Finance Report 2007

Excerpt from the
45th Annual Report 2007/2008

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Contents

Spotlight on Share Performance

	Share capital on December 31					
	2007	2006	2005	2004 comparable[2]	2004 reported	2003
Number of shares as per articles of incorporation						
Registered shares (par value CHF 0.01)	25 052 870	25 052 870	25 052 870	25 052 870[1]	25 052 870[1]	26 093 000
Conditional capital	–	–	–	–	–	–
Authorized capital	–	–	–	–	–	–
Number of shares entitled to dividend on December 31						
Registered shares	24 025 654	22 718 364	23 810 571	24 255 600	24 255 600	26 093 000
Treasury shares	1 027 216	2 334 506	1 242 299	797 270	797 270	–
Information per share:						
Dividend per share in CHF	7.25[3]	8.00	6.50	4.00	4.00	8.00
Of which ordinary dividend	6.00	5.50	5.00	4.00	4.00	8.00
Of which special dividend	1.25	2.50	1.50	–	–	–
Equity per share in CHF[4]	54.71	48.15	44.64	36.48	44.71	56.57
Cash flow per share in CHF[5]	15.22	15.67	9.85	9.87	10.77	15.77
Earnings per share in CHF						
Basic*	12.14	12.99	–	–	7.33	4.10
Diluted*	12.09	12.65	–	–	7.33	4.10
Earnings per share in CHF from continued activities						
Basic*	–	–	7.27	6.96	–	–
Diluted*	–	–	7.27	6.96	–	–
Earnings per share in CHF from discontinued activities						
Basic*	–	–	0.03	0.37	–	–
Diluted*	–	–	0.03	0.37	–	–
Stock prices in CHF[6]						
High	170.00	147.00	116.90	99.21	107.25	108.00
Low	144.06	117.00	93.43	90.19	97.50	90.00
At December 31	166.60	146.60	116.50	94.36	102.00	97.00
Market capitalization on December 31 (CHF millions)	4 173.8	3 672.8	2 918.7	2 364.0	2 555.4	2 531.0

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

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

* calculated according to IAS 33

1) 1 040 130 registered shares were canceled as part of a share buyback on November 9, 2004.
2) The comparable figures for 2004 consist of continued activities, i.e. after the spin-off of EMS-DOTTIKON.
3) Proposal of the Board of Directors.
4) Inclusive minority interests.
5) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
6) Source: Bloomberg.

Key Figures 2003 – 2007

	Calendar years, CHF millions					
	2007	2006	2005	2004 comparable[1]	2004 reported	2003
Net sales revenue	1 552.4	1 395.9	1 253.3	1 149.0	1 267.0	1 220.7
Change in % against previous year	+11.2%	+11.4%	+9.1%		+3.8%	–0.0%
Change in local currencies	+9.2%	+10.3%	+8.4%		+4.3%	+1.7%
Change with identical scope of consolidation	+10.8%	+11.4%	+9.1%		+6.7%	+1.5%
Change in local currencies and with identical scope of consolidation	+8.8%	+10.3%	+8.4%		+7.3%	+3.2%
Of which in Switzerland	5.0%	4.8%	4.4%	4.5%	6.1%	5.5%
Operating income	1 633.8	1 450.1	1 278.3	1 235.6	1 357.7	1 323.1
Change in % against previous year	+12.7%	+13.4%	+3.5%		+2.6%	–1.1%
Net operating income (EBIT)	270.2	246.8	216.4	203.4	217.8	197.3
Change in % against previous year	+9.5%	+14.1%	+6.4%		+10.4%	+1.3%
In % of net sales revenue	17.4%	17.7%	17.3%	17.7%	17.2%	16.2%
Net financial income	63.7	118.3	10.9	18.3	15.9	–58.2
Change in % against previous year	–46.1%	+981.2%	–40.2%		+127.3%	–406.0%
Net income before taxes	333.9	365.1	227.3	221.7	233.7	139.1
Change in % against previous year	–8.6%	+60.6%	+2.6%		+68.0%	–35.0%
Income taxes	40.1	57.4	45.5	41.3	43.9	25.7
Change in % against previous year	–30.2%	+26.3%	+10.1%		+70.6%	–47.5%
Net income (inclusive minority interests)	293.8	307.7	181.9	180.4	189.8	113.4
Change in % against previous year	–4.5%	+69.2%	+0.8%		+67.5%	–31.3%
In % of net sales revenue	18.9%	22.0%	14.5%	15.7%	15.0%	9.3%
Net income, attributable to shareholders of EMS-CHEMIE HOLDING AG	283.3	297.4	176.3	174.0	183.4	106.9
Change in % against previous year	–4.7%	+68.7%	+1.3%		+71.6%	–33.6%
Depreciation and amortization of intangible assets and property, plant and equipment	53.4	51.1	53.9	56.9	69.8	68.4
Cash flow[2]	355.3	358.8	239.0	246.9	269.2	411.4
Change in % against previous year	–1.0%	+50.1%	–3.2%		–34.6%	+77.8%
In % of net sales revenue	22.9%	25.7%	19.1%	21.5%	21.2%	33.7%
Investments	71.9	64.3	48.8	45.5	52.9	70.6
In % of cash flow	20.2%	17.9%	20.4%	18.4%	19.6%	17.2%

[1] The comparable figures for 2004 consist of continued activities, i.e. after the spin-off of EMS-DOTTIKON.
[2] Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

	Calendar years, CHF millions					
	2007	2006	2005	2004 comparable[1)]	2004 reported	2003
Balance sheet total	2 277.1	2 328.6	2 350.4	2 322.6	2 592.5	3 117.6
Assets						
Current assets	1 671.8	1 733.0	1 816.9	1 724.5	1 819.3	2 297.4
Non-current assets	605.3	595.6	533.5	598.1	773.2	820.2
Equity and liabilities						
Current liabilities	614.2	339.0	315.0	293.7	313.0	360.8
Non-current liabilities	386.2	886.8	952.6	1 116.5	1 161.2	1 280.7
Equity[2)]	1 276.7	1 102.7	1 082.9	912.3	1 118.2	1 476.1
Balance sheet equity ratio	56.1%	47.4%	46.1%	39.3%	43.1%	47.3%
Return on equity	23.0%	27.9%	16.8%	19.8%	17.0%	7.7%
Number of employees on December 31*	2 231[3)]	2 061	2 055	2 078	2 459	2 637
Fire insurance value of property, plant and equipment	1 462.2	1 382.7	1 429.0	1 362.7	1 808.5	1 855.5

* Excluding apprentices (2007: 109; 2006: 112; 2005: 119; 2004 comparable: 124; 2004 reported: 158; 2003: 154)

1) The comparable figures for 2004 consist of continued activities, i.e. after the spin-off of EMS-DOTTIKON.
2) Inclusive minority interests.
3) Including employees from the acquisition of EFTEC.

Consolidated Income Statement of the EMS Group

	Notes	2007 (CHF '000)	2006 (CHF '000)
Net sales revenue from goods and services		1 552 393	1 395 946
Inventory changes, semi-finished and finished goods		29 076	17 313
Capitalized costs and other operating income	1	52 286	36 705
Operating income		1 633 755	1 449 964
Material expenses		967 537	832 394
Personnel expenses	2	221 572	212 353
Depreciation and amortization	8, 23	53 351	51 145
Other operating expenses	3	121 133	107 243
Operating expenses		1 363 593	1 203 135
NET OPERATING INCOME (EBIT)		270 162	246 829
Income from equity-valuation of associated companies		4 548	6 677
Financial income	5	130 946	184 800
Financial expenses	6	71 798	73 203
NET FINANCIAL INCOME		63 696	118 274
NET INCOME BEFORE TAXES		333 858	365 103
Income taxes	7	40 104	57 436
NET INCOME		293 754	307 667
Of which attributable to:			
Shareholders of EMS-CHEMIE HOLDING AG		283 335	297 441
Minority interests	16	10 419	10 226
Earnings per share in CHF:			
Basic	26	12.14	12.99
Diluted	26	12.09	12.65

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet of the EMS Group

	Notes	31.12.2007 (CHF '000)	31.12.2006 (CHF '000)
NON-CURRENT ASSETS		605 290	606 849
Intangible assets	8	33 039	6 622
Property, plant and equipment	8	521 400	485 376
Financial assets	8	38 076	99 714
Investments in associated companies	8	16 934	29 405
Other investments	8	182	244
Other non-current financial assets	8	20 960	70 065
Derivative financial instruments	12	372	11 239
Deferred income tax assets	7	12 403	3 898
CURRENT ASSETS		1 671 774	1 721 755
Inventories	9	276 370	226 131
Accounts receivable			
Trade accounts receivable	10	255 968	233 706
Income tax assets		1 369	94
Other receivables	11	94 210	54 906
Securities		321 118	432 848
Derivative financial instruments	12	9 000	1 556
Cash and cash equivalents	13	713 739	772 514
TOTAL ASSETS		2 277 064	2 328 604
EQUITY		1 276 652	1 102 713
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 259 588	1 054 885
Share capital	14	251	251
Retained earnings and reserves		976 002	757 193
Net income		283 335	297 441
Equity, attributable to minority interests	16	17 064	47 828
LIABILITIES		1 000 412	1 225 891
Non-current liabilities		386 232	888 437
Bonds	17	162 815	652 082
Option component of convertible bonds		39 952	34 820
Derivative financial instruments	12	502	1 590
Other non-current liabilities	19	10 442	9 637
Deferred income tax liabilities	7	105 029	128 531
Provisions	20	67 492	61 777
Current liabilities		614 180	337 454
Bonds	17	295 515	0
Option component of convertible bonds		12 532	0
Derivative financial instruments	12	5 578	16 189
Bank loans	18	3 102	15 689
Trade accounts payable		116 959	112 101
Income tax liabilities		51 530	61 480
Provisions	20	18 771	17 315
Other current liabilities	21	110 193	114 680
TOTAL EQUITY AND LIABILITIES		2 277 064	2 328 604

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Changes in Equity of the EMS Group

(CHF '000)	Notes	Share capital	Capital reserves (share premium)	Retained earnings	Treasury shares	Gains/(losses) arising from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to minority interests	Equity
At 31.12.2004 – reported		251	937	1 233 888	(78 291)	(58 179)	(17 708)	1 080 898	37 300	1 118 198
Tax effect on net income/(expenses) recognized directly in equity				(14 376)		14 376				
At 1.1.2005 – corrected		251	937	1 219 512	(78 291)	(43 803)	(17 708)	1 080 898	37 300	1 118 198
Changes in fair value:										
Available-for-sale securities						179 682		179 682		179 682
Currency translation differences							11 741	11 741	2 216	13 957
Net income/(expense) recognized directly in equity		0	0	0	0	179 682	11 741	191 423	2 216	193 639
Net income recognized in income statement				177 134				177 134	5 585	182 719
Total recognized income and expense		0	0	177 134	0	179 682	11 741	368 557	7 801	376 358
Buyout of minority interests								0	(1 044)	(1 044)
Transactions with treasury shares			1 156		(47 523)			(46 367)		(46 367)
Spin-off EMS-DOTTIKON				(264 322)				(264 322)		(264 322)
Dividends paid				(97 487)				(97 487)	(2 485)	(99 972)
At 31.12.2005		251	2 093	1 034 837	(125 814)	135 879	(5 967)	1 041 279	41 572	1 082 851
Changes in fair value:										
Available-for-sale securities	15					11 220		11 220		11 220
Currency translation differences							(5 405)	(5 405)	(859)	(6 264)
Net income/(expense) recognized directly in equity		0	0	0	0	11 220	(5 405)	5 815	(859)	4 956
Net income recognized in income statement				297 441				297 441	10 226	307 667
Total recognized income and expense		0	0	297 441	0	11 220	(5 405)	303 256	9 367	312 623
Transactions with treasury shares			83		(142 059)			(141 976)		(141 976)
Dividends paid				(147 674)				(147 674)	(3 111)	(150 785)
At 31.12.2006		251	2 176	1 184 604	(267 873)	147 099	(11 372)	1 054 885	47 828	1 102 713
Changes in fair value:										
Available-for-sale securities	15					(32 442)		(32 442)		(32 442)
Currency translation differences							(6 945)	(6 945)	175	(6 770)
Net income/(expense) recognized directly in equity		0	0	0	0	(32 442)	(6 945)	(39 387)	175	(39 212)
Net income recognized in income statement				283 335				283 335	10 419	293 754
Total recognized income and expense		0	0	283 335	0	(32 442)	(6 945)	243 948	10 594	254 542
Buyout of minority interests	16							0	(38 901)	(38 901)
Transactions with treasury shares (incl. converted treasury shares)	14		21 881		133 354			155 235		155 235
Dividends paid				(194 480)				(194 480)	(2 457)	(196 937)
At 31.12.2007		251	24 057	1 273 459	(134 519)	114 657	(18 317)	1 259 588	17 064	1 276 652

	2007	2006
Balance sheet equity ratio	56.1%	47.4%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 50 (2006: KCHF 50) not eligible for distribution.
The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year closes on April 30, 2008, was communicated on February 15, 2008.
The change of income taxes recognized directly in equity amounts to KCHF 1 836 (2006: KCHF 7 165) on securities (current income taxes KCHF 0 [2006: KCHF 1 498], deferred income taxes KCHF 1 836 [2006: KCHF 5 667]) and KCHF 1 859 (2006: KCHF 7) on sale of treasury shares.

For further information and data refer to inside front cover, "Spotlight on Share Performance".

Consolidated Cash Flow Statement of the EMS Group

	Notes	2007 (CHF '000)	2006 (CHF '000)
Net income		293 754	307 667
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	8, 23	53 351	51 145
(Profit)/loss from disposal of property, plant and equipment	3	1 680	3 989
Increase/(decrease) of provisions	20	11 213	(167)
Increase/(decrease) of other non-current liabilities		372	230
(Income)/expenses from the equity-valuation of associated companies		(4 548)	(6 677)
Impairment on available-for-sale securities	6, 23	8 163	0
Value adjustments on financial assets	8, 23	0	8
Unrealized currency translation differences on foreign exchange positions		785	6 137
Change assets and liabilities of post-employment benefits, net	8, 19	1 186	735
Net interest expense	5, 6	3 699	20 697
Dividends on available-for-sale securities	5	(5 848)	(14 637)
Income from sale of available-for-sale securities	5	(87 844)	(158 347)
Income from liquidation of other participations	5	(42)	(34)
Expenses for income taxes	7	40 104	57 436
OPERATING CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL		316 025	268 182
Changes in net working capital		(39 062)	(13 885)
Taxes paid		(86 568)	(59 594)
Interest paid		(17 870)	(22 700)
Provisions used	20	(4 338)	(9 239)
CASH FLOW FROM OPERATING ACTIVITIES A		168 187	162 764
(Purchase) of intangible assets and property, plant and equipment	8	(71 866)	(64 329)
Disposal of intangible assets and property, plant and equipment	3, 8	796	2 454
(Purchase) of financial assets	8	(2 206)	(50 863)
Disposal of financial assets	5, 8	193	1 184
(Purchase)/disposal of available-for-sale securities		160 828	692 288
Interest received		19 773	12 297
Dividends received		7 822	16 444
Cash outflow from purchase of fully consolidated companies and minority interests	24	(85 612)	0
Cash inflow from liquidation of fully consolidated companies	24	26	0
(Increase)/decrease of interest-bearing assets		1 677	(1 302)
CASH FLOW FROM INVESTING ACTIVITIES B		31 431	608 173
Dividends paid		(194 480)	(147 674)
Dividends paid to minorities	16	(2 457)	(3 111)
(Purchase) of treasury shares		(65 102)	(142 570)
Sale of treasury shares		16 858	594
Repurchase of own bonds		0	(99 472)
Increase/(decrease) of interest-bearing liabilities		(14 568)	(5 342)
CASH FLOW FROM FINANCING ACTIVITIES C		(259 749)	(397 575)
TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENTS D		1 356	(39)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		(58 775)	373 323
Cash and cash equivalents at 1.1.		772 514	399 191
Increase/(decrease) of cash and cash equivalents		(58 775)	373 323
Cash and cash equivalents at 31.12.	13	713 739	772 514

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements of the EMS Group

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 2007 and were implemented by the EMS Group on January 1, 2007. This has no material effect on the consolidated financial statements of the EMS Group, with the exception of additional disclosures resulting from the application of IAS 1 (revised) and IFRS 7:
IAS 1 (revised) "Presentation of Financial Statements: Capital Disclosures" requires additional disclosure concerning the objectives, policies and processes for managing capital. These are explained in the consolidated accounting principles.
IFRS 7 "Financial Instruments: Disclosures" results in additional explanations in the consolidated accounting principles and disclosures of further notes to the financial instruments.

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.

The following reclassifications and renamings were carried out in the consolidated financial statements 2007:
- Derivative financial instruments are now stand-alone items in the balance sheet. The derivative financial assets of the previous year of KCHF 12 795 were booked under other receivables, and the derivative financial liabilities of KCHF 17 779 under other current liabilities. Furthermore, the maturity of derivative financial instruments was determined based on the underlying economic transactions. Therefore, KCHF 11 239 was reclassified to non-current assets and KCHF 1 590 to non-current liabilities. Details on derivative financial instruments are shown in note 12.
- The "current financial assets" item was renamed "securities".
- The income from disposal of property, plant and equipment of the previous year of KCHF 127 is netted with the losses on disposal of property, plant and equipment of KCHF 4 116 (see note 3).
- Subcontractor salaries were reclassified from material expenses to personnel expenses (see note 2).
- Energy expenses were reclassified from material expenses to other operating expenses (see note 3).
- In the opening balance of equity at January 1, 2005, the tax effect on net income/(expenses) recognized directly in equity of KCHF 14 376 was reclassified from "retained earnings" to "gains/(losses) arising from IAS 39" because before 2005 no tax effect was entered in the balance sheet on changes in net income/(expenses) recognized directly in equity from IAS 39.

Possible implications of new or revised standards which came into force on January 1, 2008

The following new and revised standards and interpretations, as they are relevant for the EMS Group, were agreed by the IASB prior to the balance sheet date of December 31, 2007 but do not come into effect until a later date and were not applied early in the present consolidated financial statements. Their implications for the consolidated financial statements of the EMS Group have not yet been analyzed systematically, with the result that the expected implications – as stated at the foot of the table – represent only an initial assessment on the part of management.

Standard/Interpretation		Entry into force	Planned application by the EMS Group
IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	*	January 1, 2008	Financial year 2008
IAS 1 rev. – Presentation of Financial Statements	**	January 1, 2009	Financial year 2009
IAS 23 rev. – Borrowing Costs	*	January 1, 2009	Financial year 2009
IFRS 8 – Operating Segments: Disclosure	***	January 1, 2009	Financial year 2009

* There are not expected to be any significant implications for the consolidated financial statements of the EMS Group.
** The primary expectation is that there will be additional disclosures in the consolidated financial statements of the EMS Group.
*** The effects on the consolidated financial statements of the EMS Group cannot yet be determined with sufficient certainty.

Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, holding more than 50% of the voting rights, or by contracts or other agreements (see note 30 "List of subsidiaries and minority holdings").
Joint ventures where the parties have joint control are included using the equity method of accounting. This method is also applied for the associated companies, which are not directly or indirectly controlled by EMS-CHEMIE HOLDING AG (shareholding normally between 20% and 50% of voting rights).
Shares in other companies (less than 20% of voting rights) are valued at their fair value.

Method of consolidation

The financial statements of majority-owned companies are fully consolidated. Assets and liabilities, income and expenses are incorporated in full. Capital consolidation is effected using the Anglo-Saxon purchase method. Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealized profits from intercompany deliveries are eliminated in the income statement.
All assets and liabilities of acquired companies are valued according to the accounting principles of the EMS Group at the time of acquisition. Any positive difference between the resulting fair value of shareholders' equity and the cost of acquisition is capitalized as goodwill. Results for acquired companies are included in consolidation as from the date on which control was transferred.
Upon the acquisition of minority interests in a fully consolidated company, any difference between the purchase price and the carrying amount of such minority interests at the time of acquisition is capitalized as goodwill. No fair value adjustments are recognized.
In case of disposal of companies the deconsolidation is effected through the income statement from the date control is relinquished, whereby the companies' results are included in the consolidation up to such date.

Balance sheet date

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

Valuation principles

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

Intangible assets (excluding goodwill)

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

Goodwill

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

Property, plant and equipment

Property, plant and equipment are shown at purchase price or manufacturing cost less depreciation and impairments. Interest expenses are not capitalized. Assets are depreciated using the straight-line method over their estimated useful lives. Useful lives are estimated in terms of the asset's physical life expectancy, corporate policy on asset renewals and technological and commercial obsolescence. The value of the capitalized property, plant and equipment is periodically reviewed.
An impairment loss is recorded when the carrying amount exceeds the recoverable amount.

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

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

Leases

Assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance lease) are capitalized as property, plant and equipment at the estimated present value of the underlying lease payments and depreciated over their useful lives or the leasing period if shorter. Leasing commitments are shown under other current or non-current liabilities as appropriate. Financing costs are charged to the income statement over the leasing period in such a manner that the periodic costs are correct.
Payments on leased assets defined as "operating lease" and having a rental character are expensed over the lease period.

Financial assets within non-current assets

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

Inventories

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

Accounts receivable

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

Securities

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank account balances and short or medium-term deposits maturing within three months. Cash and cash equivalents are valued at their nominal value. This definition is also used for the cash flow statement.

Bonds and non-current bank loans

Debenture bonds and non-current bank loans are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, debenture bonds and non-current bank loans are stated at amortized cost. Convertible bonds are split into a liability component and an option component at date of issue and are shown separately in the balance sheet.
On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the terms, but without the conversion option. At date of issue the value of the option component results by deduction of the liability component from the proceeds of the bond issue. With conventional convertible bonds, the holder acquires the right to convert into shares of the issuer. The option therefore constitutes an equity component. In the case of the convertible bonds issued by the EMS Group, there is an option to convert into registered shares of Lonza Group AG or registered shares of EMS-CHEMIE HOLDING AG. The option component is therefore treated as a debt instrument, and is measured at fair value in subsequent years and adjusted through the income statement.
Bonds and non-current bank loans are classified as current if they are due to be repaid within twelve months after the balance sheet closing date, even if an agreement has been concluded on the long-term refinancing or rescheduling of payment commitments after the balance sheet closing date but prior to the approval of the financial results for publication.

Liabilities and deferred income

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

Provisions

Provisions are set up for legal or other liabilities if these liabilities resulting from a past event and existing at balance sheet date will most probably bring about a cash outflow and if the amounts can be reliably estimated.

Employee benefits

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

Derivative financial instruments

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

Hedge accounting

For the hedging of currency and interest rate risks no hedge accounting as defined by IAS 39 is used.

Net sales revenue

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

Research and development costs

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

Impairment

The carrying amounts of non-current assets not valued at fair value are reviewed at balance sheet date. If there are any indications of permanent impairment, the recoverable amount is determined. The recoverable amount corresponds to the higher of the net selling price or the value in use. In cases where the carrying amount is higher than the recoverable amount, the difference is booked in the income statement.
For the impairment test the corporate assets are collected at the lowest level, for which cash flows can identified separately (cash-generating units). For estimating the value in use, the future cash flows are discounted to the present value with a discount rate before taxes which includes the current market expectations, the time value of money and the specific risks of the assets.

Fair values

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

Foreign currencies

The financial statements of the individual Group companies are presented in the currency of the primary economic environment in which the respective company operates (functional currency). The consolidated financial statements are prepared in Swiss francs, the Group's reporting currency. Financial statements in foreign currencies are translated as follows: current assets, non-current assets and liabilities at year-end exchange rates. All items in the income statement and the net income are translated using the average exchange rate for the year. These exchange rate differences are carried to equity without affecting net income (translation adjustment).

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

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

The most important exchange rates are:

			Average exchange rates		Year-end exchange rates	
		Unit	2007	2006	2007	2006
Euro	EUR	1	1.643	1.573	1.655	1.606
US Dollar	USD	1	1.200	1.253	1.125	1.220
Japanese Yen	JPY	100	1.019	1.077	1.004	1.027
Chinese Renminbi	CNY	100	15.77	15.72	15.40	15.60
Taiwan Dollar	TWD	100	3.651	3.852	3.466	3.740

Income taxes

Provisions for deferred income taxes are recognized to reflect the tax impact on differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes. These provisions are continuously adjusted to take account of any changes to local fiscal law. Provisions for deferred taxation are set up using the balance sheet liability method, under which deferred tax assets or liabilities are set up for all temporary differences between the tax values and the values entered in the consolidated financial statements. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Earnings per share

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

Segment reporting

Segment reports are presented primarily by business area and secondarily by geographical region. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment. The positions not segmented are shown separately. For the business area assignment of Group companies, please refer to note 30 "List of subsidiaries and minority holdings".

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. The identification and assessment of changes in risk play an important part in this process. Measures are defined to reduce significant risks. The CEO and CFO report to the Audit Committee half-yearly on the scope of these risks and the implementation status of the measures taken. They also report to the Board of Directors in the course of planning discussions.
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 on the following page.

Credit risks

Credit risks arise from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations, causing a financial loss to the EMS Group. Fixed-term deposits and derivative financial instruments are only entered into with counterparties that have a high credit standing. Trade receivables are subject to a policy of active risk management 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.
To optimize group-wide capital requirements, a cash pool in CHF and EUR is therefore maintained. Furthermore, a liquidity reserve is available in the form of credit lines at different banks.

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. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. The EMS Group operates internationally and is exposed to exchange-rate risk. Currency risks result from operating activities, investments and financial measures.
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, stock options (included in derivative financial instruments) 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 future performance of investments and changes in their risk profile.

Capital management

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

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including minority interests) as a percentage of total assets. This key figure is reported to the Senior Management and Board of Directors as part of the regular internal management reporting process. The balance sheet equity ratio is 56.1% as at December 31, 2007 (December 31, 2006: 47.4%).
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

Significant measurement and accounting methods

Accounting procedures require management to make certain estimates and assumptions that may have a material effect on the consolidated financial statements if the actual results differ from these estimates and assumptions. This applies to the following areas in particular.

Impairment of non-current assets

The carrying amounts of property, plant and equipment and intangible assets are subject to an annual impairment test. 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. Accordingly, the actual cash flows may differ from the estimated discounted future cash flows. 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. Depending on the outcome of such proceedings, claims that are not covered or only partially covered by provisions or insurance benefits may arise against the Group. Other provisions primarily cover warranty claims arising from the sale of goods or services and are subject to uncertainty in terms of scope, timing, and in some cases the likelihood of occurrence. Future reporting periods may therefore be affected by changes in the estimates of expected or actual cash outflows. The carrying amounts for provisions are shown in note 20.

Securities

The EMS Group has classified this item as available-for-sale, which means that fluctuations in the fair value are recognized in equity until the date of sale, provided there is no lasting impairment. The assessment as to whether impairment has occurred depends on the duration and extent of the decline based on clear criteria. However, it also requires that management makes estimates with regard to future economic developments, which may differ from the views of the financial markets, the consequence of which may be corresponding losses or gains on sale. 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. To determine liabilities and expenses, the plan must first be classified in accordance with the principle of substance over form, i.e. whether it is a defined contribution or defined benefit pension plan. In the case of defined benefit plans, statistical assumptions are made in order to estimate future developments. They include assumptions and estimates concerning an appropriate discount rate, the expected income from the contracting out of plans in individual countries, and assumptions with regard to growth rates for pay. In their actuarial calculations to determine the retirement benefit liabilities, the actuaries also use statistical information such as mortality tables and the likelihood of departure. When such parameters alter due to changes in the economic situation or different market conditions, subsequent results may differ significantly from the actuarial opinions and calculations. Such differences can have significant implications for the cost of, and income from, employee benefit plans in the medium term. The carrying amounts of reported employee retirement assets and liabilities are shown in notes 8 and 19.

Taxes

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

Segment Information

Breakdown by business area (Primary segment)

(CHF '000)

	Net sales revenue						Depreciation, amortization and impairment in intangible assets and property, plant and equipment[1]		Net operating income (EBIT)	
	Net sales with other segments		Net sales with third parties		Total net sales					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
PERFORMANCE POLYMERS	311	174	1 427 888	1 265 662	1 428 199	1 265 836	45 097	40 430	243 382	214 129
FINE CHEMICALS/ENGINEERING	0	0	124 505	130 284	124 505	130 284	8 254	10 715	26 780	32 700
Subtotal segments	311	174	1 552 393	1 395 946	1 552 704	1 396 120	53 351	51 145	270 162	246 829
– Internal net sales	(311)	(174)			(311)	(174)				
Total EMS Group	0	0	1 552 393	1 395 946	1 552 393	1 395 946	53 351	51 145	270 162	246 829

For a description of the business areas see pages 3–5 ("General Information on the Financial Year").

	Segment assets[2]		Segment liabilities[3]		Investments in intangible assets and property, plant and equipment		Income from equity-valuation of associated companies		Investments in associated companies	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
PERFORMANCE POLYMERS	1 058 582	932 567	389 524	418 798	57 489	63 016	4 548	6 677	16 934	29 405
FINE CHEMICALS/ENGINEERING	116 691	111 270	96 972	104 502	14 377	1 313	0	0	0	0
Subtotal segments	1 175 273	1 043 837	486 496	523 300	71 866	64 329	4 548	6 677	16 934	29 405
Non-segment assets/liabilities	1 101 791	1 284 767	513 916	702 591						
Total EMS Group	2 277 064	2 328 604	1 000 412	1 225 891	71 866	64 329	4 548	6 677	16 934	29 405

Breakdown by geographical region (Secondary segment)

(CHF '000)

	Total net sales revenue (customers)		Total net sales revenue (production)		Net operating income (EBIT)		Segment assets[2]		Investments in intangible assets and property, plant and equipment	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Switzerland	76 758	66 627	908 282	832 339	194 796	170 745	706 031	660 069	44 144	51 125
European Union (EU)	959 214	859 941	372 748	328 158	43 075	45 317	221 058	179 014	21 167	6 485
North America	134 813	126 693	78 967	66 120	4 632	4 314	127 503	82 017	1 650	4 630
Asia	314 270	284 739	192 396	169 329	27 659	26 453	120 681	122 737	4 905	2 089
Others	67 338	57 946	0	0	0	0	0	0	0	0
Subtotal segments	1 552 393	1 395 946	1 552 393	1 395 946	270 162	246 829	1 175 273	1 043 837	71 866	64 329
Non-segment assets							1 101 791	1 284 767		
Total EMS Group	1 552 393	1 395 946	1 552 393	1 395 946	270 162	246 829	2 277 064	2 328 604	71 866	64 329

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

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

Consolidated Income Statement

Notes		2007 (CHF '000)	2006 (CHF '000)
1	Capitalized costs and other operating income		
	Capitalized costs	14 200	13 972
	Other operating income	38 060	22 733
	Income from liquidation of fully consolidated companies	26	0
	Total capitalized costs and other operating income	52 286	36 705
2	Personnel expenses		
	Wages and salaries	175 578	169 627
	Subcontractor salaries	8 644	5 675
	Expenses for defined benefit plans	12 116	11 963
	Legal / contractual social insurance	25 234	25 088
	Total personnel expenses	221 572	212 353
	Employee benefits		
	The following figures give an overview of the Swiss pension plans:		
	Present value of funded obligations	(453 718)	(448 396)
	Fair value of plan assets	437 196	423 887
	Recognized liability for defined benefit obligations	(16 522)	(24 509)
	Liability for long-service leave	0	0
	Cash-settled share-based payment liability	0	0
	Total employee benefits	(16 522)	(24 509)
	Unrecognizable amount	(15 403)	(10 292)
	Actuarial losses, not accounted for	43 969	48 031
	Total recognized net assets in the Group balance sheet for independent defined benefit plans	12 044	13 230

There are no unfunded obligations.
The Group makes contributions to a contributory defined benefit plan that provides pensions for employees upon retirement, disability and death. The plan entitles a retired employee to receive an annual payment equal to 6.8% (2006: 6.8%) of the retirement assets. Disability and death pensions are defined as fixed ratios of the salary insured.

Notes	2007 (CHF '000)	2006 (CHF '000)
The balance sheet shows the following:		
Surplus recognized in financial assets as pension assets (see note 8)	17 004	18 499
Deficit recognized in other non-current liabilities as liabilities from employee benefits (see note 19)	(4 960)	(5 269)
Total recognized net assets in the Group balance sheet	12 044	13 230
Plan assets consist of the following:		
Loans to the employer	7 096	8 011
Liquid assets	45 683	104 034
Real estate	21 180	21 180
Bonds	153 477	155 044
Other equities	209 760	135 618
Total plan assets	437 196	423 887
Movement in the liability for defined benefit obligations		
Liability for defined benefit obligations at 1.1.	448 396	429 733
Benefits paid by the plan	(14 001)	(7 892)
Current service costs and interest (see below)	27 589	28 746
Net curtailments	0	(1)
Settlements	(6 365)	(7 571)
Actuarial (gains)/losses (see next page)	(1 901)	5 381
Liability for defined benefit obligations at 31.12.	453 718	448 396
Movement in plan assets		
Fair value of plan assets at 1.1.	423 887	402 356
Contributions paid into the plan	17 857	18 081
Benefits paid by the plan	(14 001)	(7 892)
Expected return on plan assets	16 956	20 118
Net curtailments	0	(1 118)
Settlements	(6 365)	(7 571)
Actuarial gains/(losses) (see next page)	(1 138)	(87)
Fair value of plan assets at 31.12.	437 196	423 887
Expense recognized in the income statement		
Current service costs	16 632	18 841
Interest on obligation	10 957	9 905
Expected return on plan assets	(16 956)	(20 118)
Recognized actuarial gains and losses (see next page)	3 299	4 946
Effect of curtailments	0	1 117
Effect of the limit in paragraph 58(b)	5 111	4 125
Employees' contributions	(6 927)	(6 853)
ERIS (Expense Recognized in the Income Statement)	12 116	11 963
The expense is recognized in personnel expenses.		

Notes		2007 (CHF '000)	2006 (CHF '000)
	Change of recognized net assets		
	At 1.1.	13 230	13 965
	ERIS (Expense Recognized in the Income Statement)	(12 116)	(11 963)
	Employer's contribution	10 930	11 228
	At 31.12.	12 044	13 230
	Actual return on plan assets	10 150	20 031
	Not recognized actuarial gains and losses		
	Cumulative amount at 1.1.	48 031	47 509
	Actuarial gains and losses of the period	(763)	5 468
	Amortization during the period	(3 299)	(4 946)
	Cumulative amount at 31.12.	43 969	48 031
	Actuarial assumptions		
	Actuarial assumptions at the reporting date (expressed as weighted averages):		
	Discount rate at 31.12.	2.5%	2.5%
	Expected return on plan assets at 1.1.	4.0%	5.0%
	Future salary increases	1.5%	1.5%
	Future pension increases	0.5%	0.5%

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

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

The Group expects to pay KCHF 8 786 (2007: KCHF 8 697) in contributions to defined benefit plans in 2008.

Notes		2007 (CHF '000)	2006 (CHF '000)
3	**Other operating expenses**		
	Rents	9 299	8 193
	Repairs and maintenance	22 762	20 720
	Insurance, duties, fees	7 945	7 204
	Energy	27 583	28 113
	Administration, promotion	29 089	28 450
	Losses on disposal of property, plant and equipment, net	1 680	3 989
	Other operating expenses	22 775	10 574
	Total other operating expenses	121 133	107 243
4	**Research and development**		
	Expenditures for research and development amount to	53 432	50 005
	In percent of net sales revenue	3.4%	3.6%

Notes		2007 (CHF '000)	2006 (CHF '000)
5	Financial income		
	Interest income from related parties	360	0
	Other interest income	19 051	11 633
	Interest income on loans and receivables	7	7
	Interest income on held-to-maturity investments	1 175	142
	Total interest income	20 593	11 782
	Dividends on available-for-sale securities	5 848	14 637
	Income from sale of available-for-sale securities, net	87 844	158 347
	Income from conversion of bonds	16 619	0
	Income from liquidation of other participations	42	34
	Total financial income	130 946	184 800
6	Financial expenses		
	Interest expenses to associated companies	74	94
	Other interest expenses	974	3 857
	Interest expenses on financial liabilities measured at amortized cost	23 244	28 528
	Total interest expenses	24 292	32 479
	Impairment on available-for-sale securities	8 163	0
	Fair value adjustments on derivative financial instruments, net	35 152	29 395
	Loss on repurchase own bonds	0	1 260
	Foreign exchange losses, net	1 843	7 676
	Bank charges and commissions	2 348	2 393
	Total financial expenses	71 798	73 203
7	Income taxes		
	Current income taxes	73 709	54 799
	Deferred income taxes	(33 605)	2 637
	Total income taxes	40 104	57 436

The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates.
The effective income tax expenses differed from the expected income tax expenses as follows:

Breakdown of the income tax expenses	2007 (CHF '000)	2006 (CHF '000)
Net income before income taxes	333 858	365 103
Expected income tax rate	23.2%	22.1%
Expected income taxes	77 560	80 863
Use of tax losses carried forward not capitalized	(138)	(510)
Change in deferred tax assets not having been set up	3 421	(1 416)
Tax exemption / Expenses not being deductible for tax purposes	(6 726)	(13 404)
Taxes from previous years and tax holidays	187	(6 816)
Impact of changed deferred income tax rates	(34 179)	(951)
Other	(21)	(330)
Effective income taxes	40 104	57 436
Effective income tax rate	12.0%	15.7%

Notes	2007 (CHF '000)		2006 (CHF '000)	

Deferred income taxes:
Change in recognized assets/liabilities

	2007 Deferred income tax assets	2007 Deferred income tax liabilities	2006 Deferred income tax assets	2006 Deferred income tax liabilities
At 1.1.	3 898	128 531	621	117 283
Increase via income statement	8 747	2 063	3 466	7 029
Decrease via income statement	(97)	(27 018)	(162)	(1 088)
Income taxes recognized directly in equity	0	1 836	0	5 667
Translation differences	(145)	(383)	(27)	(360)
At 31.12.	12 403	105 029	3 898	128 531

Note to the deferred income tax liabilities

	2007	2006
Calculation according to the "balance sheet liability method":		
Deferred income taxes on non-current assets	86 115	108 012
Deferred income taxes on current assets	15 328	18 942
Deferred income taxes on liabilities	3 586	1 577
Total deferred income tax liabilities	105 029	128 531

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

Tax loss carryforwards

	2007 Tax loss carryforwards	2007 Tax effect	2006 Tax loss carryforwards	2006 Tax effect
Total tax loss carryforwards not considered in the balance sheet	29 870	10 788	26 857	9 774
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	4	1
4 years	0	0	90	25
5 years	2	1	510	143
More than 5 years	29 868	10 787	26 253	9 605

Notes

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

I. Intangible assets

(CHF '000)	Goodwill	Patents, trade-marks	Others	Total
At 1.1.2006				
Cost	0	11 045	15 585	26 630
Accumulated amortization and impairment	0	(8 241)	(10 748)	(18 989)
Net book value	0	2 804	4 837	7 641
2006				
At 1.1.	0	2 804	4 837	7 641
Additions	0	92	1 482	1 574
Disposals	0	0	(395)	(395)
Amortization	0	(1 341)	(1 842)	(3 183)
Impairment	0	(1 600)	0	(1 600)
Reclassifications	0	1 998	522	2 520
Translation differences	0	31	34	65
At 31.12.	0	1 984	4 638	6 622
Cost	0	13 183	15 881	29 064
Accumulated amortization and impairment	0	(11 199)	(11 243)	(22 442)
Net book value	0	1 984	4 638	6 622
2007				
At 1.1.	0	1 984	4 638	6 622
Change in scope of consolidation	20 245	0	10 861	31 106
Additions	0	68	1 087	1 155
Disposals	0	0	(29)	(29)
Amortization	0	(944)	(2 283)	(3 227)
Reclassifications	0	0	296	296
Translation differences	(2 262)	25	(647)	(2 884)
At 31.12.	17 983	1 133	13 923	33 039
Cost	17 983	13 297	26 026	57 306
Accumulated amortization and impairment	0	(12 164)	(12 103)	(24 267)
Net book value	17 983	1 133	13 923	33 039

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

Impairment test for goodwill:

The increase in goodwill results from the acquisition of the automotive supplier EFTEC as at November 20, 2007 (see note 24) and concerns the segment "Performance Polymers". Its recoverability was proved on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on fair value less selling costs.

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 14%.

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 and payments in advance	Total
At 1. 1. 2006						
Cost	18752	264853	736996	55294	20560	1096455
Accumulated depreciation and impairment	(1368)	(143064)	(438400)	(35359)	(424)	(618615)
Net book value	17384	121789	298596	19935	20136	477840
2006						
At 1.1.	17384	121789	298596	19935	20136	477840
Additions	0	1189	5155	2209	54202	62755
Disposals	(428)	(340)	(3205)	(280)	(1795)	(6048)
Depreciation	(39)	(8203)	(33692)	(4428)	0	(46362)
Reclassifications	0	5617	27341	2689	(36167)	(520)
Translation differences	(8)	(421)	(1811)	19	(68)	(2289)
At 31.12.	16909	119631	292384	20144	36308	485376
Cost	18282	270582	755424	56006	36745	1137039
Accumulated depreciation and impairment	(1373)	(150951)	(463040)	(35862)	(437)	(651663)
Net book value	16909	119631	292384	20144	36308	485376
2007						
At 1.1.	16909	119631	292384	20144	36308	485376
Change in scope of consolidation	1020	1575	16350	413	1487	20845
Additions	1407	1276	5086	1852	61090	70711
Disposals	(59)	(298)	(1339)	(600)	(151)	(2447)
Depreciation	(46)	(7547)	(34126)	(4405)	0	(46124)
Impairment	0	0	(4000)	0	0	(4000)
Reclassifications	(72)	10596	25975	2445	(39240)	(296)
Translation differences	(90)	(728)	(2406)	42	517	(2665)
At 31.12.	19069	124505	297924	19891	60011	521400
Cost	20456	293374	802688	60787	60011	1237316
Accumulated depreciation and impairment	(1387)	(168869)	(504764)	(40896)	0	(715916)
Net book value	19069	124505	297924	19891	60011	521400

Fire insurance value is KCHF 1 462 231 (2006: KCHF 1 382 693).
Property, plant and equipment are insured at replacement values.

Due to a systematic review and check of usability of manufacturing lines in 2007, the following impairment was booked on assets used in the manufacturing process:

Year	**Amount**	**Category**	**Segment**
2007:	KCHF 4 000	Technical plant, machinery	Performance Polymers

Due to a review of production strategy, the book values were impaired as follows:

2006:	KCHF 1 600	Patents, trademarks	Fine Chemicals / Engineering

Notes

III. Financial assets

(CHF '000)	Investments in associated companies: Investments	Goodwill	Total	Other investments	Other non-current financial assets: Pension assets IAS 19	Other non-current financial assets	Total
At 1.1.2006							
Cost / Fair value	25 820	0	25 820	1 139	19 484	30 285	49 769
Accumulated depreciation / amortization and impairment	0	0	0	0	0	(29 288)	(29 288)
Net book value	25 820	0	25 820	1 139	19 484	997	20 481
2006							
At 1.1.	25 820	0	25 820	1 139	19 484	997	20 481
Additions / Increase	4 870	0	4 870	0	0	50 863	50 863
Disposals / Decrease	0	0	0	(890)	(985)	(260)	(1 245)
Depreciation / Amortization	0	0	0	0	0	(8)	(8)
Translation differences	(1 285)	0	(1 285)	(5)	0	(26)	(26)
At 31.12.	29 405	0	29 405	244	18 499	51 566	70 065
Cost / Fair value	29 405	0	29 405	244	18 499	80 418	98 917
Accumulated depreciation / amortization and impairment	0	0	0	0	0	(28 852)	(28 852)
Net book value	29 405	0	29 405	244	18 499	51 566	70 065
2007							
At 1.1.	29 405	0	29 405	244	18 499	51 566	70 065
Change in scope of consolidation	2 602	0	2 602	0	0	43	43
Additions / Increase	2 587	0	2 587	0	0	2 206	2 206
Disposals / Decrease	(13)	0	(13)	(61)	(1 495)	(90)	(1 585)
Reclassifications	(17 067)	0	(17 067)	0	0	(49 758)	(49 758)
Translation differences	(580)	0	(580)	(1)	0	(11)	(11)
At 31.12.	16 934	0	16 934	182	17 004	3 956	20 960
Cost / Fair value	16 934	0	16 934	182	17 004	4 626	21 630
Accumulated depreciation / amortization and impairment	0	0	0	0	0	(670)	(670)
Net book value	16 934	0	16 934	182	17 004	3 956	20 960

In connection with the purchase of 70% of EFTEC America, the existing 30%-investment of EFTEC America of KCHF 17 067 was reclassified from investments in associated companies to investments in fully consolidated companies as at November 20, 2007 (see note 24).
The other non-current financial assets mainly contain loans to third parties and in the previous year fixed deposits of KCHF 50 000.
Due to their maturity (below twelve months) these fixed deposits were reclassified to other receivables (see note 11).

Notes		2007 (CHF '000)	2006 (CHF '000)
9	Inventories		
	Raw materials and supplies	84 161	72 422
	Semi-finished goods, work in progress	6 507	7 396
	Finished products	208 573	173 553
	Value adjustments	(27 914)	(27 316)
	Advance payments on goods	5 043	76
	Total inventories	276 370	226 131
10	Trade accounts receivable		
	Trade accounts receivable from associated companies	133	87
	Trade accounts receivable from third parties	263 624	241 052
	Allowances for doubtful accounts	(7 789)	(7 433)
	Total trade accounts receivable	255 968	233 706
	Allowances for doubtful accounts are determined on the basis of historical losses and recognizable individual risks.		
	Due dates of trade accounts receivable		
	Not due	235 201	218 239
	Overdue <30 days	23 538	17 504
	Overdue 30 to 90 days	4 155	3 974
	Overdue >90 days	863	1 422
	Total	263 757	241 139
	The movement of the allowances for doubtful accounts on trade accounts receivable is as follows:		
	At 1.1.	7 433	7 121
	Increase/Decrease	489	329
	Translation differences	(133)	(17)
	At 31. 12.	7 789	7 433
11	Other receivables		
	Receivables from associated companies	22	8
	Other receivables	34 895	42 343
	Other current financial assets	50 000	0
	Prepayments and accrued income	9 293	12 555
	Total other receivables	94 210	54 906
	The other current financial assets consist of fixed-term deposits between three and twelve months.		

Notes				2007 (CHF '000)	2006 (CHF '000)
12	Derivative financial instruments				
	The following summary shows the most important derivative financial instruments:				
	Currency SWAPS and forward rate agreements	EUR/CHF	Notional amount CHF	216 855	134 916
			Positive replacement value CHF	466	206
			Negative replacement value CHF	1 309	1 581
		JPY/CHF	Notional amount CHF	123 340	100 394
			Positive replacement value CHF	245	162
			Negative replacement value CHF	3 847	5 186
		USD/CHF	Notional amount CHF	0	59 008
			Positive replacement value CHF	0	1 187
			Negative replacement value CHF	0	13
		CZK/CHF	Notional amount CHF	13 455	0
			Positive replacement value CHF	859	0
			Negative replacement value CHF	0	0
		GBP/EUR	Notional amount CHF	19 263	0
			Positive replacement value CHF	29	0
			Negative replacement value CHF	710	0
	Currency options	EUR/CHF	Notional amount CHF	33 080	39 124
			Positive replacement value CHF	23	1
			Negative replacement value CHF	214	809
	Equity options	CHF	Notional amount CHF	140 625	358 680
			Positive replacement value CHF	7 750	11 239
			Negative replacement value CHF	0	10 190
	Total		Notional amount CHF	546 618	692 122
			Positive replacement value CHF	9 372	12 795
			Negative replacement value CHF	6 080	17 779
	Thereof: Current portion		Positive replacement value CHF	9 000	1 556
			Negative replacement value CHF	5 578	16 189
	Non-current portion		Positive replacement value CHF	372	11 239
			Negative replacement value CHF	502	1 590

Derivative financial instruments were mostly effected for hedging purposes. Currency SWAPS, forward rate agreements and currency option contracts are used for the hedging of foreign currencies.
Equity options serve to hedge the market risks inherent in securities and of bonds.
They are calculated with a volatility of 20% to 25%.
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; changes in fair value are included in financial income/expenses.

Notes		2007 (CHF '000)	2006 (CHF '000)
13	Cash and cash equivalents		
	Deposits	712 496	771 795
	Cash and cash equivalents	1 243	719
	Total cash and cash equivalents	713 739	772 514

14 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31. 12. 2005	CHF 0.01	25 052 870	1 242 299	23 810 571	251
Purchase of treasury shares		–	1 096 657	(1 096 657)	–
Sale of treasury shares		–	(4 450)	4 450	–
At 31. 12. 2006	CHF 0.01	25 052 870	2 334 506	22 718 364	251
Purchase of treasury shares		–	395 062	(395 062)	–
Sale of treasury shares		–	(100 655)	100 655	–
Converted treasury shares (see note 17)		–	(1 601 697)	1 601 697	–
At 31. 12. 2007	CHF 0.01	25 052 870	1 027 216	24 025 654	251

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

	2007 (CHF '000)	2006 (CHF '000)
At 1. 1.	147 099	135 879
Transfer into consolidated income statement	(74 543)	(87 154)
Fair value adjustments	43 937	105 539
Income taxes recognized directly in equity due to fair value adjustments	(1 836)	(7 165)
Total changes in fair value: available-for sale securities	(32 442)	11 220
At 31. 12.	114 657	147 099

16 Minority interests

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

	2007 (CHF '000)	2006 (CHF '000)
At 1.1.	47 828	41 572
Buyout of minority interests (see note 24)	(38 901)	0
Dividends paid	(2 457)	(3 111)
Net income	10 419	10 226
Translation differences	175	(859)
At 31.12.	17 064	47 828

Notes		2007 (CHF '000)	2006 (CHF '000)
17	Bonds		
	Current bonds:		
	EMS-CHEMIE HOLDING AG: 2% convertible bond 2002 – 25. 7. 2008	93 644	–
	EMS-CHEMIE HOLDING AG: 4% debenture bond 2002 – 29. 7. 2008	201 871	–
	Total current bonds	295 515	–
	Non-current bonds:		
	EMS-CHEMIE HOLDING AG: 2% convertible bond 2002 – 25. 7. 2008	–	289 902
	EMS-CHEMIE HOLDING AG: 4% debenture bond 2002 – 29. 7. 2008	–	201 582
	EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.: 2.5% convertible bond 2002 – 23. 4. 2010	162 815	160 598
	Total non-current bonds	162 815	652 082

The option component of the convertible bonds is separately stated in the balance sheet. The bonds are stated less converted shares or shares repurchased via the stock exchange. The discount rate for the convertible bonds is 4.00% and for debenture bonds 4.15%. The bonds contain standard covenants (pari passu, cross-default, negative pledge clause with exceptions). The convertible bonds offer standard anti-dilution protection (anti-dilution protection by reduction of conversion price).

Details to the bonds issued:

2% convertible bond 2002 – 25. 7. 2008
(nominal at 31. 12. 2007: CHF 95 million, originally: CHF 300 million)

Each bond of CHF 5 000 can be converted at any time during the conversion period (25. 7. 2002 – 15. 7. 2008) either into 39.52569 registered shares of Lonza Group AG or into 39.00156 registered shares of EMS-CHEMIE HOLDING AG (choice lies with bond holder) [conversion price per Lonza share: CHF 126.50; conversion price per EMS share: CHF 128.20; in the case of a delisting of EMS registered shares the conversion right is lost for those shares, and the conversion price for Lonza is reduced from CHF 126.50 to CHF 121].
The issuer has the right to settle the obligation in cash instead of delivering registered shares of Lonza Group AG or registered shares of EMS-CHEMIE HOLDING AG. In spite of the possibility of conversion into EMS shares the total option component is regarded as a liability.
2% convertible bonds with a nominal value of CHF 205 million were converted into treasury shares (see note 14). Due to the conversion of bonds, the nominal value was reduced from CHF 300 million to CHF 95 million. All other terms of the bond stay unchanged.

	2007	2006
The net present value is as follows:		
Present value issued bond	93 644	291 134
Present value repurchased bond	0	(1 232)
At 31. 12.	93 644	289 902
Fair value at 31. 12.	121 496	347 124

Notes		2007 (CHF '000)	2006 (CHF '000)
	4% debenture bond 2002 – 29.7.2008 (nominal at 31.12.2007: CHF 202 million, originally: CHF 300 million)		
	Due to the repurchase of bonds of a nominal CHF 53 million, the nominal value was reduced from CHF 255 million to CHF 202 million as at 30.3.2007. All other terms of the bond are unchanged.		
	The net present value is as follows:		
	Present value issued bond	201 871	254 422
	Present value repurchased bond	0	(52 840)
	At 31.12.	201 871	201 582
	Fair value at 31.12.	202 949	205 980
	2.5% convertible bond 2002 – 23.4.2010 (nominal CHF 350 million)		
	Each bond of CHF 5 000 can be converted at any time during the conversion period (23.4.2002 – 13.4.2010) into 40 registered shares of Lonza Group AG (conversion price per Lonza share: CHF 125).		
	The net present value is as follows:		
	Present value issued bond	338 633	334 022
	Present value repurchased bond	(175 818)	(173 424)
	At 31.12.	162 815	160 598
	Fair value at 31.12.	196 046	178 713
18	Current bank loans		
	The current bank loans are composed as follows:		
	JPY: Average interest rate: 1.49% (2006: 0.80%)	1 004	9 243
	CNY: Average interest rate: 7.29% (2006: 6.12%)	1 232	1 248
	USD: Average interest rate: 5.12% (2006: 5.66%)	792	5 184
	CHF: Average interest rate: 7.27% (2006: 9.68%)	74	14
	Total current bank loans	3 102	15 689
	The carrying amounts of current bank loans correspond to their fair values, as the interest rates are variable.		
19	Other non-current liabilities		
	Other non-current liabilities	739	631
	Liabilities from employee benefits IAS 19	9 703	9 006
	Total other non-current liabilities	10 442	9 637
	Liabilities from employee benefits IAS 19 include KCHF 4 960 (2006: KCHF 5 269) liabilities from Swiss pension plans (see note 2).		

Notes	2007 (CHF '000)	2006 (CHF '000

20 Provisions

(CHF '000)	Pension liabilities	Provisions for restructuring costs	Provisions for litigation risks	Other provisions	Total
At 1.1.2006	1295	6201	68951	14082	90529
Increase via income statement	130	0	53	136	319
Decrease via income statement	0	(84)	(384)	(18)	(486)
Amounts used	(96)	(1102)	(8000)	(41)	(9239)
Reclassifications	0	0	0	(2136)	(2136)
Translation differences	29	34	10	32	105
At 31.12.2006	1358	5049	60630	12055	79092
Of which: Currrent portion of provisions	0	0	17315	0	17315
Non-current portion of provisions	1358	5049	43315	12055	61777
At 1.1.2007	1358	5049	60630	12055	79092
Change in scope of consolidation	0	0	60	208	268
Increase via income statement	149	0	18152	615	18916
Decrease via income statement	0	0	(7525)	(178)	(7703)
Amounts used	(120)	(678)	(3211)	(329)	(4338)
Translation differences	35	0	2	(9)	28
At 31.12.2007	1422	4371	68108	12362	86263
Of which: Currrent portion of provisions	0	4371	14400	0	18771
Non-current portion of provisions	1422	0	53708	12362	67492

Pension liabilities mainly contain provisions for payments to governmental institutions or independent defined contribution pension plans of subsidiaries abroad.
Within the provisions for litigation risks, the risk arising from litigation processes is adequately covered as at the time of preparation of the financial statements (see note 28).
Warranty provisions are mainly included within other provisions.

21 Other current liabilities

	2007	2006
Advances from customers	5393	1549
Prepaid expenses and deferred income	66448	74670
Other current liabilities to associated companies	2064	1856
Liabilities to social security institutions	9094	11212
Other current liabilities	27194	25393
Total other current liabilities	110193	114680

Notes		2007 (CHF '000)	2006 (CHF '000)
22	Liabilities, net/(net cash position)		
	Bonds (see note 17)	458 330	652 082
	Option component of convertible bonds	52 484	34 820
	Pension liabilities (see note 20)	1 422	1 358
	Current bank loans (see note 18)	3 102	15 689
	Interest-bearing liabilities	515 338	703 949
	less		
	Other non-current financial assets (see note 8)	0	50 000
	Other current financial assets (see note 11)	50 000	0
	Receivables from associated companies (see note 11)	22	8
	Securities	321 118	432 848
	Deposits (see note 13)	712 496	771 795
	Interest-bearing liabilities, net/(cash, net)	(568 298)	(550 702)
	less		
	Cash and cash equivalents (see note 13)	1 243	719
	Liabilities, net/(net cash position)	(569 541)	(551 421)

Consolidated Cash Flow Statement

23	Depreciation, amortization and impairment of intangible assets, property, plant and equipment and financial assets		
	Amortization intangible assets	3 227	3 183
	Depreciation property, plant and equipment	46 124	46 362
	Impairment property, plant and equipment	4 000	1 600
	Subtotal depreciation, amortization and impairment of intangible assets and property, plant and equipment	53 351	51 145
	Impairment on available-for-sale securities	8 163	0
	Value adjustment to financial assets	0	8
	Total depreciation, amortization and impairment of intangible assets, property, plant and equipment and financial assets	61 514	51 153
	For the breakdown of the depreciation, amortization and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		

Notes		2007 (CHF '000)	2006 (CHF '000)
24	Purchase/disposal of fully consolidated companies		
	Cash outflow from purchase of fully consolidated companies and minority interests		
	Acquisition of EFTEC		
	On November 20, 2007, EMS Group acquired the automotive supplier EFTEC worldwide. Previously, EMS Group owned 30% of EFTEC America, 70% of EFTEC Europe and 60% of EFTEC Asia. Since November 20, 2007, EMS Group has been controlling the worldwide EFTEC Business through acquiring the shares held by the H. B. Fuller Company, namely 70% of EFTEC America, 30% of EFTEC Europe and 20% of EFTEC Asia.		
	From November 20, 2007, to December 31, 2007, the acquired business of EFTEC America contributed net sales revenue of CHF 6.2 million and a net loss of CHF 1.8 million to the EMS Group. If the acquisition had occurred on January 1, 2007, Group net sales revenue would have been CHF 76.1 million higher, while net income attributable to shareholders of EMS-CHEMIE HOLDING AG would have been CHF 4.3 million lower. These amounts have been calculated using the Group's accounting policies.		
	EFTEC Europe and EFTEC Asia are already included in the scope of consolidation as fully consolidated companies with minority interests. On November 20, 2007, above mentioned minority interests were bought.		
	Net assets acquired and goodwill are shown as follows:		
	Purchase price in cash and cash equivalents	94 400	
	Direct costs relating to the acquisition	1 183	
	Total purchase price	95 583	
	Amount of assets acquired	(75 338)	
	Goodwill	20 245	
	The goodwill included expected synergies from the acquisition and the employees.		

Notes	2007 (CHF '000)	2006 (CHF '000)

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

	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	10 861	10 857	4
Property, plant and equipment	20 845	8 673	12 172
Other non-currents assets	2 645	1 950	695
Inventories	9 312	(1 080)	10 392
Trade accounts receivable	4 586	(527)	5 113
Other receivables	8 871	0	8 871
Cash and cash equivalents	9 971	0	9 971
Non-current liabilities	(1 816)	(1 797)	(19)
Trade accounts payable	(4 368)	0	(4 368)
Other current liabilities	(7 403)	(120)	(7 283)
Fair value of assets acquired of EFTEC America	53 504	17 956	35 548
Existing investment in EFTEC America (see note 8)	(17 067)		
Carrying amount of minority interests in EFTEC Europe and EFTEC Asia (see note 16)	38 901		
Amount of assets acquired	75 338		
Goodwill	20 245		
Total cost of the business combination	95 583		

Purchase price paid	95 583
Cash and cash equivalents of subsidiary acquired	(9 971)
Cash outflow from purchase of fully consolidated companies and minority interests	85 612

Cash inflow from liquidation of fully consolidated companies

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

Further Details

25 Contingent liabilities

	2007	2006
Contingent liabilities at the end of the year amount to	22 182	17 156

This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).

Notes		2007 (CHF '000)	2006 (CHF '000)
26	Earnings per share – EPS		
	Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
	Details of earnings per share:		
	Basic earnings per share		
	Weighted average of registered shares outstanding	23 335 901	22 903 583
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	283 335	297 441
	Basic earnings per share (CHF)	12.14	12.99
	Diluted earnings per share		
	Weighted average of registered shares outstanding (basic)	23 335 901	22 903 583
	Adjustment for assumed conversion of 2% convertible bond, 2002 – 25. 7. 2008	738 378	2 330 187
	Weighted average of registered shares outstanding at assumed conversion of 2% convertible bond (diluted)	24 074 279	25 233 770
	Maximum	25 052 870	25 052 870
	As the EMS Group has neither authorized nor conditional capital, the basis for calculation of diluted earnings per share is limited by the total number of shares issued.		
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG (basic)	283 335	297 441
	Elimination of interest expenses relating to 2% convertible bond, 2002 – 25. 7. 2008	3 905	5 983
	Elimination other expenses relating to 2% convertible bond, 2002 – 25. 7. 2008	4 456	15 218
	Minus tax effect	(655)	(1 660)
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG (diluted)	291 041	316 982
	Diluted earnings per share (CHF)	12.09	12.65
	A dilution is a reduction in earnings per share resulting from the assumption that convertible instruments are converted.		
27	Significant shareholders		
	Emesta Holding AG, Zug, 13 195 356 registered shares (2006: 13 395 356 registered shares) Amount of holding	52.67%	53.47%
	Miriam Blocher, 1 969 000 registered shares (2006: –) Amount of holding	7.86%	–
	No other representation of significant shareholders is known to the Board of Directors.		

Notes		2007 (CHF '000)	2006 (CHF '000)

28 Transactions with related parties

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

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

The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the annual report 2007/2008 in the annual accounts of EMS-CHEMIE HOLDING AG.

Breakdown of the total compensation	2007 (CHF '000)	2006 (CHF '000)
Short-term employee benefits to the members of the Board of Directors and Senior Management	4 453	4 443
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	9	12
Total compensation	4 462	4 455

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	1 500
M. Martullo, Vice-Chairman and CEO *	558 805
E. Appel, Member	1 200
Dr H.J. Frei, Member	1 720
Dr W. Prätorius, Member	0
A. Reich, Member	0
Total Board of Directors	563 225

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

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

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

Notes		2007 (CHF '000)	2006 (CHF '000)
	In connection with the sale of Atisholz to Emesta Holding AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties. This guarantee was CHF 19 million at December 31, 2007 (2006: CHF 22 million). CHF 3 million was used in 2007 (2006: CHF 8 million) (see note 20).		
29	Subsequent events		
	On February 15, 2008, it was announced that a repurchase of registered shares of EMS-CHEMIE HOLDING AG by virtue of tradeable put options for the purpose of capital reduction should take place. On March 26, 2008, the detailed offer was published. In total the repurchase volume is CHF 301 million and 6.67% of the share capital respectively. The consolidated financial statements were approved by the Board of Directors on March 27, 2008 and need to be approved by the Annual General Meeting on August 9, 2008. Between December 31, 2007 and March 27, 2008 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.		

Notes

30 List of subsidiaries and minority holdings (at 31.12.2007)

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

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

Consolidation:
K = Fully consolidated
E = Equity valuation

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

Currency	Share capital (in '000)	Holding Group	Holding direct	Category	Consolidation
CHF	251			D	K
CHF	60	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	1	100.00%	100.00%	D	K
CHF	100	100.00%	100.00%	D	K
CHF	100	100.00%	100.00%	P,V	K
EUR	1951	100.00%	100.00%	V	K
GBP	1530	100.00%	100.00%	V	K
JPY	300000	100.00%	100.00%	V	K
JPY	1500000	66.67%	66.67%	P,V	K
EUR	1300	100.00%	100.00%	V	K
EUR	2556	100.00%	100.00%	P,V	K
TWD	281000	100.00%	100.00%	P,V	K
CNY	5000	100.00%	100.00%	V	K
CNY	17600	100.00%	100.00%	P	K
USD	2420	100.00%	95.87%	D	K
USD	11285	100.00%	100.00%	P,V	K
CHF	8000	100.00%	70.00%	D	K
CHF	2500	100.00%	100.00%	P,V	K
EUR	8	100.00%	100.00%	V	K
SEK	5000	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	1240	100.00%	100.00%	P,V	K
EUR	944	100.00%	100.00%	P,V	K
USD	3518	80.00%	80.00%	D,V	K
THB	30000	80.00%	100.00%	P,V	K
CNY	20750	48.00%	60.00%	P,V	K
CNY	27500	48.00%	60.00%	P,V	K
INR	15000	39.20%	49.00%	P,V	E
CZK	47569	50.00%	50.00%	P,V	E
USD	750	100.00%	100.00%	D	K
USD	38222	100.00%	100.00%	P,V	K
USD	10	100.00%	100.00%	P	K
USD	0	100.00%	88.50%	D	K
USD	286	100.00%	100.00%	P	K
EUR	1023	100.00 %	100.00%	P,V	K
CHF	100	100.00%	100.00%	P,V	K
CZK	30000	100.00%	100.00%	P,V	K
CHF	100	100.00%	100.00%	D	K

Notes

31 Change in scope of consolidation

Fully consolidated:
- Addition:
  - EMS-CHEMIE (China) Ltd.
    - This company was founded on July 2, 2007.
  - EMS-CHEMIE (Suzhou) Ltd.
    - This company was founded on September 28, 2007.
  - EMS-CHEMIE (Italia) S.r.l.
    - This company was founded on November 1, 2007.
  - EFTEC Europe Holding AG
    - On November 20, 2007, the participation of 70% was increased to 100%.
  - EFTEC Asia Pte. Ltd.
    - On November 20, 2007, the participation of 60% was increased to 80%.
  - EFTEC North America, L.L.C.
    - On November 20, 2007, the participation of 30% was increased to 100%.
  - Autotek Sealants Inc., EFTEC Latin America S.A., EFTEC Brasil Ltda.
    - On November 20, 2007, these companies were acquired.
- Disposal:
  - DINOL Holding AB, DINOL AB
    - These companies were liquidated on December 28, 2007.
- Miscellaneous:
  - EMS-CHEMIE (Asia) Ltd.
    - This company changed its name to EMS-CHEMIE (Taiwan) Ltd. as of January 1, 2007.

32 Significant associated company

D PLAST-EFTEC a.s.		
Domicile		Zlín, Czech Republic
Percentage held		50.00%
Financial year		1.1.2007–31.12.2007
Category		Production, Sale
Currency		CZK
Net sales revenue	KCHF	39 353
Net income	KCHF	6 515
Assets	KCHF	33 645
Equity	KCHF	24 642
Liabilities	KCHF	9 003

On November 20, 2007, the participation of EMS Group in D PLAST-EFTEC a.s. increased from 35% to 50% as a result of the increased participation in EFTEC Europe Holding AG.

Notes		2007 (CHF '000)	2006 (CHF '000)
33	Risk management		

Credit risks

Overview of financial assets	2007 (CHF '000)	2006 (CHF '000)
Other non-current financial assets (see note 8)	3956	51566
Trade accounts receivable (see note 10)	255968	233706
Receivables from associated companies (see note 11)	22	8
Other current financial assets (see note 11)	50000	0
Derivative financial instruments (see note 12)	9372	12795
Cash and cash equivalents (see note 13)	713739	772514
Total financial assets	1033057	1070589

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

Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2007	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 17)	458330	487576	310882	176694	
Bank loans (see note 18)	3102	3102	3102		
Trade accounts payable	116959	116959	116959		
Advances from customers (see note 21)	5393	5393	5393		
Other current liabilities to associated companies (see note 21)	2064	2064	2064		
Derivative financial liabilities:					
Option component of convertible bonds	52484	0			
Derivative financial instruments (see note 12)	6080	6080	5578	502	
Total financial liabilities	644412	621174	443978	177196	0

Liquidity risks (continued)

At 31.12.2006	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1 – 5 years	>5 years
Non-derivative financial liabilities:					
Bonds (see note 17)	652 082	713 990	18 263	695 727	
Bank loans (see note 18)	15 689	15 689	15 689		
Trade accounts payable	112 101	112 101	112 101		
Advances from customers (see note 21)	1 549	1 549	1 549		
Other current liabilities to associated companies (see note 21)	1 856	1 856	1 856		
Derivative financial liabilities:					
Option component of convertible bonds	34 820	0			
Derivative financial instruments (see note 12)	17 779	17 779	16 189	1 590	
Total financial liabilities	835 876	862 964	165 647	697 317	0

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bonds have a fixed interest rate. The valuation is at amortized costs. There are no derivative financial instruments on interest rates used. An increase/(decrease) in the interest rate of 100 basis points in the case of the bank loans would decrease/(incease) net income after taxes by less than CHF 0.1 million (2006: CHF 0.1 million).
This sensitivity analysis assumes that all other assumptions, e.g. currency rates, remain constant.
The sensitivity analysis was performed on the same basis as for the previous year.

Currency risks

Overview currency exposure, net (in KCHF)

At 31.12.2007	CHF	EUR	USD	JPY	TWD	Other currencies
Trade accounts receivable (see note 10)	69 387	85 555	29 226	25 710	22 262	23 828
Loans to group companies	21 145	48 477	18 000	4 016	0	5 388
Derivative financial instruments (see note 12)	0	0	0	123 340	0	13 455
Trade accounts payable	(52 940)	(24 850)	(7 371)	(18 273)	(5 071)	(8 454)
Loans from group companies	(47 934)	0	(739)	0	0	0
Short-term bank loans (see note 18)	(74)	0	(792)	(1 004)	0	(1 232)
Derivative financial instruments (see note 12)	0	(249 935)	0	0	0	(19 263)
Currency exposure, net	(10 416)	(140 753)	38 324	133 789	17 191	13 722

Notes	2007 (CHF '000)	2006 (CHF '000)

Currency risks (continued)

At 31.12.2006	CHF	EUR	USD	JPY	TWD	Other currencies
Trade accounts receivable (see note 10)	69 887	73 608	20 867	28 534	19 915	20 895
Loans to group companies	14 701	28 266	27 786	4 108	0	6 706
Derivative financial instruments (see note 12)	0	0	0	100 394	0	0
Trade accounts payable	(54 255)	(25 558)	(4 282)	(14 648)	(5 275)	(8 083)
Loans from group companies	0	0	(891)	0	0	0
Short-term bank loans (see note 18)	(14)	0	(5 184)	(9 243)	0	(1 248)
Derivative financial instruments (see note 12)	0	(174 040)	(59 008)	0	0	0
Currency exposure, net	30 319	(97 724)	(20 712)	109 145	14 640	18 270

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 3.6 million (2006: CHF 0.5 million increase/[decrease]).
Per currency: EUR: CHF +13.9 million (2006: CHF +7.5 million), USD: CHF –5.1 million (2006: CHF +2.3 million), JPY: CHF –9.3 million (2006: CHF –7.6 million), other currencies: CHF –3.1 million (2006: CHF –1.7 million).
As there is no use of hedge accounting pursuant to IAS 39, no hedges are booked directly to equity. This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain constant. The sensitivity analysis was performed on the same basis as for the previous year.

Other price risks: Securities risks

The "securities" item in the balance sheet comprises the following countries:	2007	2006
Switzerland	72%	79%
Euroland	18%	7%
Great Britain	7%	7%
USA	3%	7%
Total	100%	100%

There is no significant correlation to a share index.

Sensitivity analysis of securities risks

A 10% increase in the fair value of available-for-sale securities (about half concerns Lonza securities), underlyings of stock options and option component of convertible bonds would increase equity after taxes by CHF 30.8 million (2006: CF 43.5 million), while the net income after taxes would be CHF 15.5 million (2006: CHF 14.3 million) lower.
A 10% decrease in the fair value of available-for-sale securities, underlyings of stock options and option component of convertible bonds would decrease equity after taxes by CHF 30.8 million (2006: CHF 43.5 million), while net income after taxes would be CHF 11.2 million (2006: CHF 14.3 million) higher.
The sensitivity analysis was performed on the same basis as for the previous year.

Report of the Group Auditors

KPMG

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

As Group Auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes) of EMS-CHEMIE HOLDING AG for the year ended December 31, 2007.

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

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

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

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

Zurich, March 27, 2008

KPMG AG

Hanspeter Stocker
Auditor in charge

François Rouiller

Annual Accounts
EMS-CHEMIE HOLDING AG

(for the Financial Year May 1, 2007 – April 30, 2008)

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2007 to April 30, 2008

	Notes	2007/2008 (CHF '000)	2006/2007 (CHF '000)
INCOME			
License fees from group companies		64 391	0
Financial income			
Interest income from third parties		5 747	5 152
Interest income from group companies		3 625	2 323
Income from sale of investments in group companies		471	238
Dividends on group companies		281 633	140 939
Income from financial assets, realized		31 076	49 986
Income from financial assets, unrealized		4 658	16 192
Other income		15 623	0
Total income		407 224	214 830

	Notes	2007/2008 (CHF '000)	2006/2007 (CHF '000)
EXPENSES			
Operating expenses to group companies		26 550	0
Financial expenses			
Expenses from financial assets, realized		2 518	1 033
Expenses from financial assets, unrealized		34 277	46 319
Interest expenses to third parties		12 343	17 332
Interest expenses to group companies		289	1 367
Foreign exchange differences, net	1	4 795	521
Loss from liquidation of investments in group companies		5 140	0
Bank charges, duties, fees		1 859	951
Administration expenses		1 420	1 534
Depreciation		19	0
Expenses arising from guarantees	2	3 084	8 000
Total expenses		92 294	77 057
Net income before taxes		314 930	137 773
Taxes		5 754	1 266
Net income		309 176	136 507

Balance Sheet as at April 30, 2008

	Notes	30.4.2008 (CHF '000)	30.4.2007 (CHF '000)
Non-current assets		370 846	377 781
Investments in group companies	3	291 007	274 913
Loans to group companies		79 839	52 868
Other non-current financial assets		0	50 000
Current assets		745 639	780 668
Prepayments and accrued income		1 556	3 430
Accounts receivable from third parties		3 010	2 826
Accounts receivable from group companies		37 718	6 207
Current financial assets	4	545 553	470 396
Cash and cash equivalents		157 802	297 809
TOTAL ASSETS		1 116 485	1 158 449

	Notes	30.4.2008 (CHF '000)	30.4.2007 (CHF '000)
Shareholders' equity	5	691 336	576 640
Share capital	6/7	251	251
Legal reserves		50	50
Reserves for treasury shares	4	416 560	268 161
Other reserves		10 000	10 000
Retained earnings	8	264 475	298 178
Liabilities		425 149	581 809
Non-current liabilities		14 169	516 149
Bonds	9	0	501 980
Provisions		14 169	14 169
Current liabilities		410 980	65 660
Bank loans		3 220	0
Bonds	9	282 965	0
Accruals and deferred income		12 395	12 094
Accounts payable to third parties		36 524	3 051
Accounts payable to group companies		75 876	50 515
TOTAL EQUITY AND LIABILITIES		1 116 485	1 158 449
Balance sheet equity ratio		61.9%	49.8%

Notes to the Financial Statements 2007/2008

Accounting principles

General

The financial statements of EMS-CHEMIE HOLDING AG have been prepared in accordance with the historical cost convention and with the provisions of Swiss law. Assets, liabilities and shareholders' equity are valued at the lower of cost or market and the principle of prudence is applied.
The financial year differs from the calendar year (closing date: April 30, 2008).
Companies in which EMS-CHEMIE HOLDING AG's shareholding is in excess of 50% (voting rights) are designated as group companies.

Foreign currency translation

Revenue and expenditure in foreign currencies are translated into Swiss francs for the income statement at the average rates for the month in which they arose.
Financial assets and current assets are translated at the year-end rate, as are current liabilities.

Current assets

Appropriate value adjustments have been effected for balances subject to risk.
Current financial assets are shown at the lower of cost or market value, derivative financial instruments at market value.

Non-current assets

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

Liabilities

Non-current liabilities are shown at their redemption value.

Income Statement 2007/2008

Notes		2007/2008 (CHF '000)	2006/2007 (CHF '000)
1	Foreign exchange differences, net		
	Foreign exchange gains	7 465	4 097
	Foreign exchange losses	12 260	4 618
	Foreign exchange differences, net	(4 795)	(521)

2 Expenses arising from guarantees
In connection with the sale of Atisholz to Emesta Holding AG in 2001, EMS-CHEMIE HOLDING AG issued a guarantee for warranties (see note 10). This guarantee stood at KCHF 18 916 as of April 30, 2008 (April 30, 2007: KCHF 22 000). KCHF 3 084 (2006/2007: KCHF 8 000) was utilized in the reporting year.

Balance Sheet as at April 30, 2008

3 Investments in group companies
Details of the investments as at December 31, 2007, can be seen in note 30, "List of subsidiaries and minority holdings", in the consolidated financial statements of the EMS Group.
In the period to April 30, 2008, investments changed as follows:
EMS-CHEMIE (Suzhou) Ltd.: A capital increase amounting to KCHF 12 537 took place as of February 7, 2008.

		2007/2008	2006/2007
4	Current financial assets		
	Securities	143 786	200 896
	Treasury shares	401 767	268 161
	Repurchased bonds	0	1 339
	Current financial assets	545 553	470 396

Details to treasury shares:	Number of registered shares	
Balance at May 1	2 336 224	2 314 897
Purchases	395 280	26 245
Disposals	(105 622)	(4 450)
Conversion	(1 709 331)	(468)
Repurchase of registered shares (reserved for reduction in share capital)	1 663 842	0
Balance at April 30	2 580 393	2 336 224

During the reporting year, 395 280 treasury shares were purchased at an average market price of CHF 164.72 and 105 622 treasury shares were sold at an average market price of CHF 166.78.
(2006/2007: Purchase of 26 245 treasury shares at an average market price of CHF 135.09, sale of 4 450 treasury shares at an average market price of CHF 135.02.)
Shares were traded on the stock exchange.
Of the 2% convertible bond 2002 – 25. 7. 2008, convertible bonds with a nominal value of KCHF 219 015 (2006/2007: KCHF 60) were converted into 1 709 331 (2006/2007: 468) treasury shares at the conversion price of CHF 128.20 (see note 9).
From the repurchase of registered shares by virtue of put options during the period from March 28 to April 11, 2008, 1 663 842 registered shares were tendered at the price of CHF 180.00.

Notes		2007/2008 (CHF '000)	2006/2007 (CHF '000)
5	Shareholders' equity		
	Balance at May 1	576 640	587 807
	Dividends paid	(194 480)	(147 674)
	Net income (see note 8)	309 176	136 507
	Balance at April 30	691 336	576 640

6 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
Balance at May 1, 2006	CHF 0.01	25 052 870	2 314 897	22 737 973	251
Change in treasury shares		–	21 327	(21 327)	–
Balance at April 30, 2007	CHF 0.01	25 052 870	2 336 224	22 716 646	251
Change in treasury shares		–	244 169	(244 169)	–
Balance at April 30, 2008	CHF 0.01	25 052 870	2 580 393	22 472 477	251

The holding of treasury shares amounted to 10.30% as at April 30, 2008; 6.64% of which is reserved for the reduction in share capital.

7	Significant shareholders		
	Emesta Holding AG, Zug, 12 004 390 registered shares		
	(2006/2007: 11 895 356 registered shares)		
	Amount of holding	47.92%	47.48%
	Miriam Blocher, 1 969 000 registered shares		
	(2006/2007: 1 969 000 registered shares)		
	Amount of holding	7.86%	7.86%
	No other representation of significant shareholders is known to the Board of Directors.		
8	Retained earnings		
	Balance brought forward	298 178	312 326
	Dividends paid	(194 480)	(147 674)
	Reclassification reserves for treasury shares	(148 399)	(2 981)
	Net income	309 176	136 507
	Retained earnings	264 475	298 178
9	Bonds		
	2% convertible bond 2002 – 25. 7. 2008	80 925	299 940
	4% debenture bond 2002 – 29. 7. 2008	202 040	202 040
	Bonds	282 965	501 980

Details of the bonds can be seen in note 17, "Bonds", in the consolidated financial statements of the EMS Group.
Convertible bonds with a nominal value of KCHF 219 015 (2006/2007: KCHF 60) were converted into treasury shares (see note 4).
Due to the conversion of bonds, the nominal value was reduced from KCHF 299 940 to KCHF 80 925.

Notes		2007/2008 (CHF '000)	2006/2007 (CHF '000)
10	Contingent liabilities		
	Guarantees (maximum liability)	577 911	594 861

To secure the convertible bond in the amount of CHF 350 million issued by EMS-INTERNATIONAL FINANCE (Guernsey) Ltd. in April 2002, EMS-CHEMIE HOLDING AG granted a guarantee in the amount of CHF 367.5 million.

11 Compensation and shareholdings

The following compensation was paid in the reporting year:

Board of Directors	Function	Compensation
Dr U. Berg	Chairman (from August 13, 2007)	79
D. Klug	Chairman (until August 12, 2007)	140
M. Martullo	Vice-Chairman and CEO	1 111
E. Appel	Member	137
Dr H. J. Frei	Member	387
Dr W. Prätorius	Member	137
A. Reich	Member	453
Total Board of Directors		2 444

Senior Management

Total compensation paid to the Senior Management was	2 646

The highest compensation for a member of the Senior Management in the reporting year was KCHF 1 111 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	3 979

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

Advisory board

There is no advisory board.

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

Notes	2007/2008 (CHF '000)	2006/2007 (CHF '000)

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

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

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

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

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

Proposals of the Board of Directors

At the Annual General Meeting of Shareholders to be hold on August 9, 2008, the Board of Directors will present the following proposals regarding the 2007/2008 financial year:

1. Approval of the Annual Report and the consolidated financial statements for the year ended December 31, 2007, and the financial statements for the year ended April 30, 2008;

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

3. Reduction of share capital by cancellation of 1 663 842 registered shares;

4. Retained earnings consisting of:

	2007/2008	2006/2007
Net income	309 175 756.21	136 507 357.46
Reclassification reserves for treasury shares	(148 398 970.53)	(2 981 109.65)
Balance brought forward	103 698 027.29	164 652 299.48
Retained earnings	264 474 812.97	298 178 547.29
to be appropriated as follows:		
Payment of an ordinary dividend of CHF 6.00 (previous year CHF 5.50) gross and	(134 834 862.00)	(133 705 357.50)
a special dividend of CHF 1.25 (previous year CHF 2.50) gross per registered share entitled to dividend	(28 090 596.25)	(60 775 162.50)
Balance to be carried forward	101 549 354.72	103 698 027.29

5. Schedule
   The dividend is payable as at August 13, 2008.

Domat/Ems, May 26, 2008

EMS-CHEMIE HOLDING AG

The Chairman of the Board of Directors
Dr Ulf Berg

Report of the Statutory Auditors

KPMG

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

As statutory auditors, we have audited the accounting records and the financial statements consisting of income statement, balance sheet and notes of EMS-CHEMIE HOLDING AG for the year ended April 30, 2008.

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

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

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Zurich, May 26, 2008

KPMG AG

Hanspeter Stocker	François Rouiller
Auditor in Charge	