1.		713 739	772 514
Increase / (decrease) of cash and cash equivalents		(265 839)	(58 775)
Cash and cash equivalents at 31.12.	13	447 900	713 739

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Consolidated accounting principles

General information on the consolidated financial statements

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

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

Changes to the consolidated accounting principles

The IASB published a series of new and revised standards and interpretations, which took effect in financial year 2008 and were implemented by the EMS Group on January 1, 2008. This has no material effect on the consolidated financial statements of the EMS Group.

Consistency

The principles of valuation and consolidation remain unchanged from the previous year, with the exception of the changes described above. For comparative purposes, certain prior-year amounts have been reclassified and amended to conform to the current year consolidated financial statements.

Possible implications of new or revised standards, relevant for the EMS Group, which came into force for financial year 2009 or later

Standard / Interpretation		Entry into force	Planned application by the EMS Group
IAS 1 rev. – Presentation of Financial Statements	**	January 1, 2009	Financial year 2009
IAS 23 rev. – Borrowing Costs	*	January 1, 2009	Financial year 2009
IAS 32 and IAS 1 Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation	*	January 1, 2009	Financial year 2009
IFRS 8 – Operating Segments: Disclosure	**	January 1, 2009	Financial year 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	*	October 1, 2008	Financial year 2009
IAS 39 rev. – Financial instruments: Recognition and Measurement – Amendments for Eligible Hedged Items	*	July 1, 2009	Financial year 2010
IFRS 3 rev. – Business Combinations	*	July 1, 2009	Financial year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners	*	July 1, 2009	Financial year 2010

* There are not expected to be any significant implications for the consolidated financial statements of the EMS Group.
** The primary expectation is that there will be additional disclosures in the consolidated financial statements of the EMS Group.

Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, holding more than 50% of the voting rights, or by contracts or other agreements (see note 30 "List of subsidiaries and minority holdings").

The equity method of accounting is 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 fair value.

Method of consolidation

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

Upon the acquisition of minority interests in a fully consolidated company, any difference between the purchase price and the carrying amount of such minority interests at the time of acquisition is capitalized as goodwill. No fair value adjustments are recognized.

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

Balance sheet date

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

Valuation principles

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

Intangible assets (excluding goodwill)

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

Goodwill

This item consists of goodwill acquired in a business combination. Goodwill represents the difference between consideration paid and the fair value of the net assets and contingent liabilities acquired. Goodwill is subject to an annual impairment test.

Property, plant and equipment

Property, plant and equipment are shown at purchase price or manufacturing cost less depreciation and impairments. Assets are depreciated using the straight-line method over their estimated useful lives. Useful lives are estimated in terms of the asset's physical life expectancy, corporate policy on asset renewals and technological and commercial obsolescence. The value of the capitalized property, plant and equipment is periodically reviewed.
An impairment loss is recorded when the carrying amount exceeds the recoverable amount.

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

There are no assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance lease) in the EMS Group. Payments on leased assets defined as "operating lease" and having a rental character are expensed over the lease period.

Financial assets within non-current assets

Shares in associated companies are included using the equity method.
Other investments are classified as available-for-sale. The valuation is the same as described under "securities".

Inventories

Inventories used for production are valued at their historical purchase or production cost or at their net realizable value, whichever is lower. Inventories are valued using the "fifo" (first-in, first-out) method. Besides individual costs, the cost of production also includes a proportionate allocation of manufacturing overheads.

Accounts receivable

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

Securities

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank account balances and short or medium-term deposits 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

Non-current bank loans are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, debenture bonds and non-current bank loans are stated at amortized cost. Convertible bonds are split into a liability component and an option component at date of issue and are shown separately in the balance sheet.
On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the terms, but without the conversion option. At date of issue the value of the option component results by deduction of the liability component from the proceeds of the bond issue. With conventional convertible bonds, the holder acquires the right to

convert into shares of the issuer. The option therefore constitutes an equity component. In the case of the convertible bond issued by the EMS Group, there is an option to convert into registered shares of Lonza Group AG. The option component is therefore treated as a debt instrument, and is measured at fair value in subsequent years and adjusted through the income statement.

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

Liabilities and deferred income

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

Provisions

Provisions are set up for legal or 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.

Employee benefits

All subsidiaries in Switzerland have their own, legally independent pension plans that are independently managed. They are financed through contributions from employers and employees. Present and former employees (or their surviving dependants) will receive benefits upon reaching the age limit and/or in the event of incapacity or death. For the purposes of the consolidated financial statements, future pension obligations are calculated on the basis of actuarial methods complying with IFRS. In the case of defined benefit obligations, the present value of the projected benefit obligation is assessed using the projected unit credit method on the basis of completed and expected years of service, the expected pay trend and the adjustment of pensions. Costs for this provision ("expense recognized in the income statement") are calculated annually and carried to the income statement. Changes in actuarial assumptions are recognized in the income statement on a straight-line basis over two years when they exceed the limit of 10% of the plan assets or 10% of the plan obligations. Employees of subsidiaries abroad are insured by governmental institutions or independent defined contribution pension plans.

Derivative financial instruments

Initial measurement of all derivative financial instruments is done at the date of transaction (trade date accounting) at fair value excluding transaction costs. Subsequent measurement is done at fair value within the balance sheet position derivative financial instruments. Changes in fair value are shown within the financial income.

Hedge accounting

For the hedging of interest rate risks no hedge accounting as defined by IAS 39 is used.
Hedge accounting as defined by IAS 39 has been used since 2008 for the hedging of currency risks. This includes the use of cash flow hedges, which hedge future transactions with a high likelihood of occurrence. At initial recognition of cash flow hedges, the effective portion of hedging instruments is recognized in equity and the ineffective portion immediately in the income statement. Gains and losses from cash flow hedges shown in equity are transferred to the income statement on the date on which the forecasted transaction affects the income statement.
The goal of hedge accounting is to match the impact of the hedged item and the hedging instrument in the income statement.

Net sales revenue

Net sales revenue includes the invoiced amounts for supplied goods and services less diminished proceeds.

Research and development costs

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

Impairment

The carrying amounts of non-current assets not valued at fair value are reviewed at balance sheet date. If there are any indications of permanent impairment, the recoverable amount is determined. The recoverable amount corresponds to the higher of the 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.

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

Fair values

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

Foreign currencies

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

Financial statements in foreign currencies are translated as follows: current assets, non-current assets and liabilities at year-end exchange rates. All items in the income statement and the net income are translated using the average exchange rate for the year. 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).

The most important exchange rates are:

			Average exchange rates		Year-end exchange rates	
		Unit	2008	2007	2008	2007
Euro	EUR	1	1.586	1.643	1.490	1.655
US Dollar	USD	1	1.082	1.200	1.055	1.125
Japanese Yen	JPY	100	1.050	1.019	1.170	1.004
Chinese Renminbi	CNY	100	15.58	15.77	15.47	15.40
Taiwan Dollar	TWD	100	3.428	3.651	3.216	3.466

Income taxes

Provisions for deferred income taxes are recognized to reflect the tax impact on differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes. 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 financial statements. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Earnings per share

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

Segment reporting

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.

Financial risk management

General

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

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

Credit risks

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

Liquidity risks

Liquidity risk is the risk that the EMS Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The cash flows and liquidity requirements of the EMS Group are supervised by central treasury. The goal is to have the liquidity required for day-to-day operations available at all times.

Market risks

Interest rate risks

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

Currency risks

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

Other price risks: securities risks

Among "other price risks" are securities risks. Available-for-sale securities and the option component of convertible bonds can be influenced by changes in fair values.

Available-for-sale securities are held for fund management purposes. The risk of loss in value is reduced by reviews prior to investing and continuous monitoring of the performance of investments and changes in their risk profile.

Capital management

The capital managed by the EMS Group consists of the consolidated equity including minority interests. The EMS Group has set the following goals for the management of its capital:
- maintaining a healthy and sound balance sheet structure based on continuing values;
- ensuring the necessary financial resources to be able to make investments and acquisitions;
- achieving a return for shareholders that is appropriate to the risk;
- distribution of financial resources not required for operational business to the shareholders.

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including minority interests) as a percentage of total assets. The balance sheet equity ratio is 58.1 % as at December 31, 2008 (December 31, 2007: 56.1 %).

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

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

Significant estimates and assumptions made by management

Impairment of non-current assets

To ascertain whether impairment has occurred, estimates are made of the expected future cash flows arising from the use and possible disposal of such assets. Significant assumptions are made in relation to such calculations, including sales figures, margins and discounting rates. It is also possible for useful lives to be reduced, the intended use of property, plant and equipment to change, production sites to be relocated or closed, and production plants to generate lower-than-expected sales in the medium term. The carrying amounts for property, plant and equipment and intangible assets are shown in note 8.

Provisions for litigation risks and other provisions

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

Securities

The EMS Group has classified this item as available-for-sale, which means that fluctuations in the fair value are recognized in equity until the date of sale, provided there is no lasting impairment. The assessment as to whether impairment has occurred depends on the duration and extent of the decline based on clear criteria. However, it also requires that management makes estimates with regard to future economic developments. The fair value of securities is shown in the balance sheet.

Employee benefits

The EMS Group operates various retirement plans on behalf of its employees. In the case of defined benefit plans, statistical assumptions are made in order to estimate future developments. When parameters alter due to changes in the economic situation or different market conditions, subsequent results may differ significantly from the actuarial opinions and calculations. The carrying amounts of reported employee retirement assets and liabilities are shown in notes 8 and 19.

Taxes

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

Segment Information

Breakdown by business area (Primary segment)

(CHF '000)

	Net sales revenue: Net sales with other segments		Net sales revenue: Net sales with third parties		Total net sales		Depreciation, amortization and impairment in intangible assets and property, plant and equipment [1]		Net operating income (EBIT)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
PERFORMANCE POLYMERS	131	311	1 392 269	1 427 888	1 392 400	1 428 199	49 502	45 097	201 438	243 382
FINE CHEMICALS / ENGINEERING	0	0	111 678	124 505	111 678	124 505	8 696	8 254	18 119	26 780
Subtotal segments	131	311	1 503 947	1 552 393	1 504 078	1 552 704	58 198	53 351	219 557	270 162
– Internal net sales	(131)	(311)			(131)	(311)				
Total EMS Group	0	0	1 503 947	1 552 393	1 503 947	1 552 393	58 198	53 351	219 557	270 162

For a description of the business areas see pages 4 – 6 ("General Information on the Financial Year").

	Segment assets [2]		Segment liabilities [3]		Investments in intangible assets and property, plant and equipment		Income from equity-valuation of associated companies		Investments in associated companies	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
PERFORMANCE POLYMERS	957 792	1 058 582	298 808	389 524	51 816	57 489	427	4 548	14 836	16 934
FINE CHEMICALS / ENGINEERING	122 801	116 691	73 668	96 972	11 896	14 377	0	0	0	0
Subtotal segments	1 080 593	1 175 273	372 476	486 496	63 712	71 866	427	4 548	14 836	16 934
Non-segment assets / liabilities	598 834	1 101 791	331 649	513 916						
Total EMS Group	1 679 427	2 277 064	704 125	1 000 412	63 712	71 866	427	4 548	14 836	16 934

Breakdown by geographical region (Secondary segment)

(CHF '000)

	Total net sales revenue (customers)		Total net sales revenue (production)		Net operating income (EBIT)		Segment assets [2]		Investments in intangible assets and property, plant and equipment	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Switzerland	76 146	76 758	813 397	908 282	174 130	194 796	650 817	706 031	32 944	44 144
European Union (EU)	892 223	959 214	377 212	372 748	28 301	43 075	185 552	221 058	13 947	21 167
North America	174 796	134 813	126 028	78 967	(7 148)	4 632	96 541	127 503	1 913	1 650
Asia	300 248	314 270	187 310	192 396	24 274	27 659	147 683	120 681	14 908	4 905
Others	60 534	67 338	0	0	0	0	0	0	0	0
Subtotal segments	1 503 947	1 552 393	1 503 947	1 552 393	219 557	270 162	1 080 593	1 175 273	63 712	71 866
Non-segment assets							598 834	1 101 791		
Total EMS Group	1 503 947	1 552 393	1 503 947	1 552 393	219 557	270 162	1 679 427	2 277 064	63 712	71 866

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

[1] See note 8.
[2] Segmented assets: Assets without cash and cash equivalents, securities, fixed deposits in other current and non-current financial assets and investments in associated companies.
[3] Segmented liabilities: Liabilities without current and non-current bank loans, bonds and option component of convertible bonds.

Consolidated Income Statement

Notes		2008 (CHF '000)	2007 (CHF '000)
1	Capitalized costs and other operating income		
	Capitalized costs	10 543	14 200
	Other operating income	45 478	38 060
	Income from liquidation of fully consolidated companies	0	26
	Total capitalized costs and other operating income	56 021	52 286
2	Personnel expenses		
	Wages and salaries	172 905	175 578
	Subcontractor salaries	5 348	8 644
	Expenses for defined benefit plans	8 413	12 116
	Legal / contractual social insurance	29 586	25 234
	Total personnel expenses	216 252	221 572
	Employee benefits		
	The following figures give an overview of the Swiss pension plans:		
	Present value of funded obligations	(404 442)	(453 718)
	Fair value of plan assets	377 919	437 196
	Recognized liability for defined benefit obligations	(26 523)	(16 522)
	Liability for long-service leave	0	0
	Cash-settled share-based payment liability	0	0
	Total employee benefits	(26 523)	(16 522)
	Unrecognizable amount	(12 760)	(15 403)
	Actuarial losses, not accounted for	52 537	43 969
	Total recognized net assets in the Group balance sheet for independent defined benefit plans	13 254	12 044
	There are no unfunded obligations. The Group makes contributions to a contributory defined benefit plan that provides pensions for employees upon retirement, disability and death. The plan entitles a retired employee to receive an annual payment equal to 6.8 % (2007: 6.8 %) of the retirement assets. Disability and death pensions are defined as fixed ratios of the salary insured.		

Notes	2008 (CHF '000)	2007 (CHF '000)
The balance sheet shows the following:		
Surplus recognized in financial assets as pension assets (see note 8)	17993	17004
Deficit recognized in other non-current liabilities as liabilities from employee benefits (see note 19)	(4739)	(4960)
Total recognized net assets in the Group balance sheet	13254	12044
Plan assets consist of the following:		
Loans to the employer	4279	7096
Liquid assets	238284	45683
Real estate	21180	21180
Bonds	75022	153477
Other equities	39154	209760
Total plan assets	377919	437196
Movement in the liability for defined benefit obligations		
Liability for defined benefit obligations at 1.1.	453718	448396
Benefits paid by the plan	(16893)	(14001)
Current service costs and interest (see below)	32226	27589
Net curtailments	899	0
Settlements	(11191)	(6365)
Actuarial (gains) / losses (see next page)	(54317)	(1901)
Liability for defined benefit obligations at 31.12.	404442	453718
Movement in plan assets		
Fair value of plan assets at 1.1.	437196	423887
Contributions paid into the plan	17307	17857
Benefits paid by the plan	(16893)	(14001)
Expected return on plan assets	17488	16956
Settlements	(11191)	(6365)
Actuarial gains / (losses) (see next page)	(65988)	(1138)
Fair value of plan assets at 31.12.	377919	437196
Expense recognized in the income statement		
Current service costs	17939	16632
Interest on obligation	14287	10957
Expected return on plan assets	(17488)	(16956)
Recognized actuarial gains and losses (see next page)	3103	3299
Effect of curtailments	899	0
Effect of the limit in paragraph 58(b)	(2643)	5111
Employees' contributions	(7684)	(6927)
ERIS (Expense Recognized in the Income Statement)	8413	12116
The expense is recognized in personnel expenses.		

Notes		2008 (CHF '000)	2007 (CHF '000)
	Change of recognized net assets		
	At 1.1.	12 044	13 230
	ERIS (Expense Recognized in the Income Statement)	(8 413)	(12 116)
	Employer's contribution	9 623	10 930
	At 31.12.	13 254	12 044
	Actual return on plan assets	(39 054)	10 150
	Not recognized actuarial gains and losses		
	Cumulative amount at 1.1.	43 969	48 031
	Actuarial gains and losses of the period	11 671	(763)
	Amortization during the period	(3 103)	(3 299)
	Cumulative amount at 31.12.	52 537	43 969
	Actuarial assumptions		
	Actuarial assumptions at the reporting date (expressed as weighted averages):		
	Discount rate at 31.12.	3.5%	2.5%
	Expected return on plan assets at 1.1.	4.0%	4.0%
	Future salary increases	1.5%	1.5%
	Future pension increases	0.5%	0.5%

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

Historical information	2008	2007	2006	2005
Present value of the defined benefit obligation	404 442	453 718	448 396	429 733
Fair value of plan assets	(377 919)	(437 196)	(423 887)	(402 356)
Deficit in the plan	26 523	16 522	24 509	27 377
Experience gains / (losses) arising on plan liabilities	(16 177)	1 901	(5 381)	0
Experience gains / (losses) arising on plan assets	(65 988)	(1 138)	(87)	41 437

The Group expects to pay KCHF 8 015 (2008: KCHF 8 786) in contributions to defined benefit plans in 2009.

Notes		2008 (CHF '000)	2007 (CHF '000)
3	**Other operating expenses**		
	Rents	12 139	9 299
	Repairs and maintenance	21 182	22 762
	Insurance, duties, fees	8 007	7 945
	Energy	30 821	27 583
	Administration, promotion	31 138	29 089
	Losses on disposal of property, plant and equipment, net	5 474	1 680
	Other operating expenses	15 133	22 775
	Total other operating expenses	123 894	121 133
4	**Research and development**		
	Expenditures for research and development amount to	48 155	53 432
	In percent of net sales revenue	3.2%	3.4%

Notes		2008 (CHF '000)	2007 (CHF '000)
5	**Financial income**		
	Interest income from related parties	361	360
	Other interest income	11 496	19 051
	Interest income on loans and receivables	7	7
	Interest income on held-to-maturity investments	571	1 175
	Total interest income	12 435	20 593
	Dividends on available-for-sale securities	2 868	5 848
	Income from sale of available-for-sale securities, net	10 616	87 844
	Fair value adjustments on derivative financial instruments, net	34 647	0
	Income from conversion of bonds	5 980	16 619
	Income from repurchase of own bonds	1 330	0
	Income from liquidation of other participations	0	42
	Total financial income	67 876	130 946
6	**Financial expenses**		
	Interest expenses to associated companies	75	74
	Other interest expenses	1 247	974
	Interest expenses on financial liabilities measured at amortized cost	11 492	23 244
	Total interest expenses	12 814	24 292
	Foreign exchange losses, net	16 500	1 843
	Fair value adjustments on derivative financial instruments, net	0	35 152
	Impairment on available-for-sale securities	0	8 163
	Bank charges and commissions	1 478	2 348
	Total financial expenses	30 792	71 798
7	**Income taxes**		
	Current income taxes	34 497	73 709
	Deferred income taxes	7 361	(33 605)
	Total income taxes	41 858	40 104

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	2008 (CHF '000)	2007 (CHF '000)
Net income before income taxes	257 068	333 858
Expected income tax rate	21.0%	23.2%
Expected income taxes	54 083	77 560
Use of tax losses carried forward not capitalized	(1 122)	(138)
Change in deferred tax assets not having been set up	(2 764)	3 421
Tax exemption / Expenses not being deductible for tax purposes	(1 294)	(6 726)
Taxes from previous years and tax holidays	(7 031)	187
Impact of changed deferred income tax rates	(172)	(34 179)
Other	158	(21)
Effective income taxes	41 858	40 104
Effective income tax rate	16.3%	12.0%

Notes	2008 (CHF '000)		2007 (CHF '000)	

Deferred income taxes:
Change in recognized assets / liabilities

	Deferred income tax assets 2008	Deferred income tax liabilities 2008	Deferred income tax assets 2007	Deferred income tax liabilities 2007
At 1.1.	12403	105029	3898	128531
Increase via income statement	45	8498	8747	2063
Decrease via income statement	(3808)	(4900)	(97)	(27018)
Income taxes recognized directly in equity	0	(8132)	0	1836
Translation differences	(246)	(829)	(145)	(383)
At 31.12.	8394	99666	12403	105029

Note to the deferred income tax liabilities

	2008	2007
Calculation according to the "balance sheet liability method":		
Deferred income taxes on non-current assets	76670	86115
Deferred income taxes on current assets	20683	15328
Deferred income taxes on liabilities	2313	3586
Total deferred income tax liabilities	99666	105029

Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.

Tax loss carryforwards

	Tax loss carryforwards 2008	Tax effect 2008	Tax loss carryforwards 2007	Tax effect 2007
Total tax loss carryforwards not considered in the balance sheet	41519	12011	29870	10788
Of which to be carried forward for up to:				
1 year	0	0	0	0
2 years	0	0	0	0
3 years	0	0	0	0
4 years	159	33	0	0
5 years	10136	2128	2	1
More than 5 years	31224	9850	29868	10787

Consolidated Balance Sheet as at December 31

Notes

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

I. Intangible assets

(CHF '000)	Goodwill	Patents, trade-marks	Others	Total
At 1.1.2007				
Cost	0	13183	15881	29064
Accumulated amortization and impairment	0	(11199)	(11243)	(22442)
Net book value	0	1984	4638	6622
2007				
At 1.1.	0	1984	4638	6622
Change in scope of consolidation	20245	0	10861	31106
Additions	0	68	1087	1155
Disposals	0	0	(29)	(29)
Amortization	0	(944)	(2283)	(3227)
Reclassifications	0	0	296	296
Translation differences	(2262)	25	(647)	(2884)
At 31.12.	17983	1133	13923	33039
Cost	17983	13297	26026	57306
Accumulated amortization and impairment	0	(12164)	(12103)	(24267)
Net book value	17983	1133	13923	33039
2008				
At 1.1.	17983	1133	13923	33039
Additions	3161	49	570	3780
Disposals	0	0	(72)	(72)
Amortization	0	(938)	(5001)	(5939)
Reclassifications	0	5	651	656
Translation differences	(422)	(50)	(700)	(1172)
At 31.12.	20722	199	9371	30292
Cost	20722	4088	24645	49455
Accumulated amortization and impairment	0	(3889)	(15274)	(19163)
Net book value	20722	199	9371	30292

The other intangible assets mainly contain customer related intangibles and capitalized software usage rights.
The addition in goowill results from the buyout of the minorities at Changchun EFTEC Chemicals Products Ltd. as at January 1, 2008 (see note 16) and concerns the segment "Performance Polymers".

<u>Impairment test for goodwill:</u>

The cash generating unit for the impairment test of the total goodwill of KCHF 20722 (2007: KCHF 17983) is the Business Unit EMS-EFTEC (segment "Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:
– The cash flows for the first three years were determined on the basis of medium-term plans.
– The cash flows of the following years were calculated with an annual growth rate of 1%.
– The discount rate before taxes is 12%.

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

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

Notes

11. 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	Total
At 1.1.2007						
Cost	18282	270582	755424	56006	36745	1137039
Accumulated depreciation and impairment	(1373)	(150951)	(463040)	(35862)	(437)	(651663)
Net book value	16909	119631	292384	20144	36308	485376
2007						
At 1.1.	16909	119631	292384	20144	36308	485376
Change in scope of consolidation	1020	1575	16350	413	1487	20845
Additions	1407	1276	5086	1852	61090	70711
Disposals	(59)	(298)	(1339)	(600)	(151)	(2447)
Depreciation	(46)	(7547)	(34126)	(4405)	0	(46124)
Impairment	0	0	(4000)	0	0	(4000)
Reclassifications	(72)	10596	25975	2445	(39240)	(296)
Translation differences	(90)	(728)	(2406)	42	517	(2665)
At 31.12.	19069	124505	297924	19891	60011	521400
Cost	20456	293374	802688	60787	60011	1237316
Accumulated depreciation and impairment	(1387)	(168869)	(504764)	(40896)	0	(715916)
Net book value	19069	124505	297924	19891	60011	521400
2008						
At 1.1.	19069	124505	297924	19891	60011	521400
Additions	67	607	3133	1976	57310	63093
Disposals	(352)	(3541)	(1403)	(422)	(6)	(5724)
Depreciation	(66)	(8684)	(32447)	(4415)	0	(45612)
Impairment	0	0	(6288)	(143)	(216)	(6647)
Reclassifications	803	22994	48044	2875	(75482)	(766)
Translation differences	(798)	(4264)	(3844)	(1131)	(79)	(10116)
At 31.12.	18723	131617	305119	18631	41538	515628
Cost	20156	300628	844057	60398	41538	1266777
Accumulated depreciation and impairment	(1433)	(169011)	(538938)	(41767)	0	(751149)
Net book value	18723	131617	305119	18631	41538	515628

Fire insurance value is KCHF 1474586 (2007: KCHF 1462231).
Property, plant and equipment are insured at replacement values.

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

Year	**Amount**	**Segment**
2008:	KCHF 6647	Performance Polymers
2007:	KCHF 4000	Performance Polymers

Notes

III. Financial assets

(CHF '000)	Investments in associated companies	Other investments	Other non-current financial assets: Pension assets IAS 19	Other non-current financial assets: Other non-current financial assets	Total
At 1.1.2007					
Cost / Fair value	29 405	244	18 499	80 418	98 917
Accumulated depreciation / amortization and impairment	0	0	0	(28 852)	(28 852)
Net book value	29 405	244	18 499	51 566	70 065
2007					
At 1.1.	29 405	244	18 499	51 566	70 065
Change in scope of consolidation	2 602	0	0	43	43
Additions / Increase	2 587	0	0	2 206	2 206
Disposals / Decrease	(13)	(61)	(1 495)	(90)	(1 585)
Reclassifications	(17 067)	0	0	(49 758)	(49 758)
Translation differences	(580)	(1)	0	(11)	(11)
At 31.12.	16 934	182	17 004	3 956	20 960
Cost / Fair value	16 934	182	17 004	4 626	21 630
Accumulated depreciation / amortization and impairment	0	0	0	(670)	(670)
Net book value	16 934	182	17 004	3 956	20 960
2008					
At 1.1.	16 934	182	17 004	3 956	20 960
Additions / Increase	0	1	989	30	1 019
Disposals / Decrease	(1 851)	0	0	(3 252)	(3 252)
Translation differences	(247)	0	0	29	29
At 31.12.	14 836	183	17 993	763	18 756
Cost / Fair value	14 836	183	17 993	812	18 805
Accumulated depreciation / amortization and impairment	0	0	0	(49)	(49)
Net book value	14 836	183	17 993	763	18 756

In connection with the purchase of 70% of EFTEC America, the existing 30%-investment of EFTEC America of KCHF 17 067 was reclassified from investments in associated companies to investments in fully consolidated companies at November 20, 2007 (see note 24). The other non-current financial assets mainly contain loans to third parties. In 2007, fixed deposits were reclassified to other receivables due to their maturity (below twelve months) (see note 11).

Notes		2008 (CHF '000)	2007 (CHF '000)
9	Inventories		
	Raw materials and supplies	85664	84161
	Semi-finished goods, work in progress	8027	6507
	Finished products	176750	208573
	Value adjustments	(27777)	(27914)
	Advance payments on goods	62	5043
	Total inventories	242726	276370
10	Trade accounts receivable		
	Trade accounts receivable from associated companies	0	133
	Trade accounts receivable from third parties	178730	263624
	Allowances for doubtful accounts	(7988)	(7789)
	Total trade accounts receivable	170742	255968
	Allowances for doubtful accounts are determined on the basis of historical losses and recognizable individual risks.		
	Due dates of trade accounts receivable		
	Not due	148313	235201
	Overdue <30 days	23788	23538
	Overdue 30 to 90 days	4091	4155
	Overdue >90 days	2538	863
	Total	178730	263757
	The movement of the allowances for doubtful accounts on trade accounts receivable is as follows:		
	At 1.1.	7789	7433
	Increase / Decrease	689	489
	Translation differences	(490)	(133)
	At 31.12.	7988	7789
11	Other receivables		
	Receivables from associated companies	91	22
	Other receivables	36327	34895
	Other current financial assets	0	50000
	Prepayments and accrued income	13100	9293
	Total other receivables	49518	94210
	In the previous year the other current financial assets consisted of fixed-term deposits between three and twelve months.		

Notes				2008 (CHF '000)	2007 (CHF '000)
12	Derivative financial instruments				
	The following summary shows the most important derivative financial instruments:				
	Financial instruments at fair value classified through profit or loss				
	Currency SWAPS and forward rate agreements	EUR/CHF	Notional amount CHF	39 070	216 855
			Positive replacement value CHF	214	466
			Negative replacement value CHF	955	1 309
		JPY/CHF	Notional amount CHF	530	123 340
			Positive replacement value CHF	3	245
			Negative replacement value CHF	0	3 847
		USD/CHF	Notional amount CHF	38 790	0
			Positive replacement value CHF	702	0
			Negative replacement value CHF	171	0
		CZK/CHF	Notional amount CHF	4 680	13 455
			Positive replacement value CHF	0	859
			Negative replacement value CHF	136	0
		GBP/EUR	Notional amount CHF	7 583	19 263
			Positive replacement value CHF	0	29
			Negative replacement value CHF	47	710
	Currency options	EUR/CHF	Notional amount CHF	30 270	33 080
			Positive replacement value CHF	40	23
			Negative replacement value CHF	295	214
	Equity options	CHF	Notional amount CHF	0	140 625
			Positive replacement value CHF	0	7 750
			Negative replacement value CHF	0	0
	Total		Notional amount CHF	120 923	546 618
			Positive replacement value CHF	959	9 372
			Negative replacement value CHF	1 604	6 080
	Thereof: Current portion		Positive replacement value CHF	959	9 000
			Negative replacement value CHF	1 604	5 578
	Non-current portion		Positive replacement value CHF	0	372
			Negative replacement value CHF	0	502

Notes				2008 (CHF '000)	2007 (CHF '000)
	Financial instruments effective for hedge accounting purposes				
	Currency SWAPS and forward rate agreements	EUR / CHF	Notional amount CHF	296 590	0
			Positive replacement value CHF	15 820	0
			Negative replacement value CHF	0	0
		JPY / CHF	Notional amount CHF	155 979	0
			Positive replacement value CHF	16 353	0
			Negative replacement value CHF	1 455	0
		USD / CHF	Notional amount CHF	89 833	0
			Positive replacement value CHF	5 644	0
			Negative replacement value CHF	0	0
	Currency options	JPY / CHF	Notional amount CHF	21 200	0
			Positive replacement value CHF	2 196	0
			Negative replacement value CHF	0	0
	Total		Notional amount CHF	563 602	0
			Positive replacement value CHF	40 013	0
			Negative replacement value CHF	1 455	0
	Thereof: Current portion		Positive replacement value CHF	32 230	0
			Negative replacement value CHF	1 455	0
	Non-current portion		Positive replacement value CHF	7 783	0
			Negative replacement value CHF	0	0

Derivative financial instruments were mostly effected for hedging purposes. Currency SWAPS, forward rate agreements and currency option contracts are used for the hedging of foreign currencies.
Equity options served to hedge the market risks inherent in securities and of bonds.
The replacement value is understood as beeing the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions.
Any derivatives are reported at fair value.

Notes		2008 (CHF '000)	2007 (CHF '000)
13	Cash and cash equivalents		
	Deposits	446 488	712 496
	Cash and cash equivalents	1 412	1 243
	Total cash and cash equivalents	447 900	713 739

Notes	2008 (CHF '000)	2007 (CHF '000)

14 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12.2006	CHF 0.01	25 052 870	2 334 506	22 718 364	251
Purchase of treasury shares		–	395 062	(395 062)	–
Sale of treasury shares		–	(100 655)	100 655	–
Converted treasury shares (see note 17)		–	(1 601 697)	1 601 697	–
At 31.12.2007	CHF 0.01	25 052 870	1 027 216	24 025 654	251
Purchase of treasury shares		–	132 114	(132 114)	–
Sale of treasury shares		–	(9 023)	9 023	–
Repurchase of registered shares via put options		–	1 663 842	(1 663 842)	–
Redemption of share capital		(1 663 842)	(1 663 842)	–	(17)
Converted treasury shares (see note 17)		–	(135 190)	135 190	–
At 31.12.2008	CHF 0.01	23 389 028	1 015 117	22 373 911	234

15 Changes in fair value in equity: available-for-sale securities

	2008	2007
At 1.1.	114 657	147 099
Transfer into consolidated income statement	(31 168)	(74 543)
Fair value adjustments	(53 635)	43 937
Income taxes recognized directly in equity due to fair value adjustments	8 132	(1 836)
Total changes in fair value: available-for-sale securities	(76 671)	(32 442)
At 31.12.	37 986	114 657

16 Minority interests

This item reflects the minority interests in capital and profit / loss for the year. Minorities own significant shares in EMS-UBE Ltd., EFTEC Asia Pte. Ltd., Shanghai EFTEC Chemical Products Ltd., Wuhu EFTEC Chemical Products Ltd. (from August 31, 2008), Changchun EFTEC Chemical Products Ltd. (until January 1, 2008) and EFTEC Europe Holding AG (until November 20, 2007). The change in minority interests is as follows:

	2008	2007
At 1.1.	17 064	47 828
Founding with minority interests	423	0
Buyout of minority interests (see note 24)	(2 847)	(38 901)
Dividends paid	(3 565)	(2 457)
Net income	3 407	10 419
Translation differences	726	175
At 31.12.	15 208	17 064

Notes		2008 (CHF '000)	2007 (CHF '000)
17	Bonds		
	Current bonds:		
	EMS-CHEMIE HOLDING AG: 2% convertible bond 2002 – 25. 7. 2008	–	93 644
	EMS-CHEMIE HOLDING AG: 4% debenture bond 2002 – 29. 7. 2008	–	201 871
	Total current bonds	–	295 515
	Non-current bond:		
	EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.:		
	2.5% convertible bond 2002 – 23. 4. 2010	154 209	162 815
	Total non-current bond	154 209	162 815
	The option component of the convertible bonds is separately stated in the balance sheet. The bonds are stated less converted shares or shares repurchased via the stock exchange. The discount rate for the convertible bonds is 4.00%. The bonds contain standard covenants. The convertible bonds offer standard anti-dilution protection.		
	Details to the bonds issued:		
	2% convertible bond 2002 – 25. 7. 2008 (originally nominal CHF 300 million)		
	Each bond of CHF 5 000 could 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 39.38869 registered shares of EMS-CHEMIE HOLDING AG (choice lies with bond holder) [conversion price per Lonza share: CHF 126.50; conversion price per EMS share: CHF 126.94]. The issuer had the right to settle the obligation in cash instead of delivering registered shares of Lonza Group AG or registered shares of EMS-CHEMIE HOLDING AG. In spite of the possibility of conversion into EMS shares the total option component was regarded as a liability. In 2008, 2% convertible bonds with a nominal value of CHF 17 million (2007: CHF 205 million) were converted into treasury shares (see note 14) and convertible bonds with a nominal value of CHF 77 million (2007: –) into Lonza shares. The non-converted bonds of CHF 1 million were repaid at 25. 7. 2008.		
	The net present value is as follows:		
	Present value issued bond	–	93 644
	Present value repurchased bond	–	0
	At 31.12.	–	93 644
	Fair value at 31.12.	–	121 496

Notes		2008 (CHF '000)	2007 (CHF '000)
	4% debenture bond 2002 – 29.7.2008 (originally nominal CHF 300 million)		
	The outstanding debenture bond of CHF 202 million was repaid at 29.7.2008.		
	The net present value is as follows:		
	Present value issued bond	–	201 871
	Present value repurchased bond	–	0
	At 31.12.	–	201 871
	Fair value at 31.12.	–	202 949
	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).		
	The net present value is as follows:		
	Present value issued bond	343 428	338 633
	Present value repurchased bond	(189 219)	(175 818)
	At 31.12.	154 209	162 815
	Fair value at 31.12.	160 303	196 046
18	Bank loans		
	The non-current bank loans are composed as follows:		
	CHF: Average interest rate: 1.90% (2007: –)	150 000	0
	Total non-current bank loans	150 000	0
	The carrying amounts of non-current bank loans correspond to their fair values, as the bank loans were closed in December 2008.		
	The current bank loans are composed as follows:		
	JPY: Average interest rate: 1.21% (2007: 1.49%)	15 269	1 004
	CNY: Average interest rate: 5.58% (2007: 7.29%)	1 238	1 232
	USD: Average interest rate: – (2007: 5.12%)	0	792
	CHF: Average interest rate: – (2007: 7.27%)	0	74
	Total current bank loans	16 507	3 102
	The carrying amounts of current bank loans correspond to their fair values, as the interest rates are variable.		
19	Other non-current liabilities		
	Other non-current liabilities	3 921	739
	Liabilities from employee benefits IAS 19	8 431	9 703
	Total other non-current liabilities	12 352	10 442
	Liabilities from employee benefits IAS 19 include KCHF 4 739 (2007: KCHF 4 960) liabilities from Swiss pensions plans (see note 2).		

Notes	2008 (CHF '000)	2007 (CHF '000)

20 Provisions

(CHF '000)	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
At 1.1.2008	1422	4371	68108	12362	86263
Increase via income statement	246	7165	327	181	7919
Decrease via income statement	0	0	(25953)	(199)	(26152)
Amounts used	(125)	(1765)	(32)	(347)	(2269)
Translation differences	(96)	(172)	(22)	(103)	(393)
At 31.12.2008	1447	9599	42428	11894	65368
Of which: Current portion of provisions	0	9599	0	0	9599
Non-current portion of provisions	1447	0	42428	11894	55769

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 (see note 28). The decrease in 2008 is due to an expired warranty period and a change in the estimation of litigation risk. Warranty provisions are mainly included within other provisions.

21 Other current liabilities

	2008	2007
Advances from customers	3645	5393
Prepaid expenses and deferred income	46525	66448
Other current liabilities to related parties	22	0
Other current liabilities to associated companies	2428	2064
Liabilities to social security institutions	6125	9094
Other current liabilities	28408	27194
Total other current liabilities	87153	110193

22 Liabilities, net / (net cash position)

	2008	2007
Bonds (see note 17)	154209	458330
Option component of convertible bonds	10933	52484
Pension liabilities (see note 20)	1447	1422
Bank loans (see note 18)	166507	3102
Other current liabilities to related parties (see note 21)	22	0
Interest-bearing liabilities	333118	515338
less		
Other current financial assets (see note 11)	0	50000
Receivables from associated companies (see note 11)	91	22
Securities	136098	321118
Deposits (see note 13)	446488	712496
Interest-bearing liabilities, net / (cash, net)	(249559)	(568298)
less		
Cash and cash equivalents (see note 13)	1412	1243
Liabilities, net / (net cash position)	(250971)	(569541)

Consolidated Cash Flow Statement

Notes		2008 (CHF '000)	2007 (CHF '000)
23	Depreciation, amortization and impairment of intangible assets, property, plant and equipment and financial assets		
	Amortization intangible assets	5 939	3 227
	Depreciation property, plant and equipment	45 612	46 124
	Impairment property, plant and equipment	6 647	4 000
	Subtotal depreciation, amortization and impairment of intangible assets and property, plant and equipment	58 198	53 351
	Impairment on available-for-sale securities	0	8 163
	Total depreciation, amortization and impairment of intangible assets, property, plant and equipment and financial assets	58 198	61 514
	For the breakdown of the depreciation, amortization and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		
24	Purchase / disposal of fully consolidated companies		
	Cash outflow from purchase of fully consolidated companies and minority interests		
	Buyout of minority interests at Changchun EFTEC Chemical Products Ltd.		
	On January 1, 2008, the participation of 60 % was increased to 80 %. The purchase price was KCHF 2 642. At the same time it was agreed by contract that the participation will be increased to 100 % on January 1, 2011. The purchase price was discounted to the actual value for the calculation of goodwill (see note 8). Total goodwill amounts to KCHF 3 161.		

Notes	2008 (CHF '000)	2007 (CHF '000)

Acquisition of EFTEC

On November 20, 2007, EMS Group acquired the automotive supplier EFTEC worldwide. Previously, EMS Group owned 30% of EFTEC America, 70% of EFTEC Europe and 60% of EFTEC Asia. EMS Group will control the worldwide EFTEC business and for this purpose is acquiring the shares held by the H.B. Fuller Company, namely 70% of EFTEC America, 30% of EFTEC Europe and 20% of EFTEC Asia.

From November 20, 2007 to December 31, 2007, the acquired business of EFTEC America contributed net sales revenue of CHF 6.2 million and a net loss of CHF 1.8 million to the EMS Group. If the acquisition had occurred on January 1, 2007, Group net sales revenue would have been CHF 76.1 million higher, while net income attributable to shareholders of EMS-CHEMIE HOLDING AG would have been CHF 4.3 million lower. These amounts have been calculated using the Group's accounting policies.

EFTEC Europe and EFTEC Asia are already included in the scope of consolidation as fully consolidated companies with minority interests. On November 20, 2007, above mentioned minority interests were bought.

Net assets acquired and goodwill are shown as follows:

	2008 (CHF '000)	2007 (CHF '000)
Purchase price in cash and cash equivalents		94 400
Direct costs relating to the acquisition		1 183
Total purchase price		95 583
Amount of assets acquired		(75 338)
Goodwill		20 245

The goodwill included expected synergies from the acquisition and the employees.

Notes

The acquisition of EFTEC America has been accounted for using the purchase method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:

(CHF '000)	Assets and liabilities included at acquisition date in consolidated financial statements	Adjustment through purchase price allocation	Assets and liabilities immediately before the combination
Intangible assets	10861	10857	4
Property, plant and equipment	20845	8673	12172
Other non-currents assets	2645	1950	695
Inventories	9312	(1080)	10392
Trade accounts receivable	4586	(527)	5113
Other receivables	8871	0	8871
Cash and cash equivalents	9971	0	9971
Non-current liabilities	(1816)	(1797)	(19)
Trade accounts payable	(4368)	0	(4368)
Other current liabilities	(7403)	(120)	(7283)
Fair value of assets acquired of EFTEC America	53504	17956	35548
Existing investment in EFTEC America (see note 8)	(17067)		
Carrying amount of minority interests in EFTEC Europe and EFTEC Asia (see note 16)	38901		
Amount of assets acquired	75338		
Goodwill	20245		
Total cost of the business combination	95583		

Purchase price paid	95583
Cash and cash equivalents of subsidiary acquired	(9971)
Cash outflow from purchase of fully consolidated companies and minority interests	85612

Cash inflow from liquidation of fully consolidated companies

On December 28, 2007, DINOL Holding AB and DINOL AB were liquidated. The liquidation generated cash and cash equivalents of KCHF 26.

Notes		2008 (CHF '000)	2007 (CHF '000)
25	Contingent liabilities		
	Contingent liabilities at the end of the year amount to	24 208	22 182
	This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).		
26	Earnings per share – EPS		
	Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
	Details of earnings per share:		
	Basic earnings per share		
	Weighted average of registered shares outstanding	22 887 970	23 335 901
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	211 803	283 335
	Basic earnings per share (CHF)	9.25	12.14
	Diluted earnings per share		
	Weighted average of registered shares outstanding (basic)	–	23 335 901
	Adjustment for assumed conversion of 2% convertible bond, 2002 – 25. 7. 2008	–	738 378
	Weighted average of registered shares outstanding at assumed conversion of 2% convertible bond (diluted)	–	24 074 279
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG (basic)	–	283 335
	Elimination of interest expenses relating to 2% convertible bond, 2002 – 25. 7. 2008	–	3 905
	Elimination other expenses relating to 2% convertible bond, 2002 – 25. 7. 2008	–	4 456
	Minus tax effect	–	(655)
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG (diluted)	–	291 041
	Diluted earnings per share (CHF)	9.25	12.09
	A dilution is a reduction in earnings per share resulting from the assumption that convertible instruments are converted. In 2008 there was no further dilution as the 2% convertible bond was redeemed on 25. 7. 2008.		

Notes		2008 (CHF ’000)	2007 (CHF ’000)
27	Significant shareholders		
	EMESTA HOLDING AG, Zug, 12 091 291 registered shares (2007: 13 195 356 registered shares) Amount of holding	51.70%	52.67%
	Miriam Blocher, 2 079 000 registered shares (2007: 1 969 000 registered shares) Amount of holding	8.89%	7.86%
	No other representation of significant shareholders is known to the Board of Directors.		

28 Transactions with related parties

EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Senior Management as well as the close members of their families and associated companies are regarded as related parties. For financial key figures of the significant associated company, see note 32.

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

The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the annual report 2008 / 2009 in the annual accounts of EMS-CHEMIE HOLDING AG.

Breakdown of the total compensation

	2008 (CHF ’000)	2007 (CHF ’000)
Short-term employee benefits to the members of the Board of Directors and Senior Management	2 917	4 453
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	9
Total compensation	2 917	4 462

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

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

Board of Directors	Number of shares 2008	Number of shares 2007
Dr U. Berg, Chairman	1 500	1 500
M. Martullo, Vice-Chairman and CEO *	558 805	558 805
E. Appel, Member	1 200	1 200
Dr H. J. Frei, Member	1 720	1 720
Dr W. Prätorius, Member	0	0
A. Reich, Member (until August 9, 2008)	–	0
Total Board of Directors	563 225	563 225

Notes		2008 (CHF '000)	2007 (CHF '000)
	Senior Management	Number of shares	
	M. Martullo, Vice-Chairman and CEO *	shown under "Board of Directors"	
	P. Germann, CFO	0	0
	R. Fintschin, Member	750	750
	Total Senior Management	750	750

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

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

In connection with the sale of Atisholz to EMESTA HOLDING AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties. This guarantee was CHF 19 million at December 31, 2008 (2007: CHF 19 million). There was no claim in 2008 (2007: CHF 3 million).

29 Subsequent events

The consolidated financial statements were approved by the Board of Directors on March 31, 2009 and need to be approved by the General Meeting on August 8, 2009. Between December 31, 2008 and March 31, 2009 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Notes

30 List of subsidiaries and minority holdings (at 31.12.2008)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-MANAGEMENT SERVICES (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
BUSINESS AREA PERFORMANCE POLYMERS		
EMS-CHEMIE AG	Domat/Ems	Switzerland
EMS-CHEMIE (France) S.A.	Boulogne	France
EMS-CHEMIE (UK) Ltd.	Stafford	UK
EMS-CHEMIE (Japan) Ltd.	Tokyo	Japan
EMS-UBE Ltd.	Ube	Japan
EMS-CHEMIE (Italia) S.r.l.	Milano	Italy
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Taiwan) Ltd.	Hsin Chu Hsien	Taiwan (R.O.C.)
EMS-CHEMIE (China) Ltd.	Shanghai	China (People's Rep.)
EMS-CHEMIE (Suzhou) Ltd.	Suzhou	China (People's Rep.)
EMS-GRILON HOLDING Inc.	Wilmington, DE	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC Europe Holding AG	Zug	Switzerland
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Montataire Cedex	France
EFTEC Engineering GmbH	Markdorf	Germany
EFTEC Ltd.	Rhigos	UK
EFTEC NV	Genk	Belgium
EFTEC S.A.	Zaragoza	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
EFTEC Shroff (India) Ltd.	Mumbai	India
EFTEC (China) Ltd.	Hong Kong	China (People's Rep.)
Shanghai EFTEC Chemical Products Ltd.	Shanghai	China (People's Rep.)
Changchun EFTEC Chemical Products Ltd.	Changchun	China (People's Rep.)
Wuhu EFTEC Chemical Products Ltd.	Wuhu	China (People's Rep.)
D PLAST – EFTEC a.s.	Zlín	Czech Republic
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Troy, MI	USA
EFTEC Latin America S.A.	Panama City	Panama
EFTEC Brasil Ltda.	Sorocaba	Brazil
EFTEC Aftermarket GmbH	Lügde	Germany
BUSINESS AREA FINE CHEMICALS / ENGINEERING		
EMS-PRIMID *		
EMS-PATVAG AG	Domat/Ems	Switzerland
EMS-PATVAG s.r.o.	Brankovice	Czech Republic
EMS-METERING AG	Domat/Ems	Switzerland
Swiss Gas Metering AG	Domat/Ems	Switzerland

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

Consolidation: K = Fully consolidated
E = Equity valuation

Currency	Share capital (in '000)	Holding Group	Holding direct	Category	Consolidation
CHF	234			D	K
CHF	60	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	100	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	210 000	100.00%	100.00%	V	K
JPY	1 500 000	66.67%	66.67%	P,V	K
EUR	1 300	100.00%	100.00%	V	K
EUR	2 556	100.00%	100.00%	P,V	K
TWD	281 000	100.00%	100.00%	P,V	K
CNY	5 000	100.00%	100.00%	V	K
CNY	98 693	100.00%	100.00%	P	K
USD	2 420	100.00%	95.87%	D	K
USD	11 285	100.00%	100.00%	P,V	K
CHF	8 000	100.00%	70.00%	D	K
CHF	2 500	100.00%	100.00%	P,V	K
EUR	8	100.00%	100.00%	V	K
EUR	25	100.00%	100.00%	P,V	K
GBP	352	100.00%	100.00%	P,V	K
EUR	1 240	100.00%	100.00%	P,V	K
EUR	944	100.00%	100.00%	P,V	K
USD	3 518	80.00%	80.00%	D,V	K
THB	49 500	80.00%	100.00%	P,V	K
INR	15 000	39.20%	49.00%	P,V	E
USD	3 700	80.00%	100.00%	D	K
CNY	20 750	48.00%	60.00%	P,V	K
CNY	27 500	80.00%	100.00%	P,V	K
CNY	6 650	48.00%	60.00%	D	K
CZK	47 569	50.00%	50.00%	P,V	E
USD	750	100.00%	100.00%	D	K
USD	38 222	100.00%	100.00%	P,V	K
USD	0	100.00%	88.50%	D	K
USD	286	100.00%	100.00%	P	K
EUR	1 023	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	P,V	K
CZK	30 000	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	D	K
CHF	100	100.00%	100.00%	P, V	K

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

Notes	2008 (CHF '000)	2007 (CHF '000)

31 Change in scope of consolidation

Fully consolidated:

Addition:

EFTEC (China) Ltd.: This company was founded on January 1, 2008.

Changchun EFTEC Chemical Products Ltd.: On January 1, 2008, the participation of 60% was increased to 80%. At the same time it was agreed by contract that the participation will be increased to 100% on January 1, 2011.

Wuhu EFTEC Chemial Products Ltd.: This company was founded on August 31, 2008.

Swiss Gas Metering AG: This company was founded on December 3, 2008.

Disposal:

Autotek Sealants Inc.: This company was merged with EFTEC North America, L.L.C. on November 20, 2008.

EFTEC Engineering AB: This company was liquidated on October 2, 2008.

32 Significant associated company

D PLAST-EFTEC a.s.

Domicile		Zlín, Czech Republic
Percentage held		50.00%
Financial year		January 1, 2008 – December 31, 2008
Category		Production, Sale
Currency		CZK
Net sales revenue	KCHF	46068
Net income	KCHF	7419
Assets	KCHF	27954
Equity	KCHF	21685
Liabilities	KCHF	6269

33 Risk management

Credit risks	2008	2007
Overview of financial assets		
Other non-current financial assets (see note 8)	763	3956
Trade accounts receivable (see note 10)	170742	255968
Receivables from associated companies (see note 11)	91	22
Other current financial assets (see note 11)	0	50000
Derivative financial instruments (see note 12)	40972	9372
Cash and cash equivalents (see note 13)	447900	713739
Total financial assets	660468	1033057

The maximum credit risk is equal to the carrying amount of the respective assets.
There are no collateralized financial assets. For the analysis of due dates and allowances for doubtful accounts on trade accounts receivable, see note 10.

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2008 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 17)	154 209	165 018	3 929	161 089	0
Current bank loans (see note 18)	16 507	16 507	16 507	0	0
Non-current bank loans (see note 18)	150 000	159 600	2 850	156 750	0
Trade accounts payable	70 842	70 842	70 842	0	0
Advances from customers (see note 21)	3 645	3 645	3 645	0	0
Other current liabilities to related parties (see note 21)	22	22	22	0	0
Other current liabilities to associated companies (see note 21)	2 428	2 428	2 428	0	0
Derivative financial liabilities:					
Option component of convertible bonds	10 933	0	0	0	0
Derivative financial instruments (see note 12)	3 059	3 059	3 059	0	0
Total financial liabilities	411 645	421 121	103 282	317 839	0

At 31.12.2007 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 17)	458 330	487 576	310 882	176 694	0
Current bank loans (see note 18)	3 102	3 102	3 102	0	0
Trade accounts payable	116 959	116 959	116 959	0	0
Advances from customers (see note 21)	5 393	5 393	5 393	0	0
Other current liabilities to associated companies (see note 21)	2 064	2 064	2 064	0	0
Derivative financial liabilities:					
Option component of convertible bonds	52 484	0	0	0	0
Derivative financial instruments (see note 12)	6 080	6 080	5 578	502	0
Total financial liabilities	644 412	621 174	443 978	177 196	0

Notes

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bonds and the non-current bank loans have a fixed interest rate. The valuation of the bonds is at amortized costs. There are no derivative financial instruments on interest rates used. An increase / (decrease) in the interest rate of 100 basis points in the case of the deposits and the current bank loans would increase / (decrease) net income after taxes by CHF 3.1 million (2007: CHF 5.4 million). This sensitivity analysis assumes that all other assumptions, e.g. currency rates, remain constant. The sensitivity analysis was performed on the same basis as for the previous year.

Currency risks

Overview currency exposure, net (in KCHF)

At 31.12.2008	CHF	EUR	USD	JPY	TWD	Other currencies
Trade accounts receivable (see note 10)	33074	56499	17069	28941	10897	24262
Loans to group companies	31679	43000	79592	4680	0	4355
Derivative financial instruments (see note 12)	0	0	0	177709	0	4680
Trade accounts payable	(24093)	(11883)	(8216)	(20501)	(2309)	(3840)
Loans from group companies	0	(2906)	(693)	0	0	(687)
Current bank loans (see note 18)	0	0	0	(15269)	0	(1238)
Non-current bank loans (see note 18)	(150000)	0	0	0	0	0
Derivative financial instruments (see note 12)	0	(365930)	(128623)	0	0	(7583)
Currency exposure, net	(109340)	(281220)	(40871)	175560	8588	19949

At 31.12.2007	CHF	EUR	USD	JPY	TWD	Other currencies
Trade accounts receivable (see note 10)	69387	85555	29226	25710	22262	23828
Loans to group companies	21145	48477	18000	4016	0	5388
Derivative financial instruments (see note 12)	0	0	0	123340	0	13455
Trade accounts payable	(52940)	(24850)	(7371)	(18273)	(5071)	(8454)
Loans from group companies	(47934)	0	(739)	0	0	0
Current bank loans (see note 18)	(74)	0	(792)	(1004)	0	(1232)
Derivative financial instruments (see note 12)	0	(249935)	0	0	0	(19263)
Currency exposure, net	(10416)	(140753)	38324	133789	17191	13722

Notes	2008	2007

Sensitivity analysis of currency risks

A 10% increase / (decrease) in the Swiss franc (CHF) against all other currencies would decrease / (increase) net income after taxes by CHF 7.9 million (2007: CHF 3.6 million). Per currency: EUR: CHF – 3.7 million (2007: CHF +13.9 million), USD: CHF – 1.0 million (2007: CHF – 5.1 million), JPY: CHF – 0.3 million (2007: CHF – 9.3 million), other currencies: CHF – 2.9 million (2007: CHF – 3.1 million). A 10% increase / (decrease) in the Swiss franc (CHF) against all other currencies would increase / (decrease) equity after taxes by CHF 11.9 million. Per currency: EUR: CHF +22.3 million, USD: CHF +0.7 million, JPY: CHF – 8.2 million, other currencies: CHF – 2.9 million (2007: As there was no use of hedge accounting pursuant to IAS 39, no hedges were booked directly to equity in the previous year.).
This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain constant. The sensitivity analysis was performed on the same basis as for the previous year.

Other price risks: Securities risks

The "securities" item in the balance sheet comprises the following countries:	2008	2007
Switzerland	99%	72%
Euroland	0%	18%
Great Britain	0%	7%
USA	1%	3%
Total	100%	100%
There is no significant correlation to a share index.		

Sensitivity analysis of securities risks

A 10% increase in the fair value of available-for-sale securities (mainly Lonza securities), underlyings of stock options and option component of convertible bonds would increase equity after taxes by CHF 13.6 million (2007: CHF 30.8 million), while the net income after taxes would be CHF 19.4 million (2007: CHF 15.5 million) lower.
A 10% decrease in the fair value of available-for-sale securities, underlyings of stock options and option component of convertible bonds would decrease equity after taxes by CHF 13.6 million (2007: CHF 30.8 million), while net income after taxes would be CHF 19.1 million (2007: CHF 11.2 million) higher.
The sensitivity analysis was performed on the same basis as for the previous year.

34 Information about the risk assessment process

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

Report of the Statutory Auditor on the Consolidated Financial Statements

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

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes (pages 18 to 57) for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2008 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.

Report on other legal requirements

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

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

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

Zurich, March 31, 2009

KPMG AG

Hanspeter Stocker Licensed audit expert Auditor in charge	Georg Mosimann Licensed audit expert

Annual Accounts
EMS-CHEMIE HOLDING AG

for the Financial Year May 1, 2008 – April 30, 2009

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2008 to April 30, 2009

	Notes	2008 / 2009 (CHF '000)	2007 / 2008 (CHF '000)
INCOME			
License fees from group companies		35 449	64 391
Financial income			
Interest income		6 153	9 372
Foreign exchange differences, net	1	8 870	0
Income from disposal of group companies		0	471
Dividends on group companies		156 410	281 633
Income from financial assets		31 022	35 734
Other income		164	15 623
Total income		238 068	407 224

EXPENSES			
Operating expenses to group companies		20 672	26 550
Financial expenses			
Expenses from financial assets		38 234	36 795
Interest expenses		11 064	12 632
Foreign exchange differences, net	1	0	4 795
Loss from disposal of group companies		0	5 140
Bank charges, duties, fees		1 045	1 859
Administration expenses		1 520	1 420
Depreciation		0	19
Expenses arising from guarantees	2	0	3 084
Total expenses		72 535	92 294
Net income before taxes		165 533	314 930
Taxes		1 110	5 754
Net income		164 423	309 176

Balance Sheet as at April 30, 2009

	Notes	30. 4. 2009 (CHF '000)	30. 4. 2008 (CHF '000)
Non-current assets		374 436	370 846
Investments in group companies	3	291 107	291 007
Loans to group companies		83 329	79 839
Current assets		288 623	745 639
Prepayments and accrued income		10 398	1 556
Accounts receivable from third parties		631	3 010
Accounts receivable from group companies		42 461	37 718
Current financial assets	4	90 832	545 553
Cash and cash equivalents		144 301	157 802
TOTAL ASSETS		663 059	1 116 485

Shareholders' equity	5	394 037	691 336
Share capital	6/7	234	251
Legal reserves		47	50
Reserves for treasury shares	4	130 403	416 560
Other reserves		10 000	10 000
Retained earnings	8	253 353	264 475
Liabilities		269 022	425 149
Non-current liabilities		164 169	14 169
Bank loans		150 000	0
Provisions		14 169	14 169
Current liabilities		104 853	410 980
Loans from group companies		79 630	0
Bank loans		0	3 220
Bonds	9	0	282 965
Accruals and deferred income		8 010	12 395
Accounts payable to third parties		1 997	36 524
Accounts payable to group companies		15 216	75 876
TOTAL EQUITY AND LIABILITIES		663 059	1 116 485
Balance sheet equity ratio		59.4%	61.9%

Notes to the Financial Statements 2008/2009

Accounting principles

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 are valued at the lower of cost or market and the principle of prudence is applied.
The financial year differs from the calendar year (closing date: April 30, 2009).
Companies in which EMS-CHEMIE HOLDING AG's shareholding is in excess of 50% (voting rights) are designated as group companies.

Foreign currency translation

Revenue and expenditure in foreign currencies are translated into Swiss francs for the income statement 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.

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, derivative financial instruments at market value.

Non-current assets

Non-current assets are shown at purchase value or at face value less any value adjustments required, as the case may be.

Liabilities

Non-current liabilities are shown at their redemption value.

Income Statement 2008/2009

Notes		2008/2009 (CHF '000)	2007/2008 (CHF '000)
1	Foreign exchange differences, net		
	Foreign exchange gains	24 652	7 465
	Foreign exchange losses	15 782	12 260
	Foreign exchange differences, net	8 870	(4 795)

2 Expenses arising from guarantees

In connection with the sale of Atisholz to EMESTA HOLDING AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties. This guarantee stood at KCHF 18 916 as of April 30, 2009 (April 30, 2008: KCHF 18 916). There was no claim in 2008/2009 (2007/2008: KCHF 3 084).

Balance Sheet as at April 30, 2009

3 Investments in group companies

Details of the investments as at December 31, 2008 can be seen in note 30, "List of subsidiaries and minority holdings", in the consolidated financial statements of the EMS Group. In the period to April 30, 2009, there were no changes in investments.

Notes		2008/2009 (CHF '000)	2007/2008 (CHF '000)
4	Current financial assets		
	Securities	2 517	143 786
	Treasury shares	88 315	401 767
	Current financial assets	90 832	545 553

Details to treasury shares:	Number of registered shares	
At 1.5.	2 580 393	2 336 224
Purchases	129 710	395 280
Disposals	(4 056)	(105 622)
Conversion	(27 088)	(1 709 331)
Repurchase of registered shares	0	1 663 842
Redemption of share capital	(1 663 842)	0
At 30.4.	1 015 117	2 580 393

During the reporting year, 129 710 treasury shares were purchased at an average market price of CHF 133.21 and 4 056 treasury shares were sold at an average market price of CHF 132.80 (2007/2008: Purchase of 395 280 treasury shares at an average market price of CHF 164.72, sale of 105 622 treasury shares at an average market price of CHF 166.78).
Shares were traded on the stock exchange.
Of the 2% convertible bond 2002 – 25.7.2008, convertible bonds with a nominal value of KCHF 3 440 (2007/2008: KCHF 219 015) were converted into 27 088 (2007/2008: 1 709 331) treasury shares (see note 9).
From the repurchase of registered shares by virtue of put options, 1 663 842 registered shares were canceled on November 3, 2008.

Notes		2008 / 2009 (CHF '000)	2007 / 2008 (CHF '000)
5	Shareholders' equity		
	At 1.5.	691 336	576 640
	Dividends paid	(162 231)	(194 480)
	Redemption of share capital	(299 491)	0
	Net income (see note 8)	164 423	309 176
	At 30.4.	394 037	691 336

6 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.4.2007	CHF 0.01	25 052 870	2 336 224	22 716 646	251
Change in treasury shares		–	244 169	(244 169)	–
At 30.4.2008	CHF 0.01	25 052 870	2 580 393	22 472 477	251
Change in treasury shares		–	98 566	(98 566)	–
Redemption of share capital		(1 663 842)	(1 663 842)	–	(17)
At 30.4.2009	CHF 0.01	23 389 028	1 015 117	22 373 911	234

Notes		2008 / 2009	2007 / 2008
7	Significant shareholders		
	EMESTA HOLDING AG, Zug, 12 091 291 registered shares (2007/2008: 12 004 390 registered shares)		
	Amount of holding	51.70 %	47.92 %
	Miriam Blocher, 2 079 000 registered shares (2007/2008: 1 969 000 registered shares)		
	Amount of holding	8.89 %	7.86 %
	No other representation of significant shareholders is known to the Board of Directors.		
8	Retained earnings		
	Balance brought forward	264 475	298 178
	Dividends paid	(162 231)	(194 480)
	Reclassification reserves for treasury shares	(13 314)	(148 399)
	Net income	164 423	309 176
	Retained earnings	253 353	264 475
9	Bonds		
	2% convertible bond 2002 – 25.7.2008	–	80 925
	4% debenture bond 2002 – 29.7.2008	–	202 040
	Bonds	–	282 965

Details of the bonds can be seen in note 17, "Bonds", in the consolidated financial statements of the EMS Group. Convertible bonds with a nominal value of KCHF 3 440 (2007/2008: KCHF 219 015) were converted into treasury shares (see note 4) and convertible bonds with a nominal value of KCHF 76 460 (2007/2008: –) into Lonza shares. At 25.7.2008 the convertible bond and at 29.7.2008 the debenture bond were repaid.

Notes			2008 / 2009 (CHF '000)	2007 / 2008 (CHF '000)
10	Contingent liabilities			
	Guarantees (maximum liability)		569 942	577 911

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.

11 Compensation and shareholdings

The following compensation was paid in the reporting year:

Board of Directors	Function	Compensation 2008 / 2009	Compensation 2007 / 2008
Dr U. Berg	Chairman (from August 13, 2007)	191	79
D. Klug	Chairman (until August 12, 2007)	–	140
M. Martullo	Vice-Chairman and CEO	715	1 111
E. Appel	Member	105	137
Dr H. J. Frei	Member	257 *	387 *
Dr W. Prätorius	Member	105	137
A. Reich	Member (until August 9, 2008)	195	453
Total Board of Directors		1 568	2 444

* Double function as Member of the Board of Directors and Chairman of the Foundation Board of the Pension Fund for the EMS Group. Compensation as Member of the Board of Directors: KCHF 105 (2007/2008: KCHF 137).

	2008 / 2009	2007 / 2008
Senior Management		
Total compensation paid to the Senior Management was	1 842	2 646

The highest compensation for a member of the Senior Management in the reporting year was KCHF 715 (2007/2008: KCHF 1 111) and was paid to M. Martullo, Vice-Chairman of the Board of Directors and CEO.

	2008 / 2009	2007 / 2008
Total compensation paid to the Board of Directors and Senior Management was	2 695	3 979

The compensation is paid exclusively in cash. EMS has no stock option program. For further information on the method of determining compensation, refer to the Corporate Governance section, part 5: Compensation, shareholdings and loans.

Advisory board

There is no advisory board.

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

Notes	2008 / 2009 (CHF '000)	2007 / 2008 (CHF '000)

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

Board of Directors	Function	Number of registered shares	
Dr U. Berg	Chairman	1 500	1 500
M. Martullo	Vice-Chairman and CEO *	558 805	558 805
E. Appel	Member	1 200	1 200
Dr H. J. Frei	Member	1 720	1 720
Dr W. Prätorius	Member	0	0
A. Reich	Member (until August 9, 2008)	–	0
Total Board of Directors		563 225	563 225

Senior Management	Function		
M. Martullo	Vice-Chairman and CEO *	shown under "Board of Directors"	
P. Germann	CFO	0	0
R. Fintschin	Member	750	750
Total Senior Management		750	750

* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 7).

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

12 Information about the risk assessment process

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

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

	2008 / 2009 (CHF)	2007 / 2008 (CHF)
Retained earnings		
Net income	164 423 101.20	309 175 756.21
Reclassification reserves for treasury shares	(13 314 413.47)	(148 398 970.53)
Balance brought forward	102 244 020.72	103 698 027.29
Total retained earnings	253 352 708.45	264 474 812.97
Appropriation		
Payment of an ordinary dividend of CHF 5.00 (previous year CHF 6.00) gross and	(111 869 555.00)	(134 259 966.00)
a special dividend of CHF 0.00 (previous year CHF 1.25) gross	0.00	(27 970 826.25)
per registered share entitled to dividend		
Balance to be carried forward	141 483 153.45	102 244 020.72

Report of the Statutory Auditor on the Financial Statements

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

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet and notes (pages 60 to 67) for the year ended April 30, 2009.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements for the year ended April 30, 2009 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Zurich, May 25, 2009

KPMG AG

Hanspeter Stocker	Georg Mosimann
Licensed audit expert	Licensed audit expert
Auditor in charge	