

75 Years EMS



48th ANNUAL REPORT 2010/2011

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

Contents

	EMS Group	
	Annual Statement	2
	Share Performance	4
	General Information on the Financial Year 2010	5
	Key Figures 2006–2010	8
	Corporate Governance	9
	Financial Statements	
EMS Group Consolidated data for the calendar year 2010	Consolidated Income Statement	19
	Consolidated Balance Sheet	20
	Consolidated Statement of Changes in Equity	21
	Consolidated Statement of Cash Flows	22
	Notes to the Consolidated Financial Statements	23
	Report of the Statutory Auditor on the Consolidated Financial Statements	58
EMS-CHEMIE HOLDING AG data for the financial year May 1, 2010 – April 30, 2011	Income Statement	60
	Balance Sheet	61
	Notes to the Financial Statements	62
	Proposal of the Board of Directors for the appropriation of available earnings	67
	Report of the Statutory Auditor on the Financial Statements	68
	Addresses of EMS Companies, Switzerland	69
	Addresses of EMS Companies, Worldwide	70

Dear Shareholders

As anticipated, 2010 saw a strong economic recovery. Both companies and individuals regained confidence and consumption grew. The traditional key markets of Europe, the USA and Japan recovered considerably from the previous slump but did not reach earlier levels. The Asian markets, which were barely affected by the crisis, successfully continued on their clear growth trajectory. Export-oriented countries such as Germany and Switzerland but also countries rich in raw materials including Brazil and Australia benefitted. Raw material producers were taken unawares by the extent of the global upturn, which meant that raw materials became scarce and their prices rocketed.

As is usually the case, this crisis too brought undesirable developments and deficits to light. Government budgets fell out of balance, and over-indebtedness became apparent. As a result, the creditworthiness of various countries suffered. Others that were still able to procure funds at favourable rates (Germany and France) or had sufficient liquidity (China) had to lend a helping hand. With governments taking on loan burdens, banks were no longer held to account for their credit transactions – a worrying development. Exchange rates were used as a political tool, leading to further turbulence on the currency markets and driving up the value of the Swiss franc against the main foreign currencies.

The positive economic trend, demand from emerging markets and the successful realisation of new business led to a pleasing business performance for EMS in 2010. Net sales of CHF 1 596 million and an operating result (EBIT) of CHF 282 million not only considerably exceeded the previous year's results but even reached a new historic record level. The steps taken during the crisis to work more closely with customers on developments, invest in emerging

markets and make favourably priced acquisitions paid off. In China, two new production sites were opened in Suzhou and Wuhu, with a new sales company in Guangzhou. Another production facility for high-temperature materials at the Domat/Ems site started operations six months earlier than planned, and work was started on building the next facility.

In 2011 the economic development will be spearheaded by the Asian markets. Mature markets will develop at a much less rapid pace. In future too, supplies of raw materials will not be able to keep step with increasing demand, so further increases in raw material prices at even shorter intervals must be expected. These inflationary tendencies pose a threat to future global economic development.

EMS is continuing to pursue its strategy of focussing on specialty products in the area of Performance Polymers with undiminished vigour. Our customers lie at the heart of everything we do, and we support them by providing unparalleled solutions, thus helping them along the road to success. What is more, they need to know they can trust in the uniqueness of our products and the reliability of our service. For this reason, additional production capacity with an investment volume of over CHF 100 million will be commissioned in 2011. Furthermore, the market organisation in Asia is being continually expanded.

As EMS is a Swiss export company, the strong appreciation of the Swiss franc is squeezing its profit margin. To safeguard its high margin for the future, EMS is now focusing even more consistently on innovations and specialty products. In addition, special programmes are being implemented worldwide to increase efficiency and thus further boost competitiveness.



It is only thanks to the great commitment and hard work of our employees and management that we succeeded in meeting rapidly growing customer demand in 2010. We would therefore like to offer all our employees across the globe our recognition and thanks for this achievement.

In 1936, around 75 years ago, the establishment of HOLZVERZUCKERUNGS AG (HOVAG) laid the foundations for what is today EMS-CHEMIE. The history of EMS has been characterised by highs and lows. The company had to reinvent itself four times, but emerged strengthened by the changes in each case. Discovering and rapidly making the most of opportunities in good times and in bad is a strength that EMS will continue to need in future. As we are aware that writing 75 years of history is not just a matter of course, we will face up to future challenges with gratitude and with optimism.

We are delighted to enter our anniversary year with you, our valued shareholders. We very much appreciate your trust and loyalty over the past years and would like to offer you our heartfelt thanks. We look forward to journeying into the future with you.

Ulf Berg . *M. Martullo*

Dr Ulf Berg
Chairman of the
Board of Directors

Magdalena Martullo
Vice-Chairman of the
Board of Directors and
Chief Executive Officer

Share Performance

	2010	2009	2008	2007	2006
Number of registered shares	23 389 028	23 389 028	23 389 028 ¹⁾	25 052 870	25 052 870
Number of					
Shares entitled to dividend	23 386 528	22 373 911	22 373 911	24 025 654	22 718 364
Treasury shares	2 500	1 015 117	1 015 117	1 027 216	2 334 506
Information per share (in CHF):					
Dividend per share	12.50 ²⁾	10.00	5.00	7.25	8.00
Of which ordinary dividend	6.50	5.00	5.00	6.00	5.50
Of which special dividend	6.00	5.00	–	1.25	2.50
Earnings per share	9.71	9.66	9.25	12.14	12.99
Cash flow per share ³⁾	12.50	12.47	11.95	15.22	15.67
Equity per share ⁴⁾	47.74	45.67	42.61	54.71	48.15
Stock prices ⁵⁾					
High	166.00	125.00	165.22	170.00	147.00
Low	117.25	80.00	82.25	144.06	117.00
At December 31	165.80	123.80	88.50	166.60	146.60
Market capitalisation on December 31 (CHF millions)	3 877.9	2 895.6	2 069.9	4 173.8	3 672.8

Registered shares are listed on the SIX Swiss Exchange.

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

¹⁾ As part of a share buyback, 1 663 842 registered shares were canceled on November 3, 2008.

²⁾ Proposal of the Board of Directors.

³⁾ Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

⁴⁾ Inclusive non-controlling interests.

⁵⁾ Source: Bloomberg.

Business performance

Following the exceptional developments that characterised the markets in 2009 (a slump in net sales due to the economic downturn in the first half-year, but strongly increasing demand in the second half-year), 2010 proved to be a typical boom year in which the global markets returned to their normal yearly course. Global demand for consumer and capital goods developed very positively, with growth continuing to be led by the Asian markets (in particular China). Nonetheless, available levels of raw materials were not sufficient to keep up with the growing demand, which led to rising raw material prices.

The very favourable economic environment, expansion of the market position in the strongly growing Asian market and the successful realisation of planned new business led to a large increase in sales volumes at EMS. Net sales in the European Union and North America increased by around 25% each compared to the previous year, while net sales in Asia grew by approximately 60%. Despite a strong negative effect from foreign currencies, net sales reached a historic record level.

Net sales in Swiss francs were up 33.2% to CHF 1 596 million (1 198). In local currencies, the increase was 39.6%. The strong sales trend had a positive impact on the overall result: net operating income (EBIT) stood at CHF 282 million (222), an improvement of 27.0% compared to the previous year. EBITDA reached CHF 335 million (280). Owing to increasing raw material prices and the strong Swiss franc the EBIT margin fell slightly year on year from 18.5% to 17.6%, with the EBITDA margin down from 23.3% to 21.0%.

EMS has an innovative, high-margin specialty business. It will continue to pursue its successful strategy for expanding its specialties in the core area of Performance Polymers. To satisfy increasing customer demand, considerable investments will again be made in expanding production capacity in 2011. In order to continue successfully seizing opportunities in the important Asian market in future, the market organisation in Asia is being continually expanded.

For 2011, EMS anticipates further sharp increases in raw material prices and an unfavourable currency situation for EMS. The Asian markets will spearhead the demand for consumer and capital goods while the mature markets will continue to develop at a less rapid pace. Deferred transfer of increased raw material prices to customers and the negative

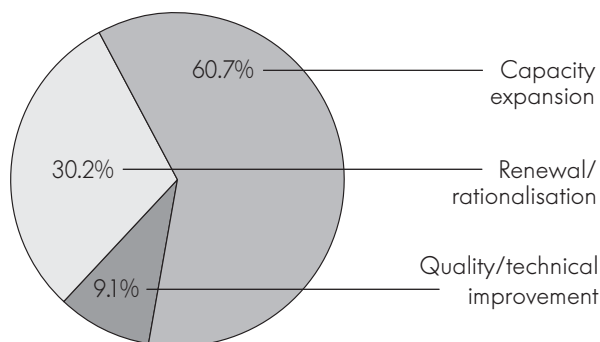
currency situation for an export company such as EMS will burden the positive development of net sales and result. For this reason, EMS allocates particular priority to rapid and consistent adjustment of sales prices and ongoing efficiency improvements.

Net sales and operating income (EBIT) in 2011 are expected to be slightly above those of the prior year.

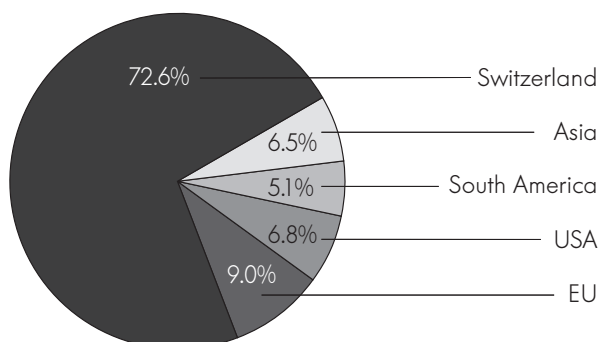
Investments

Investments in 2010 totalled CHF 49 million (38). The majority of this amount was invested in expansion of production capacity, primarily at the main site in Domat/Ems. It was only thanks to these capacity increases (which included a new production facility for high-temperature materials) that the company succeeded in satisfying the substantial market demand.

Investment by application



Investment by country and region



Management structure

At the 2010 Annual General Meeting, Magdalena Martullo, Dr Hansjörg Frei, Dr Werner Prätorius and Dr Ulf Berg were elected to the Board of Directors for a further one-year term of office.

Personnel

At the end of December 2010, the EMS Group had a total of 2 256 (2 106) employees (excluding apprentices), of whom 1 023 (984) work in Switzerland, 688 (676) in the rest of Europe, 359 (275) in Asia and 186 (171) in America. At the end of the year, the EMS Group employed 138 (137) apprentices in Switzerland covering 14 (15) different vocational fields. A total of 32 (29) apprentices successfully completed their professional training during the year under review.

Breakdown of EMS Group net sales by country / region

Germany	27.4%
China	10.3%
USA	9.0%
Japan	8.2%
France	7.9%
Italy	4.8%
Switzerland	4.7%
Spain	3.0%
Great Britain	2.6%
Taiwan	2.3%
South Korea	1.8%
Austria	1.5%
Sweden	1.5%
Czech Republic	1.5%
Poland	1.2%
Brazil	1.1%
Others	11.2%

Breakdown of EMS Group production by country / region

Switzerland	50.4%
Germany	15.0%
USA	7.6%
Belgium	6.8%
China	5.2%
Japan	5.0%
Czech Republic	2.8%
Taiwan	2.6%
Great Britain	2.1%
Others	2.5%

Business areas

The EMS Group operates globally in the business areas of Performance Polymers and Fine Chemicals / Engineering. These areas are further broken down into Business Units.

Performance Polymers

EMS-GRIVORY consists of three independent, profit-responsible Business Units and produces customised high-grade polymer materials (as polyamide granules). Thanks to their high-performance properties and ability to cut processing costs, these materials are used in a variety of applications, particularly in the automotive industry, in the electrical and electronics industry and in optics, as well as in numerous other industrial sectors. EMS-GRIVORY Europe specialises in innovative solutions for customers in the field of injection moulding as well as extrusion and extrusion blow-moulding applications in Europe. EMS-GRIVORY Asia operates in the Asian market. EMS-GRIVORY America is responsible for business in North America.

The EMS-EFTEC Business Unit is a specialist supplier to the global automotive industry in the areas of bonding, coating, sealing and damping.

In 2010, the core business area of Performance Polymers generated net sales of CHF 1 292 million (986) and net operating income (EBIT) of CHF 227 million (192). The rise in sales can be attributed to positive economic developments and the achievement of planned growth with new business. The Asian markets showed particularly good sales development.

Fine Chemicals / Engineering

EMS-GRILTECH specialises in the development and production of fibres, hotmelt adhesives and fusible bonding yarns for technical and textile applications, bonding agents for high-performance tyres, powder coating crosslinkers and reactive diluents.

The EMS-PATVAG Business Unit produces ignitors for airbag gas generators.

The secondary business area Fine Chemicals / Engineering also reported positive business developments owing to the economic environment. It generated net sales of CHF 303 million (212) and net operating income (EBIT) of CHF 54 million (30) in 2010.

Key Figures 2006 – 2010

CHF millions	2010	2009	2008	2007	2006
Net sales revenue	1 595.6	1 197.7	1 503.9	1 552.4	1 395.9
Change in % against previous year	+33.2%	-20.4%	-3.1%	+11.2%	+11.4%
Change in local currencies	+39.6%	-17.6%	+0.8%	+9.2%	+10.3%
Of which in Switzerland	4.7%	4.7%	5.1%	5.0%	4.8%
Net operating income (EBIT)	281.6	221.8	219.6	270.2	246.8
Change in % against previous year	+27.0%	+1.0%	-18.7%	+9.5%	+14.1%
In % of net sales revenue	17.6%	18.5%	14.6%	17.4%	17.7%
Net financial income	-1.5	27.9	37.5	63.7	118.3
Change in % against previous year	-105.3%	-25.5%	-41.1%	-46.1%	+981.2%
Income taxes	48.0	28.5	41.9	40.1	57.4
Net income	232.1	221.2	215.2	293.8	307.7
Change in % against previous year	+4.9%	+2.8%	-26.7%	-4.5%	+69.2%
In % of net sales revenue	14.5%	18.5%	14.3%	18.9%	22.0%
Cash flow ¹⁾	290.8	279.0	273.4	355.3	358.8
Change in % against previous year	+4.2%	+2.1%	-23.0%	-1.0%	+50.1%
In % of net sales revenue	18.2%	23.3%	18.2%	22.9%	25.7%
Investments	49.0	37.6	63.7	71.9	64.3
In % of cash flow	16.9%	13.5%	23.3%	20.2%	17.9%
Balance sheet total	1 668.9	1 711.3	1 679.4	2 277.1	2 328.6
Assets					
Current assets	1 110.3	1 141.9	1 083.6	1 671.8	1 733.0
Non-current assets	558.6	569.4	595.9	605.3	595.6
Equity and liabilities					
Current liabilities	391.3	417.0	221.2	614.2	339.0
Non-current liabilities	167.3	272.5	482.9	386.2	886.8
Equity ²⁾	1 110.4	1 021.7	975.3	1 276.7	1 102.7
Balance sheet equity ratio	66.5%	59.7%	58.1%	56.1%	47.4%
Return on equity	20.9%	21.7%	22.1%	23.0%	27.9%
Number of employees on December 31 ³⁾	2 256	2 106	2 165	2 231	2 061

¹⁾ Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

²⁾ Inclusive non-controlling interests.

³⁾ Excluding apprentices (2010: 138; 2009: 137; 2008: 129; 2007: 109; 2006: 112).

EMS-CHEMIE HOLDING AG, a holding company by Swiss law, is committed to responsible corporate governance and oversight. The structure and content of this report comply with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (DCG). Detailed principles and rules are also laid down in the company's Articles of Association at www.ems-group.com/annualreport/2011/articlesofassociation and in the Organisational Rules of the EMS Group at www.ems-group.com/annualreport/2011/organisationalrules. All data refer to the situation as at December 31, 2010, except where stated otherwise.

The companies of the EMS Group are grouped together in the EMS-CHEMIE HOLDING AG, which has its registered office in Domat/Ems, Switzerland. EMS-CHEMIE HOLDING AG is the only listed company within the scope of consolidation. EMS registered shares (EMSN, ISIN: CH0016440353) are listed on the SIX Swiss Exchange. As at December 31, 2010, the market capitalisation of EMS amounted to CHF 3877.9 million. None of its subsidiaries hold any EMS registered shares.

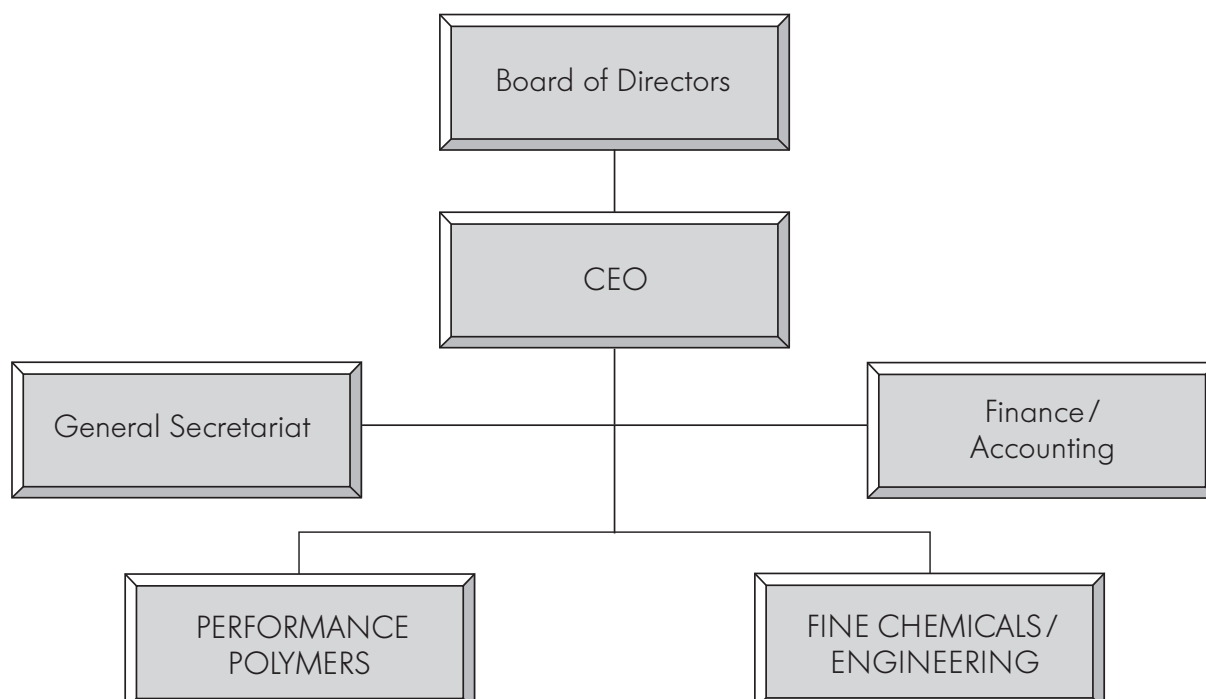
An overview of the unlisted subsidiaries belonging to the consolidated EMS Group can be found in note 31 in the financial section.

1. Group structure and shareholders

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

1.1 Group structure

The EMS Group is active worldwide in the two business areas Performance Polymers and Fine Chemicals/Engineering. The organisational breakdown is based on product types. The Group's operating structure is as follows:



1.2 Significant shareholders

In the calendar year 2010, three shareholders each held more than 3% of the equity of EMS-CHEMIE HOLDING AG:

As at January 1, 2010, EMESTA HOLDING AG held 51.70%, Miriam Blocher 8.89% and EMS-CHEMIE HOLDING AG 4.34% (treasury shares).

As at February 15, 2010, EMS-CHEMIE HOLDING AG sold its treasury shares (4.34%) to EMESTA HOLDING AG. EMESTA HOLDING AG held consequently 56.04% of the capital shares of EMS-CHEMIE HOLDING AG.

As at February 24, 2011 EMESTA HOLDING AG acquired additional 1 117 610 shares. EMESTA HOLDING AG holds consequently 60.81% of the capital shares of EMS-CHEMIE HOLDING AG.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2. Capital structure

2.1 Capital/

2.2 Authorised and conditional capital in particular

The ordinary share capital of EMS-CHEMIE HOLDING AG amounts to CHF 233 890.28. No authorised or conditional capital exists.

2.3 Changes in capital

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

2.4 Shares and participation certificates /

2.5 Profit sharing certificates

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

2.6 Limitations on transferability and nominee registrations

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

The Board of Directors may enter people whose request for registration does not include an express declaration that they hold the shares on their own account ("Nominees"), and with whom the company has entered into an agreement to this effect, in the register of shareholders with voting rights up to a maximum of 2% of the share capital entered in the commercial register.

The Articles of Association do not provide for any privileges or restrictions on transferability.

2.7 Convertible bonds and warrants / options

On April 23, 2010 the outstanding convertible bond was amortised (see note 18 in the financial statements). No warrants / options have been issued.

3. Board of Directors

3.1 Members of the Board of Directors / 3.2 Other activities and vested interests

Board of Directors

Name	Nationality	Status	Year of birth	First elected in	Term of office expires
Dr Ulf Berg	Swiss	Non-executive	1950	August 2007	2011
Magdalena Martullo	Swiss	Executive	1969	August 2001	2011
Dr Hansjörg Frei	Swiss	Non-executive	1941	January 2003	2011
Dr Werner Prätorius	German	Non-executive	1946	September 2006	2011

On December 31, 2010, the Board of Directors of EMS-CHEMIE HOLDING AG consisted of the following four members:

Dr Ulf Berg (born in 1950, Swiss citizen, graduate engineer with a PhD in mechanical engineering) has been non-executive Chairman of the Board of Directors since August 2007. He worked for ABB (formerly BBC) in various managerial positions in Switzerland and abroad for more than 20 years until 1998. Between 1999 and 2001 he was COO and CEO of Carlo Gavazzi Holding AG. From 2003 to 2004 he was CEO of SIG Beverages Int. AG, before moving to Sulzer AG, Switzerland in 2004 as CEO, a position he held until 2007. From 2007 to 2009 Dr Berg has been a non-executive Chairman of the Board of Directors of Sulzer AG, Switzerland. Since 2004 Dr Berg has been a member of the Executive Committee of Swissmem, Switzerland and since 2006 a member of the Board of Directors of Bobst SA, Switzerland. From 2004 to 2009 Dr Berg has been a member of the Board of Directors of Venture Incubator AG, Switzerland and from 2007 to 2009 a member of the Board of Trustees of Avenir Suisse. Since 2008 he has been member of the Supervisory Board of the SAG GmbH in Langen, Germany and since 2009 non-executive Chairman of the Board of Directors of Midland Cogeneration Venture LLP in Midland, Michigan, USA and since June 2010 President of the Board of Directors of Kommunekemi AS in Nyborg, Denmark. Dr Ulf Berg is owner of the EG Energy Group Ltd. in Zug, Switzerland and partner at BLR & Partners Ltd. in Thalwil / Zurich.

Magdalena Martullo (born in 1969, Swiss citizen, Master of Business Administration) has been executive Vice-Chairman of the Board of Directors since August 2002 and CEO since January 2004. She joined the EMS Group in January 2001 and became a member of the Board of Directors in August 2001. As CEO, Magdalena Martullo bears overall operating responsibility for the EMS Group. After performing various functions both in Switzerland and abroad, Magdalena Martullo was a Product Manager at Johnson & Johnson AG from 1994 to 1996. She then went on to work at Rivella AG until 2000, where her last position was Head of Marketing for Switzerland and member of the company's extended Senior Management. Since June 2004, Magdalena Martullo has been a member of the Executive Board of SGCI Chemie Pharma Schweiz, where she leads the Board Committee on economic policy.

Dr Hansjörg Frei (born in 1941, Swiss citizen, Doctor of Law) has been a non-executive member of the Board of Directors and Chairman of the Pension Fund of the EMS Group since January 2003. For many years Dr Frei held various management positions in the insurance industry. At the Winterthur insurance company, his last position until 2000 was as a member of the Group Executive Board in charge of Swiss operations. Following the company's merger with Credit Suisse, he was a Member of the Executive Board (Head of International Country Management) of Credit Suisse Financial Services until 2003. From 2000 to 2003, he was Chairman of the Swiss Insurance Association (SVV). Dr Hansjörg Frei has been a non-executive member of the Board of Directors of Bâloise-Holding since 2004.

Dr Werner Prätorius (born in 1946, German citizen, Doctor of Chemical Engineering) has been a non-executive member of the Board of Directors since September 2006. He spent almost 30 years with BASF, where he was responsible for a wide variety of national and international tasks. From 1995 to 2006 he was successively Head of the Engineering Plastics, Styrenic Polymers and Petrochemicals Divi-

sions. Dr Prätorius has also been a member of the most important European trade organisations for chemicals and plastics such as the Association of Plastics Manufacturers in Europe (1994 – 2004), the Association of European Petrochemical Producers (2002 – 2006) and the European Petrochemical Association (2001 – 2006).

None of the non-executive members of the Board of Directors have ever been a member of any Senior Management within the EMS Group. None currently have a direct or indirect business relationship with companies in the EMS Group.

3.3 Elections and terms of office

Each member of the Board of Directors is elected individually by the Annual General Meeting for a one-year term of office. There is no limit on the total term of office; members may be re-elected.

Attendance at meetings of the Board of Directors and committees

Name	Function	Attendance at meetings		
		Board of Directors	Audit Committee	Compensation Committee
Dr Ulf Berg	Chairman	7 ¹⁾	6	2
Magdalena Martullo	Vice-Chairman and CEO	7		
Dr Hansjörg Frei	Member	7	6 ¹⁾	2 ¹⁾
Dr Werner Prätorius	Member	7		2
Total meetings		7	6	2
Total duration (hours)		2 – 8	1 – 3	1 – 2

¹⁾ Chairman

3.4 Internal organisational structure

Duties of the Board of Directors

The Board of Directors is the highest executive body of the EMS Group. It is responsible for supervising and monitoring the company's management and that of its affiliated companies which together form the EMS Group. Every year at its constituent meeting, the Board of Directors elects a Chairman and a Vice-Chairman from among its members. The Board of Directors has delegated most of the operational management of the EMS Group to the CEO. Special tasks can be delegated to individual members of the Board of Directors or to separate special committees.

Board committees: Members, tasks, areas of responsibility

There are two committees: the Audit Committee and the Compensation Committee. Their tasks and responsibilities are set out in guidelines www.ems-group.com/annualreport/2011/organisationalrules. Both committees have assessment, advisory and monitoring functions but no decision-making powers.

The Audit Committee consists of two non-executive, independent members of the Board of Directors: Dr Hansjörg Frei, Chairman, and Dr Ulf Berg, member. It assesses the effectiveness of external reporting, internal finance and accounting, internal control systems and compliance with accounting principles. The Audit Committee makes recommendations to the entire Board of Directors regarding presentation of individual and consolidated financial statements to the Annual General Meeting. It also assesses the performance and remuneration of the external auditors.

The Compensation Committee consists of three non-executive members of the Board of Directors: Dr Hansjörg Frei, Chairman, Dr Ulf Berg, member, Dr Werner Prätorius, member. The Compensation Committee is concerned with the remuneration policy of the EMS Group (Board of Directors, Senior Management, senior executives).

Working methods of the Board of Directors and its committees

The Board of Directors and its committees meet as frequently as business demands and at least six times a year. The Board of Directors held seven meetings in 2010, each lasting between two and eight hours. The Audit Committee held six meetings, each lasting between one and three hours, while the Compensation Committee held two meetings, each lasting between one and two hours.

The Head of Finance (CFO) also attends the meetings of the Board of Directors. Other members of Senior Management and Heads of Business Units are invited to attend meetings of the Board of Directors when it discusses matters relevant to their areas of responsibility. To constitute a quorum, a majority of the members of the Board of Directors must be present. The Board of Directors makes decisions and carries out elections with a majority of the members present at the meeting. In the event of a tie, the Chairman has the casting vote. Resolutions can also be passed by way of telephone conferences or by circular, provided that no member requests discussion in person. Resolutions passed in this way must be unanimous to be valid. Individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely associated.

Members of Senior Management are invited to attend committee meetings where matters relevant to their areas of responsibility are to be discussed. The provisions relating to meetings and resolutions of the Board of Directors and to the requirement for its members to abstain, also apply to the committees. At the next plenary meeting of the Board of Directors after their committees have met, the committee Chairman reports on the proceedings and submits proposals to the Board for its decision. Further details of internal organisation can be found in the Organisational Rules of the EMS Group at www.ems-group.com/annualreport/2011/organisationalrules.

3.5 Definition of areas of responsibility

The Board of Directors makes decisions regarding all matters not reserved for the Annual General Meeting or another body by law, the Articles of Association or the Organisational Rules. Subject to article 716 a of the Swiss Code of Obligations (non-transferable and inalienable duties of the Board of

Directors), the Board of Directors has delegated most of the operational management of the EMS Group to Senior Management. These duties and responsibilities particularly include proposing the strategy for the EMS Group to the Board of Directors, achieving the operative and financial results of the EMS Group, reviewing the budgets and medium-term plans of Business Units, deciding on scheduled capital investments up to CHF 5 million and on unscheduled capital investments up to CHF 0.5 million, reaching decisions on the procurement of external capital (e.g. bonds, bank loans) up to CHF 30 million, issuing guarantees in accordance with the guarantee concept proposed to the Board of Directors, receiving periodic reports on business performance and all other significant events, deciding on the initiation and conduct of legal proceedings and submitting proposals to the Board of Directors for legal proceedings of fundamental significance, approving the organisation up to the level of employees directly subordinate to Heads of Business Units, submitting proposals to the Board of Directors on the acquisition and disposal of equity holdings, assigning powers to the members of the board of trustees who protect the interests of the employer in EMS Group pension schemes, proposing authorised signatories to the Board of Directors, permitting heads of Business Units and their direct subordinates to accept seats on Boards of Directors, political offices or honorary offices, enacting the rules of the EMS Group and maintaining personal contact with senior managers of other companies and with important customers.

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

At the end of each month the Board of Directors receives a written report from the CEO regarding business performance during that month and the expected monthly result. On the 4th working day of the following month, it receives the monthly income statement with the most important key figures, which are compared with the budgeted figures and those of the previous year. It is also provided, in the same detail, with monthly updated forecast calculations for the end of the year. This serves to monitor the achievability of the budget. If actual monthly results deviate from the budget by more than 10%, the CEO submits a report to the Board of Directors by the middle of the following month analysing the deviation in result and detailing corrective measures, both planned and already implemented. In addition,

the Board of Directors receives consolidated quarterly financial statements prepared in accordance with IFRS. Along with the income statement, these mainly provide information on the balance sheet, the cash flow account and changes in equity. Furthermore, at each meeting of the Board of Directors, the CEO and CFO report on the course of business and on all matters relevant to the Group, while the two committee Chairmen report on the matters they have dealt with, detailing their significant findings and assessment and submitting proposals accordingly. Every year, the Board of Directors discusses and approves the budget for the following year, as well as rolling medium-term planning for the next three years. The CEO informs the members of the Board of Directors of any extraordinary events without delay by circular or other appropriate means. At Board meetings, any member of the Board may request information from other members or from Senior Management on any of the company's affairs. Between meetings of the Board of Directors, any member may request information from the CEO on the course of business, and – with the approval of the Chairman – on specific business events, and/or may inspect business documents. At their own discretion, members of the Board of Directors visit Group companies and participate in the two-monthly Management Meetings held by Senior Management with the Heads of the Business Units in order to form an independent view of the Group's operating activities and the implementation of its strategy.

During the year under review, 22 audits were conducted by Group Financial Controlling at Group companies as part of an overall audit plan approved by the Board of Directors and commissioned by Group Financial Controlling. These focused mainly on bookkeeping and compliance. Group Financial Controlling discusses all audit findings in detail with the companies and Business Units concerned, and the most important measures are agreed on. In the event of disagreement between the auditors and the company audited, the different positions are stated transparently. An audit report is prepared containing the overall audit findings. Members of the Audit Committee, the CEO and the CFO each receive a copy of every audit report. Following each audit report, the CEO and CFO present the Audit Committee with the measures to be implemented by Group management. All significant measures are continuously monitored by the Audit Committee. In the event of discrepancies, the

CEO and CFO must comment on them and present proposals for corrective measures. Although Group Financial Controlling is subordinate to the CFO, it reports directly to the Chairman of the Audit Committee with regard to these activities. Group Financial Controlling also regularly keeps the Audit Committee informed of such changes in the field of accounting. The legal service of the EMS Group reports regularly to the Board of Directors on any legal changes important to EMS. Twice a year, the Audit Committee is notified of all litigation cases that are underway or impending. Besides the status of the individual cases, the report focuses on risks and opportunities they represent, costs and other possible effects.

Risk management constitutes an integral component of planning and reporting activities at EMS. At 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.

4. Senior Management

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

On December 31, 2010, Senior Management of EMS-CHEMIE HOLDING AG consisted of the following three persons:

Magdalena Martullo (born in 1969, Swiss citizen, Master of Business Administration) has been executive Vice-Chairman of the Board of Directors since August 2002 and CEO since January 2004. She joined the EMS Group in January 2001 and became a member of the Board of Directors in August 2001. As CEO, Magdalena Martullo bears overall operating responsibility for the EMS Group. After performing various functions both in Switzerland and abroad, Magdalena Martullo was a Product Manager at Johnson & Johnson AG from 1994 to 1996. She then went on to work at Rivella AG

until 2000, where her last position was Head of Marketing for Switzerland and member of the company's extended Senior Management. Since June 2004, Magdalena Martullo has been a member of the Executive Board of SGCI Chemie Pharma Schweiz, where she leads the Board committee on economic policy.

Peter Germann (born in 1959, Swiss citizen, Master of Business Administration) has been the EMS Group's Head of Finance (CFO) since 1994 – interrupted by one year as Head of Finance with the Ascom Group – and a member of Senior Management since January 2004. Peter Germann previously held a variety of management positions, his last position being Head of Finance with the Arbonia-Forster Group.

Dr Rolf Holderegger (born in 1952, Swiss citizen, Dr sc. techn., Dipl. Chem. ETH) has been a member of Senior Management since October 2009. He joined the EMS Group in 1987 as Manager of Development & Technical Service. Since then he has held various senior positions, his last position being General Manager of the Profit Center "Polyurethanes and Reactive Systems" as well as Site Manager in Romanshorn, Switzerland, within the Business Unit EMS-EFTEC. Before 1987 Dr Holderegger held various leading positions with the Dow Chemical Company.

Members of Senior Management are nominated by the CEO and appointed by the Board of Directors. They are subordinate to the CEO, whom they assist in the task of managing and supervising the EMS Group. Senior Management usually meets every two weeks. In addition, the Secretary General attends these meetings in an advisory capacity. The duties and responsibilities of Senior Management are listed in section 3.5. They are also given in the Organisational Rules of Senior Management at www.ems-group.com/annualreport/2011/organisationalrules.

4.3 Management contracts

No management contracts with third parties exist.

5. Compensation, shareholdings and loans

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

The compensation system for members of the Board of Directors and Senior Management consists of a basic salary and a variable salary component, which are paid out in cash only. The basic salary and variable salary component are independent of each other. The variable salary component forms a central part of the overall compensation package. The principal criteria for setting the variable salary component are the achievement of net earnings targets and project objectives. Otherwise, no guidelines exist for the compensation system. If targets are not achieved, the variable salary component may be omitted. The level of the compensation depends on the level of objective target and the individual's responsibilities.

Individual overall compensation packages are proposed by the Compensation Committee and approved by the Chairman of the Board of Directors, after consultation with the CEO, in April of the following year. They are paid out in May.

EMS has no shareholding programmes.

Details of the individual compensation for members of the Board of Directors and CEO, and of the overall compensation paid to the Board of Directors and Senior Management as a whole, are shown in a table in note 8 to the annual financial statements of EMS-CHEMIE HOLDING AG.

6. Shareholders' participation

Shareholders' participation rights are laid down in the Articles of Association of EMS-CHEMIE HOLDING AG (www.ems-group.com/annualreport/2011/articlesofassociation).

6.1 Voting-rights and representation restrictions

Voting-right restrictions apply solely to nominees. No rules exist governing the granting of exceptions.

A registered shareholder may only be represented at the Annual General Meeting by his / her legal representative, by another shareholder who has voting rights, by the representative of the executive bodies, by the independent proxy, or by a representative of the custodian bank. Shares held by the company do not confer voting rights at the Annual General Meeting and do not bear a dividend.

6.2 Statutory quorums

Unless not otherwise provided by law, the General Meeting of Shareholders shall pass resolutions and hold elections on the basis of an absolute majority of the votes casted. In the event of a tie, the Chairman has the casting vote.

6.3 Convocation of the General Meeting of Shareholders

The Ordinary Annual General Meeting of Shareholders is convened in accordance with legal requirements and the company's Articles of Association. It is convened by publication of a single notice in the Swiss Official Gazette of Commerce (SHAB) and selected Swiss newspapers, and by written invitations sent to the addresses of the shareholders and beneficiaries entered in the share register. The period of notice is 20 days. Extraordinary General Meetings of Shareholders are held in the cases prescribed by law and as required.

6.4 Agenda

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

6.5 Inscriptions into the share register

The cut-off date for entering registered shareholders in the share register with regard to participation at the General Meeting of Shareholders is around 10 calendar days before the General Meeting. The cut-off date will in each case be determined by the Board of Directors and is stated in the invitation. Registered shares sold between the cut-off date and the General Meeting of Shareholders do not carry any voting rights. There are no rules governing the granting of exceptions.

7. Changes in control and defence measures

7.1 Duty to make an offer

According to Article 3, paragraph 2 of the Articles of Association, a party acquiring shares in EMS-CHEMIE HOLDING AG is not obliged to submit a public purchase offer.

7.2 Clauses on changes of control

There are no clauses relating to changes in control.

8. Auditors

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

KPMG AG, Badenerstrasse 172, 8026 Zurich, Switzerland, has acted as the statutory auditor of EMS-CHEMIE HOLDING AG since 2004. The statutory auditor is appointed by the Annual General Meeting for a one-year term of office. Hanspeter Stocker has been the lead auditor since 2004. The person, leading the revision, is allowed to execute the mandate for seven years at the longest (art. 730a par. 2 CO).

8.2 Auditing fees

The EMS Group paid KPMG a global total of approximately CHF 416 000 for services relating to the audit of the Group's annual financial statements. The net sales revenue audited by KPMG accounts for approximately 65 % of the EMS Group's total net sales.

8.3 Additional fees

KPMG charged a global total of approximately CHF 545 000, comprising CHF 503 000 for tax consultancy services and CHF 42 000 for transaction-related advice (including due diligence).

8.4 Information tools pertaining to the external audit

The Audit Committee monitors the independence and performance of the independent statutory auditor on behalf of the Board of Directors and verifies the financial reporting of EMS. It held six meetings during the year under review. The independent statutory auditor was invited to attend two meetings. Senior Management is responsible for financial accounting and continuous financial reporting, including the internal control system. The independent statutory auditor, KPMG AG, is responsible for giving an opinion on whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Association. KPMG AG is responsible for providing an assessment of the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, changes in equity, statement of cash flows and notes), in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and with Swiss law. The Audit Committee is also responsible for monitoring the relevant activities of Senior Management and the independent statutory auditor.

9. Information policy

EMS publishes quarterly net sales figures, together with a commentary on the course of business and outlook for the future. The half-year and annual financial statements are prepared in accordance with IFRS. EMS also issues ad-hoc reports on important events as and when they occur.

Calendar of events of the EMS Group

July 15, 2011:

Half-year report 2011 (Media conference)

August 13, 2011:

Annual General Meeting 2011
of EMS-CHEMIE HOLDING AG

End of August 2011:

Definitive Half-year report 2011

October 2011:

Third-quarter report 2011

February 2012:

Annual results 2011 (Media conference)

April 2012:

First-quarter report 2012

Further details regarding dates can be found at www.ems-group.com/annualreport/2011/information.

Subscription to ad-hoc reports received by e-mail can be made at www.ems-group.com/annualreport/2011/contact.

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

If you have any further enquiries, please contact:

EMS-CHEMIE HOLDING AG

Fuederholzstrasse 34

8704 Herrliberg

Switzerland

Phone +41 44 915 70 00

Fax +41 44 915 70 02

info@ems-group.com

Consolidated Income Statement

EMS Group
Consolidated Financial Statements
Annual Report 2010 / 2011

	Notes	2010 (CHF '000)	2009 (CHF '000)
Net sales revenue from goods and services		1 595 603	1 197 732
Inventory changes, semi-finished and finished goods		26 446	(16 595)
Capitalised costs and other operating income	1	41 572	66 349
Operating income		1 663 621	1 247 486
Material expenses		997 751	664 546
Personnel expenses	2	206 690	195 240
Depreciation and amortisation	8, 24	53 463	57 792
Other operating expenses	3	124 102	108 103
Operating expenses		1 382 006	1 025 681
NET OPERATING INCOME (EBIT)		281 615	221 805
Income from equity-valuation of associated companies		5 069	4 971
Financial income	5	22 336	34 906
Financial expenses	6	28 888	11 943
NET FINANCIAL INCOME		(1 483)	27 934
NET INCOME BEFORE TAXES		280 132	249 739
Income taxes	7	48 036	28 518
NET INCOME		232 096	221 221
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		225 879	216 138
Non-controlling interests	17	6 217	5 083
Earnings per share in CHF:			
Basic	27	9.71	9.66
Diluted	27	9.71	9.66

Consolidated Statement of Comprehensive Income

Net income recognised in income statement		232 096	221 221
Net changes in fair value, after taxes: Available-for-sale securities	16	(720)	(28 229)
Net changes from cash flow hedges, after taxes	13	(7 999)	(27 730)
Currency translation differences		(15 527)	(4 140)
Other comprehensive income, after taxes		(24 246)	(60 099)
TOTAL COMPREHENSIVE INCOME		207 850	161 122
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		201 204	156 627
Non-controlling interests	17	6 646	4 495

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	31.12.2010 (CHF '000)	31.12.2009 (CHF '000)
NON-CURRENT ASSETS		558 583	569 360
Intangible assets	8	23 061	26 114
Property, plant and equipment	8	488 128	499 037
Investments	8	18 985	16 783
Investments in associated companies	8	18 802	16 600
Other investments	8	183	183
Other non-current assets	9	19 659	19 913
Derivative financial instruments	13	1 985	644
Deferred income tax assets	7	6 765	6 869
CURRENT ASSETS		1 110 338	1 141 930
Inventories	10	255 000	217 864
Receivables			
Trade receivables	11	211 657	203 569
Income tax assets		2 178	575
Other receivables	12	56 454	35 806
Securities		146 941	187 163
Derivative financial instruments	13	1 860	7 849
Cash and cash equivalents	14	436 248	489 104
TOTAL ASSETS		1 668 921	1 711 290
EQUITY		1 110 364	1 021 724
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 096 834	1 004 851
Share capital	15	234	234
Retained earnings and reserves		870 721	788 479
Net income		225 879	216 138
Equity, attributable to non-controlling interests	17	13 530	16 873
LIABILITIES		558 557	689 566
Non-current liabilities		167 302	272 547
Derivative financial instruments	13	32	45
Bank loans	19	50 058	150 000
Other non-current liabilities	20	19 478	22 324
Deferred income tax liabilities	7	81 693	80 875
Provisions	21	16 041	19 303
Current liabilities		391 255	417 019
Bonds	18	0	156 428
Derivative financial instruments	13	3 659	104
Bank loans	19	111 961	7 927
Trade payables		114 581	98 638
Income tax liabilities		37 157	39 562
Provisions	21	1 026	1 903
Other current liabilities	22	122 871	112 457
TOTAL EQUITY AND LIABILITIES		1 668 921	1 711 290

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

EMS Group
Consolidated Financial Statements
Annual Report 2010/2011

(CHF '000)	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 non-controlling interests	Equity
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
Other comprehensive income, after taxes					(76 671)	35 539	(11 096)	(52 228)	726	(51 502)
Net income recognised in income statement			211 803					211 803	3 407	215 210
Transactions with non-controlling interests								0	(2 424)	(2 424)
Transactions with treasury shares (incl. converted treasury shares)		(1 462)		4 116				2 654		2 654
Redemption of share capital	(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
Other comprehensive income, after taxes					(28 229)	(27 730)	(3 552)	(59 511)	(588)	(60 099)
Net income recognised in income statement			216 138					216 138	5 083	221 221
Dividends paid			(111 870)					(111 870)	(2 830)	(114 700)
At 31.12.2009	234	22 595	1 127 824	(130 403)	9 757	7 809	(32 965)	1 004 851	16 873	1 021 724
Other comprehensive income, after taxes					(720)	(7 999)	(15 956)	(24 675)	429	(24 246)
Net income recognised in income statement			225 879					225 879	6 217	232 096
Transactions with non-controlling interests (see note 17)			(4 776)				492	(4 284)	(6 525)	(10 809)
Transactions with treasury shares (see note 15)		(1 134)		130 047				128 913		128 913
Dividends paid			(233 850)					(233 850)	(3 464)	(237 314)
At 31.12.2010	234	21 461	1 115 077	(356)	9 037	(190)	(48 429)	1 096 834	13 530	1 110 364
Balance sheet equity ratio									66.5%	59.7%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2009: KCHF 47) 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, 2011, was communicated on February 11, 2011.

The change in other comprehensive income and income taxes recognised directly in equity amounts to KCHF -161 (2009: KCHF 504) on securities, KCHF -680 (2009: KCHF -2356) on hedge accounting according to IAS 39 and KCHF -96 (2009: KCHF 0) on transactions with treasury shares.

The translation differences contain KCHF -5597 (2009: KCHF 0) from IAS 21 "Net investment in a foreign operation".

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

Consolidated Statement of Cash Flows

	Notes	2010 (CHF '000)	2009 (CHF '000)
Net income		232 096	221 221
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	8, 24	53 463	57 792
(Profit)/loss from disposal of property, plant and equipment, net	3	336	909
Increase/(decrease) of provisions	21	(1 391)	(37 491)
Increase/(decrease) of other non-current liabilities		(546)	251
(Income)/loss from sale of fully consolidated companies	1	(1 598)	(2 414)
(Income)/expenses from the equity-valuation of associated companies		(5 069)	(4 971)
Impairment on available-for-sale securities	6	5 244	0
Unrealised currency translation (gains)/losses on foreign exchange positions		29 572	(1 420)
Change assets and liabilities of post-employment benefits, net	9, 20	219	(1 162)
Net interest expense	5, 6	4 306	8 646
Dividends on available-for-sale securities	5	(5 927)	(2 428)
Income from sale of available-for-sale securities	5	(15 066)	(12 028)
Expenses for income taxes	7	48 036	28 518
Changes in net working capital		(75 572)	49 344
Taxes paid		(45 584)	(37 794)
Interest paid		(7 499)	(6 904)
Provisions used	21	(2 105)	(7 835)
CASH FLOW FROM OPERATING ACTIVITIES A		212 915	252 234
(Purchase) of intangible assets and property, plant and equipment	8	(49 032)	(37 562)
Disposal of intangible assets and property, plant and equipment	3, 8	1 219	820
(Increase) in other non-current assets	9	(244)	(169)
Decrease in other non-current assets	9	58	62
(Purchase) of available-for-sale securities		(87 245)	(141 236)
Sale of available-for-sale securities		136 569	73 970
Interest received		1 213	1 232
Dividends received		7 801	4 343
Cash outflow from purchase of fully consolidated companies	25	0	(1 817)
Cash inflow from sale of fully consolidated companies	25	6 546	624
Cash inflow from sale of associated companies		0	30
(Increase)/decrease of interest-bearing assets		(1 575)	6 800
CASH FLOW FROM INVESTING ACTIVITIES B		15 310	(92 903)
Dividends paid		(233 850)	(111 870)
Dividends paid to non-controlling interests	17	(3 464)	(2 830)
Cash outflow from purchase of non-controlling interests	25	(10 809)	0
(Purchase) of treasury shares		(1 437)	0
Sale of treasury shares		130 350	0
Increase in interest-bearing liabilities		8 157	6 469
(Decrease) in interest-bearing liabilities		(157 140)	(8 244)
CASH FLOW FROM FINANCING ACTIVITIES C		(268 193)	(116 475)
Increase/(decrease) in cash and cash equivalents (A + B + C)		(39 968)	42 856
Cash and cash equivalents at 1. 1.		489 104	447 900
Translation difference on cash and cash equivalent		(12 888)	(1 652)
Cash and cash equivalents at 31. 12.	14	436 248	489 104

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated accounting principles

General information on the consolidated financial statements

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

The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results 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 2010 and were implemented by the EMS Group on January 1, 2010. This has no material effect on the consolidated financial statements of the EMS Group.

The following change was made to the valuation principles used in the previous year:
IAS 27 (revised) "Consolidated and separate financial statements": Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

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.

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 31 "List of subsidiaries and non-controlling interests").

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.

Standards that have been approved but not yet applied

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

Standard / Interpretation		Entry into effect	Planned application by the EMS Group
IFRIC 14 rev. – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	*	January 1, 2011	Financial year 2011
IAS 24 rev. – Related party transaction	*	January 1, 2011	Financial year 2011
Improvement to IFRSs (May 2010)	*	July 1, 2010 January 1, 2011	Financial year 2011
IFRS 7 – Disclosure: Transfers of Financial Assets	*	July 1, 2011	Financial year 2012
IAS 12 – Deferred Tax: Recovery of Underlying Assets	*	January 1, 2012	Financial year 2012
IFRS 9 – Financial Instruments: Classification and Measurement	**	January 1, 2013	Financial year 2013

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

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

Method of consolidation

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

Since January 1, 2010, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). No fair value adjustments are recognised.

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 amortised 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 amortisation and impairments. Amortisation of patents, trademarks and software is calculated using the straight-line method based on their limited useful economic lives, generally over 3 to 12 years.

Goodwill

This item consists of goodwill acquired in a business combination. Goodwill represents the 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 capitalised 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 capitalised 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.

Investments

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

Inventories

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

Receivables

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

Securities

Securities include marketable securities traded on stock exchanges and are classified as available-for-sale. Initial measurement of all security transactions is done at the date of 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 within an original maturity of less than three months. Cash and cash equivalents are valued at their nominal value. This definition is also used for the cash flow statement.

Bonds and non-current bank loans

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. The valuation of the option component is based on the Black-Scholes model.

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

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

Liabilities and deferred income

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

Provisions

Provisions are set up for legal or 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. A provision is recognised when the probability is above 50%. Such a provision is valued in accordance with management's best estimate of the weighted possibility.

If the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

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 recognised in the income statement") are calculated annually and carried to the income statement. Changes in actuarial assumptions are recognised in the income statement on a straight-line basis over employees' average service life 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

Hedge accounting as defined by IAS 39 is used for the hedging of currency risks. This includes the use of cash flow hedges, which hedge future purchases and sales in foreign currencies with a high likelihood of occurrence. At initial recognition of cash flow hedges, the effective portion of hedging instruments is recognised 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

Invoicing for goods and services is recognised as sales when the main risks and benefits incidental to ownership are transferred. Net sales revenue is stated after deduction of value added taxes and any deduction of discounts and credits.

Research and development costs

Research and development costs are charged to the income statement for the year in which they incur under the following headings: wages and salaries, material expenses and amortisation on research and development assets. Development costs are capitalised 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 be identified separately (cash-generating units). For estimating the value in use, the future cash flows are discounted to the present value with a discount rate before taxes which includes the current market expectations, the time value of money and the specific risks of the assets.

Fair values

The carrying amounts for securities and financial assets stated at fair value are calculated at stock-exchange prices applicable on the balance sheet

date. Values for derivative financial instruments are based on replacement values or recognised valuation models such as option price models (Black-Scholes). If there is no separate disclosure in the notes to the consolidated financial statements of the EMS Group, the fair values are considered to be in line with the carrying amounts at the balance sheet date.

Foreign currencies

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

Financial statements in foreign currencies are translated as follows: current assets, non-current assets and liabilities at year-end exchange rates. All items in the income statement and the net income are translated using the average exchange rate for the year. The exchange rate differences are carried to equity without affecting net income (translation adjustment).

In case of disposal of a subsidiary abroad, the translation difference, accumulated during the period when the subsidiary was a consolidated company, is added to profit (or loss) from sale of this company.

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

The most important exchange rates are:

	Unit	Average exchange rates		Year-end exchange rates		
		2010	2009	2010	2009	
Euro	EUR	1	1.382	1.510	1.250	1.488
US Dollar	USD	1	1.043	1.086	0.937	1.030
Japanese Yen	JPY	100	1.188	1.160	1.150	1.120
Chinese Renminbi	CNY	100	15.40	15.93	14.19	15.09
Taiwan Dollar	TWD	100	3.309	3.283	3.210	3.208

Income taxes

Provisions for deferred income taxes are recognised 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Earnings per share

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

Segment reporting

Internal reporting to the Board of Directors (= Chief Operating Decision Maker) is based on the two business areas of "Performance Polymers" and "Fine Chemicals / Engineering". The same accounting principles are applied as for the consolidated financial statements.

The strategy, and therefore the allocation of resources, is decided by the Board of Directors. The yearly budgets and medium-term plans of the two business areas are approved by the Board of Directors. The operative performance is controlled by the Board of Directors quarterly. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment.

Financial risk management

General

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

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

Credit risks

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

Liquidity risks

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

Market risks

Interest rate risks

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

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 non-controlling interests. The EMS Group has set the following goals for the management of its capital:

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

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The EMS Group aims for a balance sheet equity ratio between 40% and 60%. The balance sheet equity ratio is 66.5% as at December 31, 2010 (December 31, 2009: 59.7%). The EMS Group has no external minimum capital requirements.

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

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

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 21.

Securities

The EMS Group has classified this item as available-for-sale, which means that fluctuations in the fair value are recognised in equity until the date of sale, provided there is no 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 9 and 20.

Taxes

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

Segment Information

Segment information by business area

(CHF '000)	Performance Polymers		Fine Chemicals / Engineering		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales revenue with third parties	1 292 280	986 090	303 323	211 642			1 595 603	1 197 732
Net sales revenue with other segments	46	12	0	0	(46)	(12)	0	0
Total net sales revenue	1 292 326	986 102	303 323	211 642	(46)	(12)	1 595 603	1 197 732
EBITDA	270 921	238 933	64 157	40 664	0	0	335 078	279 597
Depreciation, amortisation and impairments ¹⁾	43 668	46 690	9 795	11 102	0	0	53 463	57 792
Net operating income (EBIT)	227 253	192 243	54 362	29 562	0	0	281 615	221 805
Net financial income							(1 483)	27 934
Net income before taxes							280 132	249 739
Income taxes							(48 036)	(28 518)
Net income							232 096	221 221

(CHF '000)	Performance Polymers		Fine Chemicals / Engineering		Non-segment assets / liabilities		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Segment assets ²⁾	886 730	836 890	180 200	181 533	601 991	692 867	1 668 921	1 711 290
Segment liabilities ³⁾	371 625	346 647	24 913	28 564	1 62 019	314 355	558 557	689 566
Investments	46 026	29 688	3 006	7 874			49 032	37 562
Income from equity-valuation of associated companies	5 069	4 971	0	0			5 069	4 971

For a description of the business areas see page 7 ("Business areas").

Segment information by geographical region

(CHF '000)	Total net sales revenue (customers) ⁴⁾		Total net sales revenue (production)		Segment assets ²⁾	
	2010	2009	2010	2009	2010	2009
Switzerland	75 279	55 844	804 214	639 247	608 822	571 704
European Union (EU)	880 109	702 241	449 658	317 660	192 544	207 643
North America	159 842	128 089	121 928	99 268	77 302	96 724
Asia	385 762	243 352	219 204	141 557	173 868	142 352
Others	94 611	68 206	599	0	14 394	0
Subtotal segments	1 595 603	1 197 732	1 595 603	1 197 732	1 066 930	1 018 423
Non-segment assets					601 991	692 867
Total	1 595 603	1 197 732	1 595 603	1 197 732	1 668 921	1 711 290

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

Most important customers

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

¹⁾ See note 8.

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

³⁾ Segmented liabilities: Liabilities without current and non-current bank loans, bonds and option component of convertible bonds.

⁴⁾ Important net sales are generated in the European Union with Germany (2010: KCHF 437 692, 2009: KCHF 335 024) and in Asia with China (2010: KCHF 163 773; 2009: KCHF 107 554).

Consolidated Income Statement

Notes	2010 (CHF '000)	2009 (CHF '000)
1 Capitalised costs and other operating income		
Capitalised costs	11 212	5 401
Other operating income	28 762	58 528
Income from sale of fully consolidated companies	1 598	2 414
Income from purchase of fully consolidated companies (see note 25)	–	6
Total capitalised costs and other operating income	41 572	66 349
2 Personnel expenses		
Wages and salaries	165 143	156 900
Subcontractor salaries	6 081	901
Expenses for defined benefit plans	7 485	6 930
Legal / contractual social insurance	27 981	30 509
Total personnel expenses	206 690	195 240
Employee benefits		
The following figures give an overview of the Swiss pension plans:		
Present value of funded obligations	(363 506)	(338 517)
Fair value of plan assets	397 750	395 177
Surplus / (deficit) in defined benefit obligations	34 244	56 660
Liability for long-service leave	0	0
Cash-settled share-based payment liability	0	0
Total employee benefits	34 244	56 660
Unrecognisable amount	(13 971)	(13 688)
Actuarial (income) / losses, not accounted for	(5 736)	(28 556)
Total recognised net assets in the Group balance sheet for independent defined benefit plans	14 537	14 416
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 6.4% (2009: 6.8%) of the retirement assets. Disability and death pensions are defined as fixed ratios of the salary insured.		

Notes	2010 (CHF '000)	2009 (CHF '000)
The balance sheet shows the following:		
Surplus recognised in other non-current assets as pension assets (see note 9)	18 333	18 822
Deficit recognised in other non-current liabilities as liabilities from employee benefits (see note 20)	(3 796)	(4 406)
Total recognised net assets in the Group balance sheet	14 537	14 416
Plan assets consist of the following:		
Loans to the employer	4 635	2 624
Liquid assets	69 696	102 870
Bonds	78 671	87 698
Real estate	51 887	31 012
Other equities	192 861	170 973
Total plan assets	397 750	395 177
Movement in the liability for defined benefit obligations		
Liability for defined benefit obligations at 1.1.	338 517	404 442
Benefits paid by the plan	(13 460)	(22 201)
Current service costs and interest (see below)	22 803	23 814
Effect of curtailments	0	29
Vested benefits paid in / (paid out), net	1 580	(7 015)
Actuarial (gains) / losses (see next page)	14 066	(60 552)
Liability for defined benefit obligations at 31.12.	363 506	338 517
Movement in plan assets		
Fair value of plan assets at 1.1.	395 177	377 919
Contributions paid into the plan	13 364	14 060
Benefits paid by the plan	(13 460)	(22 201)
Expected return on plan assets	12 843	13 226
Vested benefits paid in / (paid out), net	1 580	(7 015)
Actuarial gains / (losses) (see next page)	(11 754)	19 188
Fair value of plan assets at 31.12.	397 750	395 177
Expense recognised in the income statement		
Current service costs	12 398	13 090
Interest on obligation	10 405	10 724
Expected return on plan assets	(12 843)	(13 226)
Recognised actuarial gains and losses (see next page)	3 000	1 353
Effect of curtailments	0	29
Effect of the limit in paragraph 58(b)	283	928
Employees' contributions	(5 758)	(5 968)
ERIS (Expense Recognised in the Income Statement)	7 485	6 930
The expense is recognised in personnel expenses.		

Notes	2010 (CHF '000)	2009 (CHF '000)			
Change of recognised net assets					
At 1.1.	14 416	13 254			
ERIS (Expense Recognised in the Income Statement)	(7 485)	(6 930)			
Employer's contribution	7 606	8 092			
At 31.12.	14 537	14 416			
Actual return on plan assets	1 270	29 042			
Not recognised actuarial (gains) / losses					
Cumulative amount at 1.1.	(28 556)	52 537			
Actuarial (gains) / losses of the period	25 820	(79 740)			
Amortisation during the period	(3 000)	(1 353)			
Cumulative amount at 31.12.	(5 736)	(28 556)			
Actuarial assumptions					
Actuarial assumptions at the reporting date (expressed as weighted averages):					
Discount rate at 31.12.	3.0%	3.3%			
Expected return on plan assets at 1.1.	3.3%	3.5%			
Future salary increases	0.8%	1.0%			
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	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	(363 506)	(338 517)	(404 442)	(453 718)	(448 396)
Fair value of plan assets	397 750	395 177	377 919	437 196	423 887
Surplus / (deficit) in defined benefit obligations	34 244	56 660	(26 523)	(16 522)	(24 509)
Experience gains / (losses) arising on plan liabilities	(195)	59 789	(16 177)	1 901	(5 381)
Experience gains / (losses) arising on plan assets	(11 754)	19 188	(65 988)	(1 138)	(87)
The Group expects to pay KCHF 7 694 (2010: KCHF 7 264) in contributions to defined benefit plans in 2011.					
3 Other operating expenses					
Rents	9 706	10 309			
Repairs and maintenance	27 481	19 685			
Insurance, duties, fees	7 878	7 174			
Energy	33 124	27 228			
Administration, promotion	26 596	26 886			
Losses on disposal of property, plant and equipment, net	336	909			
Other operating expenses	18 981	15 912			
Total other operating expenses	124 102	108 103			
4 Research and development					
Expenditures for research and development amount to	35 953	39 149			
In percent of net sales revenue	2.3%	3.3%			

Notes	2010 (CHF '000)	2009 (CHF '000)	
5	Financial income		
	Other interest income	1 203	1 212
	Interest income on loans and receivables	9	5
	Total interest income	1 212	1 217
	Dividends on available-for-sale securities	5 927	2 428
	Foreign exchange gains, net	0	8 300
	Income from sale of available-for-sale securities, net	15 066	12 028
	Income from sale of equity options, net	131	0
	Fair value adjustments on derivative financial instruments, net	0	10 933
	Total financial income	22 336	34 906
6	Financial expenses		
	Interest expenses to associated companies	0	82
	Other interest expenses	3 572	3 546
	Interest expenses on financial liabilities measured at amortised cost	1 946	6 235
	Total interest expenses	5 518	9 863
	Foreign exchange losses, net	15 939	0
	Impairment on available-for-sale securities	5 244	0
	Bank charges and commissions	2 187	2 080
	Total financial expenses	28 888	11 943
7	Income taxes		
	Current income taxes	45 902	45 999
	Deferred income taxes	2 134	(17 481)
	Total income taxes	48 036	28 518
	The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The expected income tax rate corresponds to the weighted average of the tax rates in the tax jurisdictions in which the EMS Group operates. Due to the mix of the EMS Group's taxable income and changes in some local tax rates, the expected income tax rate changes from year to year. The effective income tax expenses differed from the expected income tax expenses as follows:		
	Breakdown of the income tax expenses		
	Net income before income taxes	280 132	249 739
	Expected income tax rate	18.6%	17.1%
	Expected income taxes	51 997	42 724
	Use of tax losses carried forward not capitalised	(3 562)	(2 751)
	Change in deferred tax assets not having been set up	1 283	2 946
	Tax exemption / Expenses not being deductible for tax purposes	(2 031)	(2 684)
	Taxes from previous years	(192)	(4 836)
	Impact of changed deferred income tax rates	(115)	(7 705)
	Other	656	824
	Effective income taxes	48 036	28 518
	Effective income tax rate	17.1%	11.4%

Notes	2010 (CHF '000)		2009 (CHF '000)	
	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
Deferred income taxes: Change in recognised assets / liabilities				
At 1.1.	6 869	80 875	8 394	99 666
Change in scope of consolidation	0	(123)	216	0
Increase via income statement	979	3 930	1 882	729
Decrease via income statement	(974)	(1 793)	(3 627)	(19 955)
Income taxes recognised directly in equity	0	(161)	0	504
Translation differences	(109)	(1 035)	4	(69)
At 31.12.	6 765	81 693	6 869	80 875
Note to the deferred income tax liabilities				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	66 913		66 542	
Deferred income taxes on current assets	13 195		10 738	
Deferred income taxes on liabilities	1 585		3 595	
Total deferred income tax liabilities	81 693		80 875	
Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.				
Tax loss carryforwards				
	Tax loss carryforwards	Tax effect	Tax loss carryforwards	Tax effect
Total tax loss carryforwards not considered in the balance sheet	49 604	17 334	52 922	17 612
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	2 813	703	6 957	1 391
5 years	787	197	0	0
More than 5 years	46 004	16 434	45 965	16 221

Notes

8 Intangible assets, property, plant and equipment, investments

I. Intangible assets

	Goodwill	Patents, trade- marks	Others	Total
(CHF '000)				
At 1. 1. 2009				
Cost	20722	4088	24 645	49 455
Accumulated amortisation and impairment	0	(3889)	(15274)	(19 163)
Net book value	20722	199	9 371	30 292
2009				
At 1. 1.	20722	199	9 371	30 292
Change in scope of consolidation	0	0	5	5
Additions	0	66	195	261
Disposals	0	(60)	(28)	(88)
Amortisation	0	(75)	(4 434)	(4 509)
Reclassifications	0	0	328	328
Translation differences	(197)	3	19	(175)
At 31. 12.	20525	133	5 456	26 114
Cost	20525	253	24 559	45 337
Accumulated amortisation and impairment	0	(120)	(19 103)	(19 223)
Net book value	20525	133	5 456	26 114
2010				
At 1. 1.	20525	133	5 456	26 114
Change in scope of consolidation	0	(87)	(18)	(105)
Additions	0	0	405	405
Disposals	0	0	(33)	(33)
Amortisation	0	(24)	(4 277)	(4 301)
Impairment	0	0	(2)	(2)
Reclassifications	0	0	1 849	1 849
Translation differences	(730)	(9)	(127)	(866)
At 31. 12.	19 795	13	3 253	23 061
Cost	19 795	738	23 027	43 560
Accumulated amortisation and impairment	0	(725)	(19 774)	(20 499)
Net book value	19 795	13	3 253	23 061

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

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 19 795 (2009: KCHF 20 525) is the Business Unit EMS-EFTEC (business area "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 11%.

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

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

Notes

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction	Total
At 1.1.2009						
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
2009						
At 1.1.	18723	131617	305119	18631	41538	515628
Change in scope of consolidation	0	0	1953	69	411	2433
Additions	1219	2053	4631	1795	27603	37301
Disposals	0	(336)	(878)	(393)	(34)	(1641)
Depreciation	(69)	(8021)	(33917)	(4088)	(217)	(46312)
Impairment	0	(3562)	(3409)	0	0	(6971)
Reclassifications	0	13972	11437	990	(26727)	(328)
Translation differences	34	(659)	(774)	(21)	347	(1073)
At 31.12.	19907	135064	284162	16983	42921	499037
Cost	21390	306998	814023	55903	42921	1241235
Accumulated depreciation and impairment	(1483)	(171934)	(529861)	(38920)	0	(742198)
Net book value	19907	135064	284162	16983	42921	499037
2010						
At 1.1.	19907	135064	284162	16983	42921	499037
Change in scope of consolidation	0	6541	287	(1355)	0	5473
Additions	7	2189	2585	1875	41971	48627
Disposals	(23)	(292)	(667)	(427)	(113)	(1522)
Depreciation	(65)	(6877)	(35305)	(3733)	0	(45980)
Impairment	0	(2918)	(43)	(10)	(209)	(3180)
Reclassifications	329	3424	40282	2633	(48517)	(1849)
Translation differences	(1054)	(4895)	(5192)	(1172)	(165)	(12478)
At 31.12.	19101	132236	286109	14794	35888	488128
Cost	20595	291057	849742	49630	36450	1247474
Accumulated depreciation and impairment	(1494)	(158821)	(563633)	(34836)	(562)	(759346)
Net book value	19101	132236	286109	14794	35888	488128

Fire insurance value is KCHF 1 625 619 (2009: KCHF 1 552 192).
Property, plant and equipment are insured at replacement values.

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

Year	Amount	Business area
2010:	KCHF 3 182	Performance Polymers
2009:	KCHF 6 971	Performance Polymers

Notes

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
2009			
At 1.1.2009			
Cost / Fair value	14 836	183	15 019
Accumulated depreciation / amortisation and impairment	0	0	0
Net book value	14 836	183	15 019
2009			
At 1.1.	14 836	183	15 019
Additions / Increase	1 942	0	1 942
Disposals / Decrease	(49)	0	(49)
Translation differences	(129)	0	(129)
At 31.12.	16 600	183	16 783
Cost / Fair value	16 600	183	16 783
Accumulated depreciation / amortisation and impairment	0	0	0
Net book value	16 600	183	16 783
2010			
At 1.1.	16 600	183	16 783
Additions / Increase	3 249	0	3 249
Disposals / Decrease	(54)	0	(54)
Reclassifications	(500)	0	(500)
Translation differences	(493)	0	(493)
At 31.12.	18 802	183	18 985
Cost / Fair value	18 802	183	18 985
Accumulated depreciation / amortisation and impairment	0	0	0
Net book value	18 802	183	18 985

Notes	2010 (CHF '000)	2009 (CHF '000)
9 Other non-current assets		
Other non-current assets	1 326	1 091
Assets from employee benefits (see note 2)	18 333	18 822
Total other non-current assets	19 659	19 913
Other non-current assets mainly comprise loans to third parties.		
10 Inventories		
Raw materials and supplies	111 454	74 918
Semi-finished goods, work in progress	8 874	9 507
Finished goods	161 885	161 068
Value adjustments	(27 213)	(27 629)
Total inventories	255 000	217 864
11 Trade receivables		
Trade receivables from associated companies	119	117
Trade receivables from third parties	217 998	211 929
Allowances for doubtful receivables	(6 460)	(8 477)
Total trade receivables	211 657	203 569
Allowances for doubtful receivables are determined on the basis of historical losses and recognisable individual risks.		
Due dates of trade receivables		
Not due	203 928	191 299
Overdue <30 days	11 523	17 163
Overdue 30 to 90 days	1 438	1 768
Overdue >90 days	1 228	1 816
Total	218 117	212 046
The movement of the allowances for doubtful receivables is as follows:		
At 1.1.	8 477	7 988
Change in scope of consolidation	(410)	0
Increase / Decrease	(1 172)	541
Translation differences	(435)	(52)
At 31.12.	6 460	8 477
12 Other receivables		
Receivables from associated companies	76	188
Other receivables	33 132	25 024
Prepayments and accrued income	23 246	10 594
Total other receivables	56 454	35 806

Notes		2010 (CHF '000)	2009 (CHF '000)	
13	Derivative financial instruments			
	The following summary shows the most important derivative financial instruments:			
	Financial instruments at fair value classified through profit or loss			
Currency	EUR/CHF	Notional amount CHF	18 756	3 721
SWAPS and		Positive replacement value CHF	0	3
forward rate		Negative replacement value CHF	2 035	0
agreements	JPY/CHF	Notional amount CHF	42 729	13 500
		Positive replacement value CHF	3 050	6
		Negative replacement value CHF	0	0
	USD/CHF	Notional amount CHF	0	11 930
		Positive replacement value CHF	0	8
		Negative replacement value CHF	0	0
	CZK/CHF	Notional amount CHF	5 615	11 315
		Positive replacement value CHF	0	0
		Negative replacement value CHF	655	125
	AUD/CHF	Notional amount CHF	0	13 950
		Positive replacement value CHF	0	0
		Negative replacement value CHF	0	20
Total		Notional amount CHF	67 100	18 974
		Positive replacement value CHF	3 050	17
		Negative replacement value CHF	2 690	145
Thereof: Current portion		Notional amount CHF (< 12 months)	46 996	13 359
		Positive replacement value CHF (< 12 months)	1 409	17
		Negative replacement value CHF (< 12 months)	2 690	100
Non-current portion		Notional amount CHF (1 – 5 years)	20 104	5 615
		Positive replacement value CHF (1 – 5 years)	1 641	0
		Negative replacement value CHF (1 – 5 years)	0	45

Notes		2010 (CHF '000)	2009 (CHF '000)	
Financial instruments effective for hedge accounting purposes				
Currency	EUR/CHF	Notional amount CHF	0	115817
SWAPS and		Positive replacement value CHF	0	1332
forward rate		Negative replacement value CHF	0	4
agreements	JPY/CHF	Notional amount CHF	79722	88278
		Positive replacement value CHF	795	7144
		Negative replacement value CHF	1001	0
Total		Notional amount CHF	79722	204095
		Positive replacement value CHF	795	8476
		Negative replacement value CHF	1001	4
Thereof: Current portion		Notional amount CHF (< 12 months)	57693	194445
		Positive replacement value CHF (< 12 months)	451	7832
		Negative replacement value CHF (< 12 months)	969	4
Non-current portion		Notional amount CHF (1 – 5 years)	22029	9650
		Positive replacement value CHF (1 – 5 years)	344	644
		Negative replacement value CHF (1 – 5 years)	32	0
<p>Derivative financial instruments were mostly effected for hedging purposes. Currency SWAPS, forward rate agreements and currency option contracts are used for the hedging of future purchases and sales in foreign currencies.</p> <p>The replacement value is understood as being the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.</p>				
Net changes from cash flow hedges in equity, after taxes				
At 1.1.			7809	35539
Transfer to consolidated income statement			(7829)	(30775)
Fair value adjustments			(850)	689
Income taxes recognised directly in equity			680	2356
Total net changes from cash flow hedges in equity, after taxes			(7999)	(27730)
At 31.12.			(190)	7809
14	Cash and cash equivalents			
	Deposits		436001	488083
	Cash and cash equivalents		247	1021
	Total cash and cash equivalents		436248	489104

Notes		2010 (CHF '000)	2009 (CHF '000)
15	Share capital		
		Number of issued registered shares	Number of treasury shares
	Par value		Number of shares entitled to dividend
			Share capital (CHF '000)
	At 31.12.2008	CHF 0.01	23 389 028
		1 015 117	22 373 911
			234
	Purchase of treasury shares	–	–
	Sale of treasury shares	–	–
	At 31.12.2009	CHF 0.01	23 389 028
		1 015 117	22 373 911
			234
	Purchase of treasury shares	–	10 776
	Sale of treasury shares	–	(1 023 393)
	At 31.12.2010	CHF 0.01	23 389 028
		2 500	23 386 528
			234
16	Net changes in fair value in equity, after taxes: available-for-sale securities		
	At 1.1.		9 757
			37 986
	Transfer into consolidated income statement		(5 263)
	Fair value adjustments		4 382
	Income taxes recognised directly in equity due to fair value adjustments		(25 739)
			161
			(504)
	Total net changes in fair value, after taxes: available-for-sale securities		(720)
			(28 229)
	At 31.12.		9 037
			9 757
17	Non-controlling interests		
	This item reflects the non-controlling interests in capital and profit / loss for the year. Minorities own significant shares in EMS-UBE Ltd., EFTEC Asia Pte. Ltd. (until June 17, 2010), Shanghai EFTEC Chemical Products Ltd. and Wuhu EFTEC Chemical Products Ltd.		
	The change in non-controlling interests is as follows:		
	At 1.1.		16 873
			15 208
	Buyout of non-controlling interests (see note 25)		(6 525)
			0
	Dividends paid		(3 464)
			(2 830)
	Net income		6 217
			5 083
	Translation differences		429
			(588)
	At 31.12.		13 530
			16 873

Notes	2010 (CHF '000)	2009 (CHF '000)
18 Bonds		
Current bond: EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.: 2.5% convertible bond 2002 – 23.4.2010	–	156 428
Total current bond	–	156 428
The option component of the convertible bond was KCHF 0 as per December 31, 2009 and was not separately stated in the balance sheet. The convertible bond was stated less converted shares or shares repurchased via the stock exchange. The discount rate for the convertible bond was 4.00%. The convertible bond contained standard covenants and offered standard anti-dilution protection.		
Details: 2.5% convertible bond 2002 – 23.4.2010 (nominal CHF 350 million)		
Each bond of CHF 5 000 could 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 was as follows:		
Present value issued bond	–	348 415
Present value repurchased bond	–	(191 987)
At 31.12.	–	156 428
Fair value at 31.12.	–	157 533
19 Bank loans		
The non-current bank loans are composed as follows:		
CHF: Average interest rate: 2.10% (2009: 1.90%)	50 000	150 000
JPY: Average interest rate: 1.48% (2009: –)	58	–
Total non-current bank loans	50 058	150 000
The non-current bank loans in CHF have a fixed interest rate. The fair value amounts to KCHF 50 634 (2009: KCHF 151 674). The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.		
The current bank loans are composed as follows:		
CHF: Average interest rate: 1.84% (2009: –)	104 363	–
JPY: Average interest rate: 0.49% (2009: 0.73%)	6 900	6 720
CNY: Average interest rate: 6.67% (2009: 5.31%)	695	1 207
GBP: Average interest rate: 14.90% (2009: –)	3	–
Total current bank loans	111 961	7 927
The carrying amounts of current bank loans in JPY, CNY and GBP correspond to their fair values, as the interest rates are variable. CHF 100 million of the current bank loans in CHF are repaid in January 2011. Therefore the carrying amount corresponds to the fair value. The carrying amounts of the remaining current bank loans in CHF correspond to their fair values, as the interest rates are variable.		

Notes	2010 (CHF '000)	2009 (CHF '000)
20 Other non-current liabilities		
Other non-current liabilities	2 994	3 737
Liabilities from employee benefits	16 484	18 587
Total other non-current liabilities	19 478	22 324
Liabilities from employee benefits include KCHF 3 796 (2009: KCHF 4 406) liabilities from Swiss pension plans (see note 2).		

21 Provisions	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
(CHF '000)					
At 31.12.2009	1 366	1 903	4 757	13 180	21 206
Change in scope of consolidation	0	0	0	(41)	(41)
Increase via income statement	274	0	329	612	1 215
Decrease via income statement	0	0	(2 437)	(169)	(2 606)
Amounts used	(147)	(1 227)	(495)	(236)	(2 105)
Reclassifications	0	0	9 500	(9 500)	0
Translation differences	(194)	(48)	(30)	(330)	(602)
At 31.12.2010	1 299	628	11 624	3 516	17 067
Of which: Current portion of provisions	21	628	0	377	1 026
Non-current portion of provisions	1 278	0	11 624	3 139	16 041

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

An average cash outflow >5 years is expected. There is no discount, as the fair value of the pension liabilities is already discounted at the time the liability is calculated.

The provisions for restructuring costs concern the merger of sites in the USA ("Performance Polymers" business area).

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. The reclassification of KCHF 9 500 is in connection with a legal case that has a high probability of resulting in a claim.

Warranty provisions are mainly included within other provisions.

The non-current provisions for litigation risks and the non-current other provisions are expected with an average maturity of 2.5 years.

The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be <3% as per December 31, 2010.

Notes	2010 (CHF '000)	2009 (CHF '000)
22 Other current liabilities		
Advances from customers	2 782	2 981
Prepaid expenses and deferred income	75 970	73 892
Other current liabilities to related parties	5 700	0
Other current liabilities to associated companies	5	3 583
Liabilities to social security institutions	821	4 473
Other current liabilities	37 593	27 528
Total other current liabilities	122 871	112 457
23 Liabilities, net / (net cash position)		
Bonds (see note 18)	–	156 428
Pension liabilities (see note 21)	1 299	1 366
Bank loans (see note 19)	162 019	157 927
Interest-bearing liabilities	163 318	315 721
less		
Receivables from associated companies (see note 12)	76	188
Securities	146 941	187 163
Deposits (see note 14)	436 001	488 083
Interest-bearing liabilities, net / (cash, net)	(419 700)	(359 713)
less		
Cash and cash equivalents (see note 14)	247	1 021
Liabilities, net / (net cash position)	(419 947)	(360 734)

Consolidated Statement of Cash Flows

EMS Group
Consolidated Financial Statements
Annual Report 2010 / 2011

Notes	2010 (CHF '000)	2009 (CHF '000)
24 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation intangible assets	4 301	4 509
Depreciation property, plant and equipment	45 980	46 312
Impairment property, plant and equipment	3 182	6 971
Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	53 463	57 792
For the breakdown of the depreciation, amortisation and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		
25 Purchase / disposal of fully consolidated companies and non-controlling interests		
Cash outflow from purchase of fully consolidated companies		
Acquisition of EMS-CHEMIE (Neumünster)		
On November 16, 2009, EMS Group acquired EMS-CHEMIE (Neumünster) Holding GmbH, EMS-CHEMIE (Neumünster) GmbH & Co. KG and EMS-CHEMIE (Neumünster) Verwaltungs GmbH (former Nexis Group, Germany).		
From November 16, 2009 to December 31, 2009, the acquired business contributed net sales revenue of CHF 4.2 million and a net loss of CHF 0.4 million to the EMS Group. If the acquisition had occurred on January 1, 2009, Group net sales revenue would have been CHF 36.7 million higher, while net income would have been CHF 1.3 million lower. These amounts have been calculated using the Group's accounting policies.		
Net assets acquired and goodwill are shown as follows:		
Purchase price in cash and cash equivalents		3 778
Direct costs relating to the acquisition		323
Total purchase price		4 101
(Amount of assets acquired)		(4 107)
Goodwill / (negative goodwill)		(6)

Notes

The acquisition of EMS-CHEMIE (Neumünster) has been accounted for using the acquisition 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	5	0	5
Property, plant and equipment	3163	840	2323
Other non-currents assets	456	216	240
Inventories	7980	1080	6900
Trade receivables	4918	(101)	5019
Other receivables	308	0	308
Cash and cash equivalents	2284	0	2284
Non-current liabilities	(7988)	12917	(20905)
Trade payables	(806)	0	(806)
Other current liabilities	(6213)	(641)	(5572)
Fair value of assets acquired	4107	14311	(10204)
Goodwill / (negative goodwill)	(6)		
Total cost of the business combination	4101		
Purchase price paid	4101		
Cash and cash equivalents of subsidiary acquired	(2284)		
Cash outflow from purchase of fully consolidated companies	1817		

Cash outflow from purchase of non-controlling interests

Buyout of non-controlling interests at EFTEC Asia Pte. Ltd.

On June 17, 2010, the participation of 80% was increased to 100%. The difference between the purchase price of KCHF 10809 and the carrying amount of the non-controlling interests of KCHF 6525 was accounted for as equity transaction.

Cash inflow from sale of fully consolidated companies

On January 20, 2010, EFTEC Aftermarket GmbH was sold.

Notes	2010 (CHF '000)	2009 (CHF '000)
26		
Contingent liabilities		
Contingent liabilities at the end of the year amount to	17 006	12 447
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 21).		
27		
Earnings per share – EPS		
Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
Details of earnings per share:		
Basic earnings per share		
Weighted average of registered shares outstanding	23 257 508	22 373 911
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	225 879	216 138
Basic earnings per share (CHF)	9.71	9.66
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
28		
Significant shareholders		
EMESTA HOLDING AG, Zug, 13 106 408 registered shares (2009: 12 091 291 registered shares)		
Amount of holding	56.04%	51.70%
Miriam Blocher, 2 079 000 registered shares (2009: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%
On February 15, 2010, EMS-CHEMIE HOLDING AG sold 1 015 117 treasury shares to EMESTA HOLDING AG.		
No other representation of significant shareholders is known to the Board of Directors.		

Notes	2010 (CHF '000)	2009 (CHF '000)
29 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 33.		
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 2010 / 2011 in the financial statements of EMS-CHEMIE HOLDING AG.		
Breakdown of the total compensation		
Short-term employee benefits to the members of the Board of Directors and Senior Management	3 365	2 711
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	3 365	2 711
The detailed disclosures of compensation as per Swiss law can be found in the financial statements of EMS-CHEMIE HOLDING AG.		
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG of the members of the Board of Directors and members of the Senior Management as well as their related parties are as follows:		
Board of Directors	Number of shares	
Dr U. Berg, Chairman	2 350	2 350
M. Martullo, Vice-Chairman and CEO *	558 805	558 805
Dr H.J. Frei, Member	2 330	1 720
Dr W. Prätorius, Member	1 000	0
Total Board of Directors	564 485	562 875
* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 28).		

Notes	2010	2009
Senior Management	Number of shares	
M. Martullo, Vice-Chairman and CEO *	shown under "Board of Directors"	
P. Germann, CFO	0	0
Dr R. Holderegger, Member	0	0
Total Senior Management	0	0
* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 28).		
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.		
30 Subsequent events		
The consolidated financial statements were approved by the Board of Directors on March 31, 2011 and need to be approved by the Annual General Meeting on August 13, 2011.		
Between December 31, 2010 and March 31, 2011 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

31 List of subsidiaries and non-controlling interests (at 31.12.2010)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-FINANCE (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 (Korea) Ltd.	Pyeong Chon-Dong	South Korea
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.)
EFTEC (Guangzhou) Automotive Materials Co. Ltd.	Guangzhou	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.	Santana de Parnaíba	Brazil
BUSINESS AREA FINE CHEMICALS / ENGINEERING		
EMS-GRILTECH *		
EMS-PATVAG AG in liquidation	Domat/Ems	Switzerland
EMS-PATVAG s.r.o.	Brankovice	Czech Republic
EMS-METERING AG	Domat/Ems	Switzerland
EMS-CHEMIE (Neumünster) Holding GmbH	Neumünster	Germany
EMS-CHEMIE (Neumünster) GmbH & Co. KG	Neumünster	Germany
EMS-CHEMIE (Neumünster) Verwaltungs GmbH	Neumünster	Germany

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

Consolidation: K = Fully consolidated
E = Equity valuation

Currency	Share capital (in '000)	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	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
KRW	113 000	100.00%	100.00%	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	100.00%	100.00%	D,V	K
THB	49 500	100.00%	100.00%	P,V	K
INR	15 000	49.00%	49.00%	P,V	E
USD	3 700	100.00%	100.00%	D	K
CNY	20 750	60.00%	60.00%	P,V	K
CNY	27 500	100.00%	100.00%	P,V	K
CNY	6 650	60.00%	60.00%	P,V	K
CNY	1 000	100.00%	100.00%	V	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
BRL	541	100.00%	100.00%	P	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
EUR	25	100.00%	100.00%	D	K
EUR	3 000	100.00%	100.00%	P,V	K
EUR	25	100.00%	100.00%	D	K

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

Notes	2010 (CHF '000)	2009 (CHF '000)
32 Change in scope of consolidation		
Fully consolidated:		
Addition:		
EFTEC Asia Pte. Ltd.: On June 17, 2010, the participation of 80% was increased to 100%.		
EFTEC (Guangzhou) Automotive Materials Co., Ltd.: This company was founded on September 30, 2010.		
EMS-CHEMIE (Korea) Ltd.: This company was founded on December 31, 2010.		
Disposal:		
EFTEC Aftermarket GmbH: This company was sold on January 20, 2010.		
EMS-MANAGEMENT SERVICES (Guernsey) Ltd.: This company was dissolved on October 27, 2010.		
33 Significant associated company		
D PLAST – EFTEC a.s.		
Domicile	Zlín, Czech Republic	
Percentage held	50.00%	
Financial year	January 1, 2010 – December 31, 2010	
Category	Production, Sale	
Currency	CZK	
Net sales revenue	KCHF	44 322
Net income	KCHF	7 599
Assets	KCHF	39 846
Equity	KCHF	30 259
Liabilities	KCHF	9 587
34 Risk management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 9)	1 326	1 091
Trade receivables (see note 11)	211 657	203 569
Receivables from associated companies (see note 12)	76	188
Derivative financial instruments (see note 13)	3 845	8 493
Cash and cash equivalents (see note 14)	436 248	489 104
Total financial assets	653 152	702 445
The maximum credit risk is equal to the carrying amount of the respective assets.		
There are no collateralised financial assets. For the analysis of due dates and allowances for doubtful trade receivables, see note 11.		

Notes

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2010 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 19)	111 961	113 761	113 761	0	0
Non-current bank loans (see note 19)	50 058	52 158	1 108	51 050	0
Trade payables	114 581	114 581	114 581	0	0
Other current liabilities to related parties (see note 22)	5 700	5 700	5 700	0	0
Other current liabilities to associated companies (see note 22)	5	5	5	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 13)	3 691	3 691	3 659	32	0
Total financial liabilities	285 996	289 896	238 814	51 082	0

At 31.12.2009 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 18)	156 428	161 089	161 089	0	0
Current bank loans (see note 19)	7 927	7 927	7 927	0	0
Non-current bank loans (see note 19)	150 000	156 750	2 850	153 900	0
Trade payables	98 638	98 638	98 638	0	0
Other current liabilities to associated companies (see note 22)	3 583	3 583	3 583	0	0
Derivative financial liabilities:					
Option component of convertible bonds	0	0	0	0	0
Derivative financial instruments (see note 13)	149	149	104	45	0
Total financial liabilities	416 725	428 136	274 191	153 945	0

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bonds and CHF 150.0 million of the bank loans have a fixed interest rate. The valuation of the bonds was at amortised costs. There are no derivative financial instruments on interest rates used. An increase in the interest rate of 100 basis points in the case of the deposits and the bank loans would increase net income after taxes by CHF 3.5 million (2009: CHF 4.0 million). A decrease in the interest rate of 100 basis points in the case of the deposits and the current bank loans would decrease net income after taxes by CHF 0.9 million (2009: CHF 1.0 million).

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

Notes	2010	2009
-------	------	------

Currency risks

Overview currency exposure, net

At 31.12.2010 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 11)	13093	121 629	35 848	18 058	3 026	20 003
Loans to group companies	56 697	34 000	82 313	4 025	0	3 908
Derivative financial instruments (see note 13)	0	0	0	122 451	0	5 615
Trade payables	(15 600)	(61 488)	(13 108)	(14 870)	(1 283)	(8 232)
Loans from group companies	(17 160)	0	0	0	0	0
Current bank loans (see note 19)	0	0	0	(6 900)	0	(698)
Non-current bank loans (see note 19)	0	0	0	(58)	0	0
Derivative financial instruments (see note 13)	0	(18 756)	0	0	0	0
Currency exposure, net	37 030	75 385	105 053	122 706	1 743	20 596

At 31.12.2009 (CHF '000)	CHF	EUR	USD	JPY	TWD	Other currencies
Trade receivables (see note 11)	37 446	77 447	15 143	23 025	18 106	32 402
Loans to group companies	40 837	36 479	96 517	2 800	0	3 320
Derivative financial instruments (see note 13)	0	0	0	89 628	0	12 710
Trade payables	(44 064)	(20 757)	(8 031)	(15 992)	(1 501)	(8 293)
Current bank loans (see note 19)	0	0	0	(6 720)	0	(1 207)
Derivative financial instruments (see note 13)	0	(119 538)	(1 193)	0	0	0
Currency exposure, net	34 219	(26 369)	102 436	92 741	16 605	38 932

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 9.8 million (2009: CHF 10.0 million). Per currency:
 EUR: CHF - 4.1 million (2009: CHF - 2.7 million), USD: CHF - 1.9 million (2009: CHF - 2.5 million), JPY: CHF + 2.9 million (2009: CHF - 0.1 million), other currencies: CHF - 6.7 million (2009: CHF - 4.7 million).
 A 10% increase / (decrease) in the Swiss franc (CHF) against all other currencies would decrease / (increase) equity after taxes by CHF 19.7 million (2009: CHF 7.7 million). Per currency:
 EUR: CHF - 4.1 million (2009: CHF + 7.9 million), USD: CHF - 7.4 million (2009: CHF - 8.5 million), JPY: CHF - 1.5 million (2009: CHF - 2.4 million), other currencies: CHF - 6.7 million (2009: CHF - 4.7 million).
 This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

Other price risks: Securities risks

The "securities" item in the balance sheet comprises the following countries:

Switzerland	91 %	86 %
Euroland	9 %	14 %
Total	100 %	100 %

There is no significant correlation to a share index.

Notes

Sensitivity analysis of securities risks

A 10% increase in the fair value of available-for-sale securities and option component of convertible bonds would increase equity after taxes by CHF 14.1 million (2009: CHF 18.0 million), while the net income after taxes would be CHF 0.0 million (2009: CHF 0.0 million) higher.

A 10% decrease in the fair value of available-for-sale securities and option component of convertible bonds would decrease equity after taxes by CHF 14.1 million (2009: CHF 18.0 million), while net income after taxes would be CHF 5.9 million (2009: CHF 0.0 million) lower.

The sensitivity analysis was performed on the same basis as for the previous year.

Financial assets / liabilities: fair value hierarchy

At 31.12.2010 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	146 941			146 941
Derivative financial instruments (see note 13)		3 845		3 845
Financial liabilities:				
Derivative financial instruments (see note 13)		(3 691)		(3 691)
At 31.12.2009 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities	187 163			187 163
Derivative financial instruments (see note 13)		8 493		8 493
Financial liabilities:				
Option component of convertible bonds		0		0
Derivative financial instruments (see note 13)		(149)		(149)

There were no transfers between the levels of the fair value hierarchy.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

35 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 Shareholders of EMS-CHEMIE HOLDING AG, Domat / Ems

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 19 to 57) for the year ended December 31, 2010.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Zurich, March 31, 2011

KPMG AG

Hanspeter Stocker
Licensed Audit Expert
Auditor in charge

Georg Mosimann
Licensed Audit Expert

Financial Statements
EMS-CHEMIE HOLDING AG

for the Financial Year May 1, 2010 – April 30, 2011



EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2010 to April 30, 2011

	Notes	2010/2011 (CHF '000)	2009/2010 (CHF '000)
INCOME			
License fees from group companies		43 920	33 854
Financial income			
Interest income		3 797	4 388
Foreign exchange differences	1	0	354
Dividends from group companies		150 898	123 900
Income from financial assets		17 083	58 974
Total income		215 698	221 470
EXPENSES			
Operating expenses to group companies		12 101	20 295
Financial expenses			
Expenses from financial assets		9 050	2 776
Interest expenses		5 514	7 764
Foreign exchange differences, net	1	5 772	0
Expenses from disposal of group companies		0	772
Bank charges, duties, fees		347	302
Administration expenses		933	1 520
Expenses arising from guarantees		0	2 762
Total expenses		33 717	36 191
Net income before taxes		181 981	185 279
Taxes		306	479
Net income		181 675	184 800

Balance Sheet as at April 30, 2011

EMS-CHEMIE HOLDING AG
Financial Statements
Annual Report 2010 / 2011

	Notes	30. 4. 2011 (CHF '000)	30. 4. 2010 (CHF '000)
Non-current assets		339 509	350 698
Investments in group companies	2	284 852	284 991
Loans to group companies		54 657	65 707
Current assets		265 508	325 395
Prepayments and accrued income		14 246	13 328
Receivables from third parties		767	698
Receivables from group companies		28 153	42 784
Loans to group companies		3 586	3 664
Current financial assets	3	30 697	84 777
Cash and cash equivalents		188 059	180 144
TOTAL ASSETS		605 017	676 093
Shareholders' equity		414 792	466 967
Share capital	5/6	234	234
Legal reserves		47	47
Other reserves		10 000	10 000
Available earnings		404 511	456 686
Liabilities		190 225	209 126
Non-current liabilities		114 169	64 169
Bank loans		100 000	50 000
Provisions		14 169	14 169
Current liabilities		76 056	144 957
Bank loans		50 000	100 000
Accruals and deferred income		5 406	8 059
Payables to third parties		5 151	6 060
Payables to group companies		15 499	30 838
TOTAL EQUITY AND LIABILITIES		605 017	676 093
Balance sheet equity ratio		68.6%	69.1%

Notes to the Financial Statements 2010/2011

Income Statement 2010/2011

Notes	2010/2011 (CHF '000)	2009/2010 (CHF '000)
1 Foreign exchange differences		
Foreign exchange gains	27 257	8 101
Foreign exchange losses	33 029	7 747
Foreign exchange differences	(5 772)	354

Balance Sheet as at April 30, 2011

- 2 Investments in group companies
 Details of the investments as at 31.12.2010 can be seen in note 31, "List of subsidiaries and non-controlling interests", in the consolidated financial statements of the EMS Group.
 In the period to 30.4.2011, investments changed as follows:
 Disposal:
 EMS-PATVAG AG in Liquidation was deleted as of 25.1.2011.

Notes	2010 / 2011 (CHF '000)	2009 / 2010 (CHF '000)
3		
Current financial assets		
Securities	30 697	84 777
Treasury shares	0	0
Current financial assets	30 697	84 777
Details to treasury shares:	Number of registered shares	
At 1.5.	0	1 015 117
Purchases	23 145	0
Disposals	(23 145)	(1 015 117)
At 30.4.	0	0
Reporting year: Purchase of 23 145 treasury shares at an average market price of CHF 150.63, sale of 23 145 treasury shares at an average market price of CHF 161.99.		
Previous year: 1 015 117 treasury shares were sold on the stock exchange at a market price of CHF 127.10 to the main shareholder ERESTA HOLDING AG.		
4		
Shareholders' equity		
At 1.5.	466 967	394 037
Dividends paid	(233 850)	(111 870)
Net income	181 675	184 800
At 30.4.	414 792	466 967

Notes		2010 / 2011 (CHF '000)	2009 / 2010 (CHF '000)		
5 Share capital					
	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.4.2009	CHF 0.01	23 389 028	1 015 117	22 373 911	234
Sale of treasury shares		–	(1 015 117)	1 015 117	–
At 30.4.2010	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	0	0	–
At 30.4.2011	CHF 0.01	23 389 028	0	23 389 028	234
6 Significant shareholders					
EMESTA HOLDING AG, Zug, 14 224 018 registered shares (2009/2010: 13 106 408 registered shares)					
Amount of holding				60.81%	56.04%
Miriam Blocher, 2 079 000 registered shares (2009/2010: 2 079 000 registered shares)					
Amount of holding				8.89%	8.89%
No other representation of significant shareholders is known to the Board of Directors.					

Notes		2010 / 2011 (CHF '000)	2009 / 2010 (CHF '000)
7	Contingent liabilities Guarantees (maximum liability)	156 461	164 020
8	Compensation and shareholdings The following compensation was paid in the reporting year:		
	Board of Directors	Compensation	
	Function		
	Dr U. Berg	224	191
	M. Martullo	1 230	936
	Dr H.J. Frei	356	330
	Dr W. Prätorius	136	105
	E. Appel	–	105
	Total Board of Directors	1 966	1 667
	* 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 136 (2009/2010: KCHF 105).		
	Senior Management		
	Total compensation paid to the Senior Management was	2 593	2 200
	The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 230 (2009/2010: KCHF 936) and was paid to M. Martullo, Vice-Chairman of the Board of Directors and CEO.		
	Total compensation paid to the Board of Directors and Senior Management was	3 329	2 931
	The compensation is paid exclusively in cash. EMS has no stock option program.		
	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	2010 / 2011	2009 / 2010
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	2 350
M. Martullo	Vice-Chairman and CEO *	0
Dr H.J. Frei	Member	2 330
Dr W. Prätorius	Member	1 000
Total Board of Directors		5 680
Senior Management	Function	
M. Martullo	CEO *	shown under "Board of Directors"
P. Germann	CFO	0
Dr R. Holderegger	Member	0
Total Senior Management		0
* Excluding ERESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 6).		
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.		
9	Information about the risk assessment process	
	Risk management constitutes an integral component of planning and reporting activities at EMS. At Senior Management and Business Unit level, risks are identified annually as part of the medium-term planning procedure and preparation of the budget for the following year. They are then weighted according to the gravity of the risk and probability of its occurrence. The identification and assessment of changes in risk play an important part in this process. Measures are defined to reduce significant risks. In the course of planning discussions, the CEO and CFO report to the Board of Directors on the magnitude of these risks and the implementation status of the measures taken to counter them.	

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

EMS-CHEMIE HOLDING AG
Financial Statements
Annual Report 2010 / 2011

	2010 / 2011 (CHF)	2009 / 2010 (CHF)
Available earnings		
Net income	181 674 920	184 799 928
Reclassification reserves for treasury shares	0	130 403 016
Balance brought forward	222 835 818	141 483 154
Total available earnings	404 510 738	456 686 098
Appropriation		
Payment of an ordinary dividend of CHF 6.50 (previous year CHF 5.00) gross and a special dividend of CHF 6.00 (previous year CHF 5.00) gross per registered share entitled to dividend	(152 028 682)	(116 925 140)
	(140 334 168)	(116 925 140)
Balance to be carried forward	112 147 888	222 835 818

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, 2011.

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, 2011 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 20, 2011

KPMG AG

Hanspeter Stocker
Licensed Audit Expert
Auditor in charge

Georg Mosimann
Licensed Audit Expert

EMS-CHEMIE HOLDING AG

Via Innovativa 1
7013 Domat / Ems
Switzerland
Phone +41 81 632 61 11
Fax +41 81 632 74 01
www.ems-group.com
info@ems-group.com

EMS-CHEMIE HOLDING AG

Fuederholzstrasse 34
8704 Herrliberg
Switzerland
Phone +41 44 915 70 00
Fax +41 44 915 70 02
www.ems-group.com
info@ems-group.com

EMS-CHEMIE AG

Via Innovativa 1
7013 Domat / Ems
Switzerland
Phone +41 81 632 61 11
Fax +41 81 632 74 01
www.ems-group.com
welcome@emschem.com

EMS-CHEMIE AG

Fuederholzstrasse 34
8704 Herrliberg
Switzerland
Phone +41 44 915 70 00
Fax +41 44 915 70 02
www.ems-group.com
info@ems-group.com

EMS-CHEMIE AG

Kugelgasse 22
8708 Männedorf
Switzerland
Phone +41 44 921 00 00
Fax +41 44 921 00 01
www.ems-group.com
info@ems-group.com

EMS-CHEMIE AG

Business Unit
EMS-GRIVORY Europe
Via Innovativa 1
7013 Domat / Ems
Switzerland
Phone +41 81 632 78 88
Fax +41 81 632 76 65
www.emsgrivory.com
welcome@emsgrivory.com

EMS-CHEMIE AG

Business Unit
EMS-GRILTECH
Via Innovativa 1
7013 Domat / Ems
Switzerland
Phone +41 81 632 72 02
Fax +41 81 632 74 02
www.emsgriltech.com
info@emsgriltech.com

EMS-CHEMIE AG

Business Unit
EMS-SERVICES
Via Innovativa 1
7013 Domat / Ems
Switzerland
Phone +41 81 632 77 66
Fax +41 81 632 76 76
www.emsservices.ch
welcome@emsservices.ch

EMS-PATENT AG

Via Innovativa 1
7013 Domat / Ems
Switzerland
Phone +41 81 632 68 26
Fax +41 81 632 74 40
info@emspatent.com

EFTEC AG

Hofstrasse 31
8590 Romanshorn
Switzerland
Phone +41 71 466 43 00
Fax +41 71 466 43 01
www.eftec.ch
info@eftec.ch

Addresses of EMS Companies, Worldwide

Belgium

EFTEC NV
Henry Fordlaan 1
B-3600 Genk
Phone +32 89 65 14 00
Fax +32 89 65 14 80

Brazil

EFTEC Brasil Ltda.
Av. Charles Goodyear,
521 Cururuquara
CEP 06524-115
Santana de Parnaíba, SP
Brazil
Phone +55 11 4193 1353
Fax +55 11 4193 1148

China

EMS-CHEMIE (China) Ltd.
227 Songbei Road
Suzhou Industrial Park
Suzhou City 215126
Jiangsu Province
P.R. China
Phone +86 512 8666 8180
Fax +86 512 8666 8210
welcome@cn.emsgrivory.com

EMS-CHEMIE (Suzhou) Ltd.
227 Songbei Road
Suzhou Industrial Park
Suzhou City 215126
Jiangsu Province
P.R. China
Phone +86 512 8666 8181
Fax +86 512 8666 8183
welcome@cn.emsgrivory.com

Shanghai EFTEC
Chemical Products Ltd.
Humin Road
521 Guanghua Road
Shanghai 201108
P.R. China
Phone +86 21 6489 1122
Fax +86 21 6489 1199

EFTEC Asia Pte. Ltd.
Shanghai Representative Office
Unit 1008
Super Ocean Finance Center
2067 Yan An Road West
Shanghai 200336
P.R. China
Phone +86 21 6295 7716
Fax +86 21 6295 7816

Changchun EFTEC
Chemical Products Ltd.
No. 808 Chuangxin Road
Changchun 130012
P.R. China
Phone +86 431 8508 0800
Fax +86 431 8508 0808

Wuhu EFTEC
Chemical Products Ltd.
No. 215 Yinhu North Road
Wuhu 241009
Anhui Province
P.R. China
Phone +86 553 584 7268
Fax +86 553 584 7268

EFTEC (Guangzhou) Auto-
motive Materials Co. Ltd.
10/11 Unit 2301, Citic Plaza
233 Tian He North Road
Guangzhou 510620
P.R. China
Phone +86 20 3877 2815
Fax +86 50 3877 2963

EFTEC China Ltd.
3313-3317, Jardine House
1 Connaught Place, Central
Hong Kong
Phone +852 2526 4868
Fax +852 2526 6568

Czech Republic

D PLAST-EFTEC a.s.
U Tescomy 206
CZ-760 01 Zlín
Phone +420 577 004 411
Fax +420 577 004 444
zlin@dplast-eftec.cz

D PLAST-EFTEC a.s.
Větrná 445
CZ-463 34 Hrádek nad Nisou
Phone +420 482 429 511
Fax +420 482 429 504

EMS-PATVAG s.r.o.
Brankovice č.p. 350
CZ-683 33 Brankovice
Phone +420 517 302 200
Fax +420 517 302 222
welcome@emspatvag.cz

France

EMS-CHEMIE (France) S.A.
73-77, rue de Sèvres
Boîte postale 52
F-92105 Boulogne-Billancourt Cedex
Phone +33 1 41 10 06 10
Fax +33 1 48 25 56 07
welcome@fr.emsgrivory.com

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

Germany

EMS-CHEMIE
(Deutschland) GmbH
Warthweg 14
D-64823 Gross-Umstadt
Phone +49 6078 783 0
Fax +49 6078 783 158
welcome@de.emsgrivory.com

EMS-CHEMIE (Neumünster)
GmbH & Co. KG
Tungendorfer Str. 10
D-24536 Neumünster
Phone +49 4321 302 500
Fax +49 4321 302 511
info.nms@de.emsgriltech.com

EFTEC Engineering GmbH
Dornierstrasse 7
D-88677 Markdorf
Phone +49 7544 920 0
Fax +49 7544 920 200

Great Britain

EMS-CHEMIE (UK) Ltd.
Darfin House, Priestly Court
Staffordshire Technology Park
GB-Stafford ST18 0AR
Phone +44 1785 283 739
Fax +44 1785 283 722
welcome@uk.emsgrivory.com

EFTEC Ltd.
Rhigos/Aberdare
GB-Mid Glamorgan CF44 9UE
Phone +44 1685 81 54 00
Fax +44 1685 81 39 97

Guernsey

EMS-INTERNATIONAL
FINANCE (Guernsey) Ltd.
Trafalgar Court
3rd Floor, West Wing
St. Peter Port
Guernsey GY1 2JA
Channel Islands
Phone +44 1481 712 704
Fax +44 1481 712 705

India

EFTEC Shroff (India) Ltd.
Plot No. 645-646 4th, floor
Oberoi Chambers II
New Link Road
Andheri (West)
Mumbai 400 053
India
Phone +91 22 2674 7900
Fax +91 22 2673 6013

Italy

EMS-CHEMIE (Italia) S.r.l.
Via Appiani 12
I-20121 Milano (MI)
Italia
Phone 00 800 1100 1122 *
Fax 00 800 1100 2233 *
welcome@it.emsgrivory.com
* from Italy only

Japan

EMS-CHEMIE (Japan) Ltd.
EMS Building
2-11-20 Higashi-koujiya
Ota-ku, Tokyo 144-0033
Japan
Phone +81 3 5735 0611
Fax +81 3 5735 0614
www.emsgrivory.co.jp
welcome@jp.emsgrivory.com

EMS-CHEMIE (Japan) Ltd.
Osaka Office,
Umeda Shinmichi Bldg.
1-1-5, Dojima, Kita-ku
Osaka 530-0003
Japan
Phone +81 6 6348 1655
Fax +81 6 6348 1702
info@jp.emsgriltech.com

EMS-UBE Ltd.
1978-10 Kogushi
Ube-shi, Yamaguchi 755-8633
Japan
Phone +81 836 31 02 13
Fax +81 836 31 02 14
uems1k3@ube-ind.co.jp

Korea

EMS-CHEMIE (Korea) Ltd.
#1226 Dong-Gwan,
Doosan Venturedigm,
126-1, Pyeong Chon-dong,
Dong An-gu,
An Yang-si,
Gyeong Gi-do, 431-070
Republic of Korea
Phone +82 31 478 3159
Fax +82 31 478 3157

Mexico

Grupo Placosa EFTEC S.A.
de C.V.
Calle 56 sur No. 11 Civac
Jiutepec Mor. C.P.
62500 Cuernavaca Mor.
Mexico
Phone +52 777 319 3477
Fax +52 777 320 4240

Romania

D PLAST EFTEC RO S.R.L.
Budeasa Mare
117 151 Budeasa
Romania
Phone +40 248 236 325
Fax +40 248 236 325

Russia

D PLAST EFTEC NN
Ul. Iljicha 39-77
603 101 Nizhnij Novgorod
Russia
Phone +7 8312 995 245
Fax +7 8312 996 889
pavlov@defnn.ru

D PLAST-EFTEC RT
Industrial Zone «Alabuga»
Street 20.1, case 1/1
423 603 Elabuga
Russia
Phone +7 85 557 519 40
Fax +7 85 557 519 41
r.gazizov@dplast-rt.ru

Singapore

EFTEC Asia Pte. Ltd.
15 Beach Road
#03-07 Beach Centre
Singapore 189677
Phone +65 6545 82 01
Fax +65 6337 28 06

Ukraine

D PLAST-EFTEC UA
Gorkeho 27/29
69063 Zaporozhye
Ukraine
Phone +420 577 004 469
Fax +420 577 004 444
shved@mail.lviv.ua

Spain

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

United States

EMS-CHEMIE
(North America) Inc.
2060 Corporate Way
P.O. Box 1717
Sumter, SC 29151
USA
Phone +1 803 481 91 73
Fax +1 803 481 38 20
welcome@us.emschem.com
welcome@us.emsgrivory.com

Taiwan

EMS-CHEMIE (Taiwan) Ltd.
36, Kwang Fu South Road
Hsin Chu Industrial Park
Fu Kou Hsiang
Hsin Chu Hsien 30351
Taiwan, R.O.C.
Phone +886 35 985 335
Fax +886 35 985 345
welcome@tw.emsgrivory.com
info@tw.emsgriltech.com

EFTEC North America, L.L.C.
20219 Northline Road
Taylor, MI 48180-4786
USA
Phone +1 248 585 2200
Fax +1 734 374 2050

Thailand

EFTEC (Thailand) Co. Ltd.
Eastern Seaboard
Industrial Estate (Rayong)
109/10 M 004, Pluakdaeng
Rayong 21140
Thailand
Phone +66 38 954 271
Fax +66 38 954 270



PERFORMANCE POLYMERS FINE CHEMICALS/ENGINEERING